Koninklijke KPN N.V.

(a public company incorporated under the laws of the Netherlands, with its corporate seat in The Hague, the Netherlands)

2 (two) for 1 (one) rights issue of 2,838,732,182 new ordinary shares at an issue price of EUR 1.06 for each ordinary share

Koninklijke KPN N.V. (**KPN**) is offering 2,838,732,182 new ordinary shares in its capital, with a nominal value of EUR 0.24 each, (the **Offer Shares**). The Offer Shares are initially being offered to eligible holders (**Shareholders**) of ordinary shares in the capital of KPN, with a nominal value of EUR 0.24 each, (**Ordinary Shares**) *pro rata* to their shareholdings (the **Rights Offering**), subject to applicable securities laws and on the terms set out in this document (the **Prospectus**). For this purpose, and subject to applicable laws and on terms set out in this Prospectus, Shareholders as of the Record Date (as defined below) are being granted transferable subscription entitlements (the **Rights**) that will enable them to subscribe for Offer Shares at an issue price of EUR 1.06 for each Offer Share (the **Issue Price**), provided they are Eligible Persons (as defined below). Shareholders as of the Record Date and subsequent transferees of the Rights, in each case who are able to give the representations and warranties set out in "Selling and Transfer Restrictions", are **Eligible Persons** with respect to the Rights Offering.

Each Ordinary Share held immediately after the close of trading in the Ordinary Shares on NYSE Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. (**NYSE Euronext Amsterdam**), at 17:40 Central European Time (**CET**) on 25 April 2013 (the **Record Date**) will entitle the relevant Shareholder to one Right. Subject to applicable securities laws and to the terms set out in this Prospectus, Eligible Persons will be entitled to subscribe for two Offer Shares for every one Right held against payment of the Issue Price for each Offer Share by exercising their Rights from 09:00 CET on 26 April 2013 until 15:00 CET on 14 May 2013 (the **Exercise Period**). Exercised Rights cannot be revoked or modified, except in certain circumstances as set out in "The Offering". The statutory pre-emptive rights (*wettelijke voorkeursrechten*) of the Shareholders in respect of the Offering (as defined below) have been excluded.

América Móvil, S.A.B. De C.V. (**América Móvil**) has committed, subject to certain conditions, to participate in the Rights Offering and subscribe for Offer Shares *pro rata* to its current shareholding in the total issued share capital of KPN (excluding Ordinary Shares held by KPN), representing approximately 29.77% of the Ordinary Shares issued (excluding Ordinary Shares held by KPN). Further details of the shareholder commitment letter signed by América Móvil are provided in "General Information—Material contracts—Shareholder Commitment Letter and relationship agreement".

Following the expiry of the Exercise Period, any Offer Shares that were issuable upon the exercise of Rights but have not been subscribed for during the Exercise Period (the **Rump Shares**) will be offered for sale by Deutsche Bank AG, London Branch, Goldman Sachs International and J.P. Morgan Securities plc, the joint global coordinators for the Rights Offering and the Rump Offering (as defined below), together referred to as the **Offering**, (in that capacity, the **Joint Global Coordinators**) and ABN AMRO Bank N.V., ING Bank N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (acting as Rabobank International), Merrill Lynch International, Barclays Bank PLC, Citigroup Global Markets Limited, UBS Limited, BNP Paribas, Credit Suisse Securities (Europe) Limited, Société Générale and UniCredit Bank Austria AG (together with the Joint Global Coordinators, the **Banks**) by way of private placements to institutional investors in the Netherlands and certain other jurisdictions (the **Rump Offering**).

The Rump Offering, if any, is expected to commence at 07:30 CET on or about 15 May 2013 and to end no later than 17:30 CET on or about 15 May 2013. The Joint Global Coordinators shall, subject to the satisfaction of conditions contained in and on the terms of the underwriting agreement for the Offering entered into between KPN and the Banks on 25 April 2013 (the **Underwriting Agreement**), procure subscribers for, or shall themselves subscribe and pay for, any Rump Shares not subscribed for through the exercise of Rights or sold in the Rump Offering. The price per Rump Share must be at least equal to the Issue Price, plus any expenses related to procuring such subscribers (including any value added tax). The Offering will be subject to the terms and conditions of the Underwriting Agreement and as set out in this Prospectus.

Shareholders who transfer, or who do not or are not permitted to exercise, any of their Rights granted under the Rights Offering will suffer a substantial dilution of their proportionate ownership and voting rights of approximately 66.7% as a result of the issue of the Offer Shares. **The latest date for acceptance under the Rights Offering is expected to be 15:00 CET on 14 May 2013, with admission and commencement of dealings in Offer Shares expected to take place at 09:00 CET on 17 May 2013.**

Application has been made for the admission to listing and trading of the Rights and the Offer Shares on NYSE Euronext Amsterdam. KPN expects that the Rights will be admitted to listing and trading on NYSE Euronext Amsterdam and that trading will commence at 09:00 CET on 26 April 2013 and will end at 17:40 CET on 13 May 2013, barring unforeseen circumstances. The Rights will be traded under the symbol "KPNR". KPN expects that the Offer Shares will be admitted to listing and trading on NYSE Euronext Amsterdam and that trading will commence at 09:00 CET on or about 17 May 2013 under the current symbol "KPN", barring unforeseen circumstances.

The Rights and the Offer Shares (including the Rump Shares) will be delivered through the book-entry systems of *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* trading as Euroclear Nederland (**Euroclear Nederland**), in accordance with its normal settlement procedures applicable to equity securities.

Investing in the Rights and the Offer Shares involves certain risks. Prospective investors should read the entire document and, in particular, see "Risk Factors" beginning on page 33 for a description of certain risks that should be carefully considered by potential investors prior to an investment in the Rights and the Offer Shares.

KPN is not taking any action to permit a public offering of the Rights or the Offer Shares in any jurisdiction outside the Netherlands. The Rights and the Offer Shares are being offered by KPN only in those jurisdictions in which, and only to those persons to whom, offers of the Rights and offers of the Offer Shares (pursuant to the exercise of the Rights or otherwise) may lawfully be made.

Distribution of this Prospectus, and the transfer of the Rights and the Offer Shares, into jurisdictions other than the Netherlands may be subject to specific regulations or restrictions. Persons in possession of this Prospectus must therefore inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction. In particular, subject to certain exceptions, this Prospectus must not be distributed, forwarded to or transmitted in or to the United States, Australia or Japan. KPN, the Banks and the Subscription, Listing and Paying Agent disclaim all responsibility for any violation of such restrictions by any person. Shareholders who have a registered address in, or who are resident or located in, jurisdictions other than the Netherlands and any person (including, without limitation, agents, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this Prospectus to a jurisdiction outside the Netherlands, should read "Selling and Transfer Restrictions".

The Rights and the Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state and other securities laws of the United States. There will be no public offer of the Rights and the Offer Shares in the United States. The Rights and the Offer Shares are being offered and sold in offshore transactions in compliance with Regulation S of the Securities Act (**Regulation S**) and within the United States to qualified institutional buyers (**QIBs**) as defined in Rule 144A of the Securities Act (**Rule 144A**) pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Purchasers are hereby notified that KPN and other sellers of the Rights and the Offer Shares are relying on an exemption from the registration requirements of Section 5 of the Securities Act, which may include Rule 144A or Regulation S thereunder.

Except as otherwise set out in this Prospectus, the Offering described in this Prospectus is not being made to Shareholders or investors in the United States, Australia or Japan.

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, Rights and Offer Shares or to take up any Rights in any jurisdiction in which such an offer or solicitation is unlawful.

This Prospectus constitutes a prospectus for the purposes of Article 3 of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (as amended, including by Directive 2010/73/EC) (the **Prospectus Directive**) and has been prepared in accordance with chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder (the **Dutch Financial Supervision Act**). This Prospectus has been filed with and approved by the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the **AFM**).

Joint Global Coordinators and Joint Bookrunners

Deutsche Bank **Goldman Sachs International** **J.P. Morgan**

Joint Bookrunners

ABN AMRO **ING** **Rabobank International**

Co-Bookrunners

BofA Merrill Lynch **Barclays** **Citigroup** **UBS Investment Bank**

Co-Lead Managers

BNP PARIBAS **Credit Suisse** **Société Générale Corporate & Investment Banking** **UniCredit**

This Prospectus is dated 25 April 2013

TABLE OF CONTENTS

SUMMARY

Summaries are made up of disclosure requirements known as **Elements**. The elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

SECTION A—INTRODUCTION AND WARNINGS		
A.1	**Introduction and warnings**	This summary should be read as an introduction to this Prospectus. Any decision to invest in the Rights, the Offer Shares or KPN should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the Economic European Area, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or if it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Rights, the Offer Shares or KPN.
A.2	**Consent by KPN to the use of the Prospectus for resale or final placement of securities by financial intermediaries**	Not applicable; there will be no subsequent resale or final placement of securities by financial intermediaries.

SECTION B—ISSUER		
B.1	**Legal and commercial name**	Koninklijke KPN N.V.
B.2	**Domicile, legal form, legislation and country of incorporation**	KPN is a public company (*naamloze vennootschap*) with limited liability incorporated under the laws of and domiciled in the Netherlands. KPN has its corporate seat (*statutaire zetel*) in The Hague, the Netherlands.
B.3	**Current operations and principal activities**	KPN is the leading telecommunications and information and communications technology (**ICT**) provider in the Netherlands, offering fixed and mobile telephony, fixed and mobile broadband internet and TV to retail customers. KPN is also a market leader in the Netherlands in ICT services, infrastructure and network related ICT solutions to business customers, including other telecommunications operators. In Germany and Belgium, KPN pursues a challenger strategy and offers mobile telephony products and services to retail customers through E-Plus and KPN Group Belgium, respectively. KPN also provides wholesale network services to third parties and operates an IP-based infrastructure for international wholesale customers through iBasis.

		KPN markets a large portfolio of quality products to meet the needs of different customer groups that are differentiated by price, product and service. KPN believes this allows customers to select the brand and tariff plans that suits them best. For example, customers in the Netherlands can choose from, among others, KPN's high quality KPN brand, its Hi brand (which is a sub-brand of KPN, focused on the youth segment), its no-frills Telfort brand and its premium XS4ALL brand. In the Netherlands, Germany and Belgium, KPN also offers mobile telephony services online through its Simyo brand, and markets to various distinct communities through its own brands and a variety of mobile virtual network operators (**MVNOs**) and branded resellers. BASE is KPN's principal mobile telephony brand in Belgium and Germany. KPN offers business customers a wide range of ICT services, whether they are a locally based small or medium enterprise business or a multinational corporation. KPN offers these services to the Dutch and international business community through the KPN, Telfort and XS4ALL brands. In addition, KPN offers telecommunication infrastructure and wholesale services to MVNOs, branded resellers (mobile) and internet service providers (**ISPs**) (fixed line). Wholesale customers such as JIM mobile, Allo RTL, Aldi-Talk, Albert Heijn and Lebara pay for access to KPN's mobile networks in the Netherlands, Germany and Belgium and Tele2, T-Mobile and Vodafone pay to use its fixed networks in the Netherlands in order to provide services to their customers. In the Netherlands, KPN operates fixed and mobile networks, and as the incumbent telecommunications provider is the only operator of fixed copper infrastructure with nationwide coverage in the Netherlands. KPN is also deploying in the Netherlands a fiber to the home (**FttH**) network through its joint venture, Reggefiber Group B.V. (**Reggefiber**), and a fiber to the office (**FttO**) network, which it owns and operates directly, to further strengthen its fixed network strategy and support its retail and business offerings. In addition, KPN recently acquired 15 blocks of frequency licenses in the 800MHz, 900MHz, 1800MHz, 2.1GHz and 2.6GHz bands for a total of 120MHz of frequency licenses for 17 years in the spectrum auction in the Netherlands. This spectrum package enables KPN to continue its existing 2G and 3G services, and introduce new services, such as 4G, which is intended to support its market leading position in the Dutch market. As of 31 March 2013, KPN served 37.1 million mobile customers and had 3.8 million fixed line voice connections, 2.9 million broadband internet connections and 1.8 million TV connections. With 24,647 full time employees working for the Group as of 31 March 2013, KPN reported full-year revenues and other income of EUR 12,708 million and EBITDA of EUR 4,528 million for the year ended 31 December 2012, and revenues and other income of EUR 2,911 million and EBITDA of EUR 994 million for the three months ended 31 March 2013. KPN believes that it has a number of key strengths that position it favorably in the European telecom landscape. They include: • Operating in some of the strongest regions in Europe from a macroeconomic perspective; • Integrated network telecommunications provider with a leading position in the domestic Dutch telecoms market;

		• Successful challenger strategy that has enabled strong growth and profitability in the German and Belgian mobile businesses; • High quality network infrastructure, well positioned to serve evolving market needs; • Positioned to benefit from the roll-out of new service propositions; and • Experienced management team. KPN's strategy is based on three fundamental elements: • Strengthening KPN's leading market positions in the Netherlands by further transforming it into an integrated access provider; • Growing in Germany and Belgium by executing on the next phase of KPN's challenger strategy; and • Simplifying its organizational structure and product and brand portfolio to further optimize its cost structure.
B.4a	**Significant recent trends affecting KPN and industries in which it operates**	KPN operates primarily in the Netherlands as a telecommunications and ICT provider, as well as a telecommunications provider in Germany and Belgium. ***Mobile telecommunications in the Netherlands*** KPN operates in a challenging environment in the mobile telecommunications market in the Netherlands. Increased competition on the basis of both price and quality from traditional competitors, together with regulatory obligations to reduce mobile termination rates (**MTRs**) and roaming charges, changing customer behavior as well as a slow macro-economy, have contributed to the overall decline in service revenues and average revenue per user (**ARPU**), and these declines are expected to continue. The market is highly competitive and changing, with increasing customer preference for mobile data access over traditional voice and short message service (**SMS**) as a result of new technologies maturing and the introduction of new applications such as over-the-top (**OTT**), which allow users to substitute mobile data for traditional voice and SMS communications. ***Fixed-line telecommunications in the Netherlands*** The fixed-line telephony and broadband internet markets in the Netherlands are characterized by a broadband internet market featuring relatively high customer penetration rates with limited growth potential, and a declining fixed-line telephony market as customers increasingly migrate their communication patterns towards voice over internet protocol (**VoIP**) and mobile services. For these reasons, and due to growing customer demand, telecommunication service providers are focusing on bundled offerings of multiple products, which allow for differentiation based on quality and value of service provided, instead of solely on price. In addition, bundled offerings generally drive and support telephony and broadband internet sales, increase ARPU and reduce customer churn as compared with individually sold products and services.

<table>
<tr><td></td><td></td><td>

Business telecommunications services in the Netherlands

The Dutch business telecommunications market has experienced declining demand for telecommunications services and weaker demand for ICT services as IT budgets among businesses remain under pressure. Business customers are increasingly focusing on flat fee packages and integrated solutions. These trends have resulted in price pressure as contracts are often renewed at lower prices. In particular, the Business segment’s fixed telephony revenues have been declining due to new technologies such as VoIP replacing traditional services, pricing pressure and customers delaying improvements to their existing infrastructure.

ICT services in the Netherlands

The Dutch ICT market is highly competitive and has experienced and continues to experience overcapacity. ICT vendors, such as KPN, continue to experience postponement of larger investments by ICT customers and price pressure, particularly on smaller new and renewal deals, as IT budgets remain constrained for many business customers as well as in the large customer segment generally. In addition, cyclical IT service activities such as consulting and time and material services are under pressure as customers are prioritizing capital expenditures with their limited resources. In particular, the governmental and financial services sectors, which are among KPN’s largest clients, are competitive.

Germany

The German mobile market is highly competitive, with an increasing customer preference for mobile data over traditional voice and SMS. As a result, new competitors and products, such as OTT applications, along with regulatory obligations to reduce MTRs and roaming charges, have led to an overall decline in service revenues and ARPU in the mobile telecommunications market in Germany.

Belgium

The Belgian mobile communication market is highly competitive. Competition, together with regulatory obligations to reduce MTRs and roaming charges, have led to an overall decline in service revenues and ARPU in the Belgian mobile telecommunications market. Increasingly the market has been characterized by fixed-mobile convergence with competitors offering bundled packages combining fixed and mobile services.

</td></tr>
<tr><td>B.5</td><td>Description of the Group and KPN’s position therein</td><td>

KPN is the holding company of the Group that includes the following material subsidiaries (held directly or indirectly by KPN), all of which are engaged in KPN’s business:

<table>
<tr><th>Name</th><th>Country of incorporation</th><th>Percentage of capital and voting rights held by KPN (directly or indirectly)</th></tr>
<tr><td>KPN B.V.</td><td>The Netherlands</td><td>100</td></tr>
<tr><td>iBasis Inc.</td><td>USA</td><td>100</td></tr>
<tr><td>Getronics N.V.</td><td>The Netherlands</td><td>100</td></tr>
<tr><td>E-Plus Mobilfunk GmbH & Co KG (E-Plus)</td><td>Germany</td><td>100</td></tr>
<tr><td>KPN Group Belgium N.V. (KPN Group Belgium)</td><td>Belgium</td><td>100</td></tr>
</table>

</td></tr>
</table>

B.6	**Major Shareholder**	América Móvil is KPN's only major shareholder as of the date of this Prospectus. KPN was informed by América Móvil that it holds (either directly or indirectly) 422,559,000 Ordinary Shares and thus holds 29.52% of KPN's total issued and outstanding share capital as of the date of this Prospectus. Due to Ordinary Shares held as treasury shares by KPN, and therefore not voting, América Móvil's percentage of total voting shares is 29.77%. América Móvil has committed, subject to certain conditions, to participate in the Rights Offering and subscribe for Offer Shares *pro rata* to its current shareholding in the total issued share capital of KPN (excluding Ordinary Shares held by KPN), representing approximately 29.77% of the Ordinary Shares issued (excluding Ordinary Shares held by KPN). Further details of the shareholder commitment letter signed by América Móvil are provided in "General Information—Material contracts—Shareholder Commitment Letter and relationship agreement". To KPN's knowledge, no other shareholder owns 5% or more of KPN's issued and outstanding shares, either directly or indirectly, as of the date of this Prospectus. América Móvil does not have other voting rights than other shareholders. KPN is not aware of any party, or any parties acting in concert, that directly or indirectly control the vote at any General Meeting, nor is KPN aware of any arrangement the operation of which may result in a change of control of KPN.
B.7	**Selected key historical financial information**	The selected financial information set forth below has been extracted without material adjustment from KPN's audited consolidated financial statements for the years ended 31 December 2012, 2011 and 2010 and its unaudited consolidated interim financial statements as of and for the three months ended 31 March 2013 and 2012, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union **(IFRS)** and incorporated by reference.

Selected Consolidated Statement of Income

	Three months ended 31 March		Year ended 31 December		
	2013	2012	2012	2011	2010
	(unaudited)				
	(EUR in millions)				
Revenues	2,902	3,158	12,409	13,022	13,324
Other income	9	33	299	141	74
Total revenues and other income	**2,911**	**3,191**	**12,708**	**13,163**	**13,398**
Own work capitalized	(30)	(28)	(113)	(116)	(101)
Cost of materials	174	264	901	1,005	911
Work contracted out and other expenses	1,125	1,143	4,545	4,503	4,560
Employee benefits	436	505	1,911	1,874	1,932
Depreciation, amortization and impairments	629	539	2,708	2,589	2,226
Other operating expenses	212	176	936	759	620
Total operating expenses	**2,546**	**2,599**	**10,888**	**10,614**	**10,148**
Operating profit	**365**	**592**	**1,820**	**2,549**	**3,250**
Finance income	5	5	39	32	19
Finance costs	(190)	(186)	(732)	(690)	(860)
Other financial results	(2)	(15)	(151)	(96)	(75)
Financial income and expenses	**(187)**	**(196)**	**(844)**	**(754)**	**(916)**
Share of the loss of associates and joint ventures	(3)	(6)	(13)	(24)	(31)
Profit before income tax	**175**	**390**	**963**	**1,771**	**2,303**
Income taxes	(35)	(84)	(270)	(222)	(508)
Profit for the period	**140**	**306**	**693**	**1,549**	**1,795**

Selected Consolidated Statement of Financial Position

	As of 31 March	As of 31 December		
	2013	2012	2011	2010
	(unaudited)			
	(EUR in millions)			
Assets				
Total intangible assets	9,655	8,458	9,212	9,755
Total property, plant and equipment	8,028	7,895	7,533	7,514
Total non-current assets	**20,444**	**19,287**	**19,442**	**19,810**
Total current assets	**3,105**	**3,098**	**2,721**	**2,870**
Total Assets	**23,583**	**22,413**	**22,387**	**22,737**
Total Group equity	**2,463**	**2,461**	**2,930**	**3,500**
Total non-current liabilities	**15,259**	**14,090**	**13,656**	**13,802**
Total current liabilities	**5,834**	**5,856**	**5,609**	**5,419**
Total Equity and Liabilities	**23,583**	**22,413**	**22,387**	**22,737**

Selected Condensed Consolidated Statement of Cash Flows

	Three months ended 31 March		Year ended 31 December		
	2013	2012	2012	2011	2010
	(unaudited)				
	(EUR in millions)				
Net cash flow provided by operating activities	581	398	3,007	4,003	3,808
Net cash flow from/(used in) investing activities	(1,908)	(476)	(2,133)	(1,986)	(2,149)
Net cash flow from/(used in) financing activities	1,398	337	(876)	(1,748)	(3,634)
Changes in cash and cash equivalents	**71**	**259**	**(2)**	**269**	**(1,975)**
Exchange rate differences	—	—	(1)	(1)	5
Net cash and cash equivalents at the end of the period	**1,018**	**1,209**	**947**	**950**	**682**
Cash and cash equivalents[(1)]	**1,213**	**1,267**	**1,286**	**990**	**823**

(1) Cash and cash equivalents includes bank overdrafts.

B.8	**Selected key pro forma financial information**	Not applicable; no pro forma financial information is included in this Prospectus.
B.9	**Profit forecast**	Not applicable; no profit forecast or estimate is included in this Prospectus.
B.10	**Historical audit report qualifications**	Not applicable; there are no qualifications.
B.11	**Working capital**	KPN, including all of its subsidiaries and consolidated joint ventures, believes that its working capital is sufficient for the present requirements of KPN, including all of its subsidiaries and consolidated joint ventures, that is, for at least 12 months following the date of this Prospectus.

SECTION C—SECURITIES		
C.1	**Type and class** **Security identification number**	Ordinary Shares in registered form. Symbol: "KPN" ISIN code: NL0000009082 Common code: 011244734 Transferable subscription entitlements (Rights) in registered form. Symbol: "KPNR" ISIN code: NL0010421525
C.2	**Currency of the Ordinary Shares**	The Ordinary Shares are denominated in Euro.
C.3	**Number of shares issued, par value per share**	At the date of this Prospectus, 1,431,522,482 Ordinary Shares are issued and are all fully paid up. No Preference Shares have been issued.
C.4	**Rights attached to the securities**	The Offer Shares carry dividend rights. Each Offer Share entitles its holder to cast one vote at the General Meeting. There are no restrictions on voting rights. Dutch law and KPN's articles of association (the **Articles of Association**) generally give Shareholders pre-emptive rights to subscribe on a *pro rata* basis for any issue of new Shares or, upon a grant of rights, to subscribe for Shares. Exceptions to these pre-emptive rights include (1) the issue of Ordinary Shares issued against non-cash contributions, (2) the issue of Ordinary Shares to KPN's employees or the employees of a group company as defined in Article 2:24b of the Dutch Civil Code, (3) the issue of Ordinary Shares to persons exercising a previously granted right to subscribe for Ordinary Shares and (4) the issue of Preference Shares. Holders of Preference Shares furthermore have no pre-emptive right on Ordinary Shares or Preference Shares. Pursuant to the Articles of Association the Board of Management, subject to the approval of the Supervisory Board, may restrict and if so designated by the General Meeting exclude shareholder pre-emptive rights.

		Any surplus remaining after settlement of the debts and litigation costs shall first be distributed to the holders of the Preference Shares the nominal amount paid up on these shares and any amount still owed by way of dividend to which these shares entitle, insofar as this has not been distributed in previous years. If the balance is not sufficient to do so, the distribution will be made in proportion to the amounts paid up on those shares. The remainder will be distributed to the holders of Ordinary Shares in proportion to the aggregate nominal value of their Ordinary Shares.
C.5	**Restrictions on free transferability of the securities**	There are no restrictions on the free transferability of the Ordinary Shares under the articles of association of KPN. However, the offer of the Rights and the Offer Shares to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the Netherlands, and the transfer of Rights and Offer Shares into jurisdictions other than the Netherlands, may be subject to specific regulations or restrictions. In such cases, investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Rights may only be exercised and used to subscribe for Offer Shares by Shareholders as of the Record Date and subsequent transferees of the Rights, in each case who are able to give the representations and warranties set out in "Selling and Transfer Restrictions" (**Eligible Persons**).
C.6	**Listing and admission to trading**	Application has been made for the listing and trading of the Rights and the Offer Shares on NYSE Euronext Amsterdam. KPN expects trading of the Rights on NYSE Euronext Amsterdam to commence at or around 09:00 CET on 26 April 2013 and to end at 17:40 CET on 13 May 2013, barring unforeseen circumstances. The Rights will be traded under the symbol "KPNR". The transfer of Rights will take place through the book-entry systems of Euroclear Nederland. Persons interested in trading, buying or selling Rights should be aware that the exercise of Rights by holders who are located in countries other than the Netherlands is subject to restrictions as described under section "Selling and Transfer Restrictions". KPN expects that the Offer Shares will be admitted for listing and trading, and that trading in the Offer Shares will start, on NYSE Euronext Amsterdam at 09:00 CET on or about 17 May 2013, barring unforeseen circumstances. The outstanding Ordinary Shares are listed and will remain listed on NYSE Euronext Amsterdam under the symbol "KPN".
C.7	**Dividend policy**	On 23 April 2013, KPN announced that it will pay no dividend for the financial years 2013 and 2014. Subject to its operational performance and financial position, KPN expects to resume dividend payments thereafter.

SECTION D—RISKS		
D.1	**Key risks relating to KPN and its industry**	**Risks associated with competition** • KPN is exposed to significant competition in all areas of its business and in the various geographies where it operates from existing and potential new telecommunications service or ICT solutions providers and network operators. • The sectors in which KPN competes are subject to rapid and significant changes in technology, with which KPN may have difficulty competing successfully. • As a result of the increasing substitution of data services in place of traditional voice and SMS communications, KPN's traditional voice and SMS markets have been decreasing and are expected to continue to decrease due to increasing competition from alternative modes of telecommunication. • Customer churn may increase, and revenues and margins could be significantly lower than expected, if KPN fails to offer customer propositions that respond to customer demand. **Risks associated with KPN's business and the telecom industry** • KPN's results of operations and financial condition depend on economic conditions in the Netherlands, Germany and Belgium. • KPN's success depends upon maintaining and improving its networks, systems and operations. • KPN's challenger strategy in Germany and Belgium may not be successful. • Rating agency action could materially adversely affect the market price of the Offer Shares as well as KPN's ability to obtain future financing and the terms of that financing. • KPN's business depends on the strength and visibility of its various brands. Failure to promote and reinforce customer trust in its brands would have a material adverse effect on KPN's business, results of operations and financial condition. • KPN's deployment of FttH is dependent upon its joint venture, Reggefiber, and increasing KPN's ownership in the joint venture through the Call/Put Arrangement would require KPN to fully consolidate Reggefiber's assets and liabilities on KPN's consolidated balance sheet. • KPN depends on the ability to attract and retain key personnel without whom KPN may not be able to manage its business effectively. • KPN operates in a capital-intensive business and may not have sufficient liquidity to fund its capital expenditures and investments over the longer term (that is, over a period of more than 12 months from the date of this Prospectus).

		• KPN is subject to risks from legal and similar proceedings, particularly relating to KPNQwest and Reggefiber. • Failure of KPN's telecommunications systems or security measures could significantly disrupt its operations, which could negatively affect KPN's reputation, reducing its customer base and resulting in lost revenue. • KPN may experience employee or labor relations problems, which may lead to work stoppages, reputational damage or increased costs. • KPN's pension liability may reduce KPN's cash flows, profitability, financial condition, net assets, distributable reserves and KPN's ability to pay dividends. • Deteriorating economic conditions or other factors could result in the further impairment of tangible assets, goodwill and other intangible assets, which may adversely affect KPN's financial condition or results of operations. • KPN depends on hardware and software suppliers and content suppliers, who may choose to discontinue or be forced to discontinue their services or products, seek to charge prices that are not competitive or choose not to renew contracts with KPN. • KPN collects and processes customer data as part of its daily business and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and customer churn and adversely affect KPN's business. • Risks in relation to outsourcing of services may adversely affect KPN's business and may cause higher costs than initially anticipated. • KPN's financial results could be adversely affected by changes in foreign currency exchange rates. • KPN is subject to interest rate risk, which could result in higher interest expense in the future. • KPN does not provision for dismantling of certain elements of its network and any resulting cash outflows are uncertain. • KPN has significant deferred tax assets which may not be recoverable. • KPN is subject to increasing operating costs and inflation risks which may adversely affect its earnings. • Third parties may claim that KPN infringes their intellectual property rights, which could adversely affect KPN's business. • KPN's business may be adversely affected by actual or perceived health risks and other environmental requirements relating to mobile telecommunications transmission equipment and devices, including the location of antennas.

		• Disruptions in the credit and equity markets could increase the risk of default by the counterparties to KPN's derivative and other financial instruments, and further restrict the availability of debt financing to KPN. • Market perceptions concerning the stability of the Euro could negatively impact KPN's business or KPN's ability to refinance KPN's liabilities. **Risks Relating to Regulatory and Legislative Matters** • KPN may fail to obtain or renew its spectrum licenses in the jurisdictions in which it operates, and, in particular, KPN expects that it may participate in spectrum auctions in Germany and Belgium in the near future. • KPN is subject to monitoring and regulation by regulatory bodies in the jurisdictions in which it operates, which may increase its costs and otherwise adversely affect its business. • KPN's revenues may decline as a result of decreases in fixed and mobile termination rates. • KPN may be subject to increased costs or pressure on its revenues from changing regulation for international roaming charges. • KPN has been found in the past, and in the future may be found, to have significant market power in the markets in which it operates, the regulation of which may adversely affect its business. • KPN's operations, facilities, products and employees are subject to a wide range of health and safety regulations and concerns, and as a result, KPN may be subject to material liabilities. • Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on KPN's results of operations and cash flow. • KPN has not received confirmation from the relevant authorities in the Netherlands regarding the deductibility of interest payments made on the recently issued Capital Securities or the absence of a withholding tax requirement. As a result, the Capital Securities could be subject to a voluntary redemption by KPN. KPN's ability to refinance such a redemption of the Capital Securities cannot be assured, resulting in higher interest expense, higher income tax liabilities and reduced profits, and any additional capital raised to refinance the Capital Securities could result in substantial additional leverage or dilution to holders of Ordinary Shares.
D.3	**Key risks relating to the securities**	**Risks associated with the Offering and the Ordinary Shares** • KPN's dividend may fail to be restored in a timely manner, or at all. • The market price of the Ordinary Shares will fluctuate, and may decline below the Issue Price.

		• KPN cannot assure investors that an active trading market will develop for the Rights and, if a market does develop, the market price of the Rights will be affected by, and may be subject to greater volatility than, the market price of Ordinary Shares. • Shareholders will experience significant dilution as a result of the Rights Offering if they do not or cannot exercise their Rights in full. • One shareholder owns approximately 29.52% of the Ordinary Shares and thus may be in a position to exercise significant influence over KPN's actions, to the detriment of other shareholders and this shareholder's interests may not be aligned with the interests of other shareholders. • If Eligible Persons do not properly and timely exercise their Rights, they may not be able to subscribe for Offer Shares at the Issue Price and they may not receive any compensation for their unexercised Rights. • If the Offering is withdrawn, both the exercised and unexercised Rights will be forfeited without compensation to their holders and the subscriptions for and allotments of Offer Shares that have been made will be disregarded. Any such forfeiture of Rights will be without prejudice to the validity of any settled trades in the Rights. • Additional equity offerings or future sales of Ordinary Shares by KPN or by significant shareholders of KPN, or the possibility of such offerings or future sales, could have a material adverse effect on the price of the Shares and dilute the interests of shareholders. • Subject to certain exceptions, Shareholders in certain jurisdictions may not be able to participate in the Offering or elect to receive share dividends, and such Shareholders' ownership and voting interests in KPN's share capital will accordingly be diluted. • Takeover attempts that may be favorable to Shareholders may be prevented or discouraged by certain arrangements in Dutch law and the Articles of Association. • Shareholders may be subject to exchange rate risk as a result of adverse movements in the value of their local currencies against the Euro. • The ability of Shareholders to bring actions or enforce judgments against KPN or members of its Supervisory Board and Board of Management may be limited. • If securities or industry analysts cease to publish research reports on KPN's business, or adversely change or make negative recommendations regarding Ordinary Shares, the market price and trading volume of Ordinary Shares could decline.

SECTION E—OFFER		
E.1	**Net proceeds and estimated expenses**	KPN expects that the Offering will raise net proceeds of EUR 2,937 million, after deducting the estimated expenses, commissions and taxes related to the Offering of approximately EUR 72 million.
E.2a	**Reasons for the Offering and use of proceeds**	**Background and reasons for the Offering** In recent years, KPN's financial position has been impacted by rising debt levels combined with increased commercial investments and its credit profile has come under pressure. KPN's reported Net Debt/Adjusted EBITDA increased during 2012, from 2.3x as of 31 December 2011, to 2.7x as of 31 December 2012. In addition, KPN paid EUR 1,352 million in January 2013 in connection with the Dutch spectrum auction, which would have increased its Net Debt/Adjusted EBITDA to approximately 3.0x as of 31 December 2012. As of 31 March 2013, KPN's Net Debt/Adjusted EBITDA was 2.8x. To align its financial position with its strategy, KPN is undertaking the Offering and has recently completed offerings of the EUR 1,100 million Euro-denominated perpetual capital securities and GBP 400 million pound-sterling denominated long-dated capital securities issued on 14 March 2013, and the USD 600 million US dollar-denominated long-dated capital securities issued on 28 March 2013 (collectively referred to as the **Capital Securities**) which will strengthen its balance sheet and is intended to provide a stable financial position in the coming years. The net proceeds from the Offering, together with the net proceeds of the recently completed offerings of the Capital Securities, will increase KPN's financial and strategic flexibility and will enable KPN to continue to invest in its operations and reduce its net debt level. KPN believes that the Offering, together with the net proceeds of the recently completed offerings of the Capital Securities, will support its commitment to maintain an investment grade credit profile and is convinced that it is in KPN's shareholders' and its other stakeholders' best interest to strengthen the capital structure significantly. KPN requires continuous access to the capital markets to refinance its borrowings when these are due. See "Operating and Financial Review—Liquidity and capital resources—Overview of indebtedness". An investment grade credit profile is considered to be important to enable KPN to refinance upcoming redemptions at favorable terms. This will enable KPN to continue to invest in its operations which is essential to achieving its strategic objectives. **Use of proceeds** KPN intends to use the net proceeds of the Offering, together with the net proceeds of the recently completed offerings of the Capital Securities, primarily to strengthen its capital structure by reducing net indebtedness. The net proceeds of such issuances have been used and are intended to be used as follows: • to repay the drawings under its Credit Facility which had been utilized to partially fund the EUR 1,352 million payment for spectrum in the Netherlands in January 2013;

		• to directly or indirectly repay KPN's bond redemptions, including EUR 540 million due in March 2013, EUR 545 million due in September 2013, EUR 750 million due in February 2014 and EUR 650 million due in May 2014; • to accelerate certain investments in the jurisdictions in which KPN operates, as well as the consolidation of Reggefiber; and • to the extent KPN has proceeds remaining, for general corporate purposes.
E.3	**Terms and conditions of the Offering**	**Issue Price** EUR 1.06 per Offer Share. **Pre-emptive rights** The statutory pre-emptive rights (*wettelijke voorkeursrechten*) of the Shareholders in respect of the Offering have been excluded for the purpose of the Offering. **Record Date** The Record Date is immediately after the close of trading on NYSE Euronext Amsterdam at 17:40 CET on 25 April 2013. Until the close of trading in the Ordinary Shares on the Record Date, the Ordinary Shares will trade *cum*-Rights. As from 09:00 CET on 26 April 2013, the Ordinary Shares will trade *ex*-Rights. **Rights** Each Ordinary Share held immediately after the close of trading on NYSE Euronext Amsterdam at 17:40 CET on the Record Date will entitle its holder to one (1) Right. KPN, as holder of Ordinary Shares in treasury, will not be granted any Rights. Subject to applicable securities laws and the terms set out in this Prospectus, each existing Shareholder that is an Eligible Person will be entitled, until the end of the Exercise Period, to subscribe for two Offer Shares for every one Right held against payment of the Issue Price for each Offer Share. No fractional Offer Shares will be issued. **Exercise Period** The Exercise Period is from 09:00 CET on 26 April 2013 until 15:00 hours CET on 14 May 2013. If an Eligible Person has not exercised his Rights by the end of the Exercise Period, they can no longer be exercised. **Rump Offering and underwriting** After the Exercise Period has ended, the Joint Global Coordinators will, subject to the terms and conditions of the Underwriting Agreement, commence the Rump Offering, if any. In the Rump Offering the Banks will offer the Rump Shares, if any, for sale by way of private placements in the Netherlands and certain other jurisdictions, all in accordance with the terms and conditions of the Underwriting Agreement. The Rump Offering, if any, is expected to commence at 07:30 CET on or about 15 May 2013 and to end no later than 17:30 CET on or about 15 May 2013.

		Unexercised Rights Payment If, upon completion of the Rump Offering, the aggregate proceeds for the Rump Shares offered and sold in the Rump Offering, minus the selling expenses and any applicable taxes, exceed the aggregate Issue Price for such Rump Shares (such amount, the **Excess Amount**), each holder of a Right that was not exercised at the end of the Exercise Period will be entitled to receive a part of the Excess Amount in cash *pro rata* to the number of unexercised Rights reflected in each such holder's securities account (the **Unexercised Rights Payment**), but only if that amount is equal to or exceeds EUR 0.01 per unexercised Right. The Unexercised Rights Payment, if any, will be distributed to the holders of unexercised Rights as soon as practicable after the Settlement Date by the Subscription, Listing and Paying Agent via financial intermediaries. KPN and the Joint Global Coordinators cannot guarantee that the Rump Offering will take place. Should the Rump Offering take place, KPN, the Subscription, Listing and Paying Agent, the Banks or any other person procuring buyers for the Rump Shares will not be responsible for any lack of Excess Amount arising from any placement of the Rump Shares in the Rump Offering. **Payment and delivery** Payment for the Offer Shares must be made to the Subscription, Listing and Paying Agent no later than the Settlement Date. A holder of Rights should pay the Issue Price per Offer Share for the Offer Shares subscribed for in accordance with the instructions received from the financial intermediary through which he holds the Rights. The financial intermediary will pay the Issue Price to the Subscription, Listing and Paying Agent, who will in turn pay it to KPN. Financial intermediaries may require payment to be provided to them prior to the Settlement Date. Delivery of the Offer Shares will take place through the book-entry system of Euroclear Nederland.
E.4	**Interests material to the Offering (including conflicting interests)**	Not applicable; there is no interest, including any conflicting interest, that is material to the Offering.
E.5	**Person or entity offering to sell the securities and lock-up arrangements**	KPN will be issuing and offering the Rights and the Offer Shares. In connection with the Offering, KPN has agreed to certain restrictions on the direct or indirect issue, offer, lease, sale, grant of rights, warrants or options in respect of, or other disposition of any Ordinary Shares or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares during a period from the date of the Underwriting Agreement to 180 days from the Settlement Date (subject to certain customary exceptions), except with the prior written consent of the Banks.
E.6	**Dilution**	Shareholders who transfer, or who do not, or are not permitted to, exercise any of their Rights granted under the Offering will suffer a substantial dilution of their proportionate ownership and voting rights of up to approximately 66.7% by the issue of the Offer Shares.
E.7	**Estimated expenses charged to the investors by KPN**	Not applicable; no expenses have been/will be charged to investors by KPN in relation to the Offering.

SAMENVATTING

Deze tekst is een Nederlandse vertaling van de samenvatting van het Engelstalige prospectus van 25 april 2013 (het ***Prospectus****) dat is opgesteld in verband met de aanbieding van overdraagbare inschrijfrechten op nieuw uit te geven gewone aandelen (de* ***Claims****) en 2,838,732,182 nieuwe gewone aandelen (de* ***Aangeboden Aandelen****) in het kapitaal van Koninklijke KPN N.V. (****KPN****) op NYSE Euronext in Amsterdam (****Euronext Amsterdam****) (samen met de Rump Aanbieding, zoals hierna gedefinieerd, de* ***Aanbieding****). Zoals beschreven in het Prospectus verkrijgen huidige Aandeelhouders, wanneer zij een* ***Eligible Person*** *(zoals hierna gedefinieerd) zijn, verhandelbare Claims waarmee zij tegen de Uitgiftekoers (zoals hierna gedefinieerd) kunnen inschrijven op de Aangeboden Aandelen. Aangeboden Aandelen waarop niet is ingeschreven na afloop van de Uitoefeningsperiode (zoals hierna gedefinieerd), zullen door onder anderen, Deutsche Bank AG, London Branch, Goldman Sachs International en J.P. Morgan Securities plc (de* ***Joint Global Coordinators****) door middel van onderhandse plaatsingen bij institutionele investeerders in Nederland en bepaalde andere jurisdicties worden aangeboden (de* ***Rump Aanbieding****).*

Samenvattingen bestaan uit meldingsplichten bekend als Elementen. De elementen zijn genummerd in de Afdelingen A – E (A.1 – E.7).

Deze samenvatting bevat alle Elementen die in een samenvatting voor dit type effecten en uitgevende instelling verplicht dienen te worden opgenomen. Omdat sommige Elementen niet verplicht zijn, is het mogelijk dat de nummering van de Elementen niet volledig is.

Ondanks dat een Element verplicht opgenomen dient te worden in de samenvatting gelet op het type effecten en de uitgevende instelling, is het mogelijk dat er geen relevante informatie kan worden gegeven met betrekking tot het Element. In dat geval is er een korte beschrijving van het Element opgenomen in de samenvatting met de vermelding “niet van toepassing”.

AFDELING A—INLEIDING EN WAARSCHUWINGEN		
A.1	**Inleiding en waarschuwingen**	Deze samenvatting dient slechts te worden gelezen als een inleiding tot het Prospectus. Elke beslissing om te beleggen in de Claims, de Aangeboden Aandelen of KPN dient te worden gebaseerd op het volledige Prospectus. Wanneer er een vordering betreffende de informatie neergelegd in het Prospectus aanhangig wordt gemaakt bij een rechtbank, dan zou de eiser, onder de nationale wetgeving van de Lidstaat van de Europese Economische Ruimte kunnen worden verplicht tot betaling van de kosten voor de vertaling van het Prospectus alvorens de rechtsvordering wordt ingesteld. Enkel personen die deze samenvatting hebben ingediend, waaronder begrepen een vertaling van deze samenvatting, kunnen civielrechtelijk aansprakelijk zijn, maar slechts indien deze samenvatting misleidend, onjuist of inconsistent is wanneer deze wordt gelezen in samenhang met de andere delen van het Prospectus of indien, wanneer deze wordt gelezen in samenhang met de andere delen van het Prospectus, deze samenvatting niet de kerninformatie bevat die de belegger nodig heeft bij zijn beleggingsbeslissing om al dan niet te investeren in de Claims, de Aangeboden Aandelen of KPN.
A.2	**Toestemming van KPN voor het gebruik van het Prospectus voor de doorverkoop of definitieve plaatsing van effecten bij financiële tussenpersonen**	Niet van toepassing; er zal geen doorverkoop of definitieve plaatsing van effecten bij financiële tussenpersonen plaatsvinden.

AFDELING B—UITGEVENDE INSTELLING		
B.1	**Officiële en handelsnaam**	Koninklijke KPN N.V.
B.2	**Vestigingsplaats, rechtsvorm, wet- en regelgeving en land van oprichting**	KPN is een naamloze vennootschap opgericht naar Nederlands recht en met vestigingsplaats in Nederland. KPN heeft haar statutaire zetel in Den Haag, Nederland.
B.3	**Huidige werkzaamheden en belangrijkste activiteiten**	KPN is de toonaangevende telecommunicatie- en informatie en communicatie technologie (**ICT**) dienstverlener in Nederland en biedt vaste en mobiele telefonie, breedband en mobile internet en TV aan consumenten. KPN is ook een marktleider in Nederland op het gebied van ICT-diensten, infrastructuur en netwerkgerelateerde ICT-oplossingen voor zakelijke klanten, waaronder andere telecommunicatie operators. In Duitsland en België voert KPN een *challenger*-strategie en biedt mobiele telefonieproducten en diensten aan aan consumenten door middel van E-Plus respectievelijk KPN Group Belgium. KPN verleent ook *wholesale*-netwerkdiensten aan derde partijen en beheert een op IP gebaseerde infrastructuur voor internationale *wholesale* klanten door middel van iBasis. KPN zet een breed portfolio aan kwaliteitsproducten op de markt om in de behoeften van verschillende doelgroepen te voorzien welke doelgroepen gedifferentieerd zijn naar prijs, product en dienst. KPN gelooft dat dit klanten in staat stelt het merk en de tarieflijst te selecteren die het beste bij hen past. Bijvoorbeeld, klanten in Nederland kunnen kiezen uit, onder andere, KPN's hoge kwaliteit KPN-merk, haar Hi merk (dat een sub-merk is van KPN, gericht op het jeugdsegment), het Telfort-merk zonder franje en het *premium* XS4ALL-merk. In Nederland, Duitsland en België biedt KPN ook mobiele telefoniediensten online aan door middel van haar Simyo-merk en bedient verschillende te onderscheiden doelgroepen door middel van haar eigen merken en een verscheidenheid aan *mobile virtual network operators* (**MVNOs**) en *branded resellers*. BASE is KPN's voornaamste mobiele telefoniemerk in België en Duitsland. KPN biedt zakelijke klanten een breed scala aan ICT-diensten, zowel lokaal gevestigde kleine als middelgrote ondernemingen als multinationals. KPN biedt deze diensten aan Nederlandse en internationale zakelijke doelgroepen via de merken KPN, Telfort en XS4ALL. Daarnaast, biedt KPN telecommunicatie-infrastructuur en *wholesale* diensten aan aan MVNOs, *branded resellers* en internet service providers (**ISPs**) (vaste lijn). *Wholesale* klanten zoals JIM mobile, Allo RTL, Aldi-Talk, Albert Heijn en Lebara betalen voor toegang tot KPN's mobiele netwerken in Nederland, Duitsland en België en Tele2, T-Mobile en Vodafone betalen voor het gebruik van vaste netwerken in Nederland met het oog op het aanbieden van diensten aan hun klanten.

		In Nederland exploiteert KPN vaste en mobiele netwerken en als gevestigde telecommunicatiedienstverlener is KPN de enige exploitant van vaste koper infrastructuur met landelijke netwerkdekking in Nederland. KPN implementeert in Nederland ook een *fiber to the home* (**FttH**) netwerk via haar joint venture, Reggefiber Group B.V. (**Reggefiber**) en een *fiber to the office* (**FttO**) netwerk, dat KPN in eigendom heeft en direct exploiteert, teneinde de vaste netwerk strategie verder te versterken en haar particuliere en zakelijke aanbod te ondersteunen. Daarnaast heeft KPN recent 15 pakketten van frequentielicenties verworven in de 800MHz, 900MHz, 1800MHz, 2,1GHz en 2,6GHz-frequenties voor een totaal van 120MHz frequentielicenties voor 17 jaar in de spectrumveiling in Nederland. Dit spectrumpakket stelt KPN in staat om de bestaande 2G en 3G diensten voort te zetten en nieuwe diensten te introduceren, zoals 4G, bestemd om haar toonaangevende positie in de Nederlandse markt te ondersteunen. Per 31 maart 2013 bediende KPN 37,1 miljoen mobiele klanten en had 3,8 miljoen vaste telefoonaansluitingen, 2,9 miljoen breedband internetverbindingen en 1,8 miljoen TV verbindingen. Met 24.647 FTEs in dienst voor de Groep sinds 31 maart 2013 heeft KPN een omzet en overige opbrengsten van EUR 12.708 miljoen en EBITDA van EUR 4.528 miljoen voor het jaar eindigend op 31 december 2012 en omzet en overige opbrengsten van EUR 2.911 miljoen en een EBITDA van EUR 994 miljoen voor de drie maanden eindigend op 31 maart 2013 gerapporteerd. KPN meent over een aantal sterke punten te beschikken waardoor het een gunstige positie heeft op de Europese telecommunicatiemarkt, waaronder: • Actief zijn in enkele van de sterkste regio's in Europa vanuit een macro-economisch perspectief; • Geïntegreerd netwerk telecommunicatiedienstverlener met een leidende positie op de Nederlandse telecommunicatiemarkt; • Succesvolle *challenger*-strategie die sterke groei en winstgevendheid in de Duitse en Belgische mobiele divisies mogelijk heeft gemaakt; • Hoge kwaliteit netwerk infrastructuur, goed gepositioneerd om ontwikkelende behoeften van de markt te bedienen; • Gepositioneerd om te profiteren van de introductie van nieuwe dienstverleningsvoorstellen; en • Ervaren managementteam. KPN's strategie is gebaseerd op drie fundamentele elementen: • Versterken van KPN's leidende marktpositie in Nederland door verder te transformeren naar een geïntegreerde *access*-provider; • Groeien in Duitsland en België door de volgende fase van de KPN *challenger*-strategie uit te voeren; en • Versimpelen van de organisatiestructuur, product- en merkenportfolio om de kostenstructuur verder te optimaliseren.

B.4a	**Belangrijkste tendensen die een impact hebben op KPN en de sectoren waarin zij werkzaam is**	KPN opereert voornamelijk in Nederland als telecommunicatie- en ICT-dienstverlener, evenals als telecommunicatiedienstverlener in Duitsland en België. ***Mobiele telecommunicatie in Nederland*** KPN opereert in een uitdagende omgeving in de mobiele telecommunicatiemarkt in Nederland. Toegenomen concurrentie op basis van zowel prijs en kwaliteit van traditionele concurrenten samen met wettelijke verplichting om *mobile termination rates* (**MTRs**) en *roaming*tarieven te reduceren, veranderd gedrag van klanten en een trage macro-economie hebben bijgedragen aan een algehele daling in de totale omzet van diensten en *average revenue per user* (**ARPU**) en de verwachting is dat deze dalingen doorzetten. De markt is zeer concurrerend en veranderlijk, met toenemende voorkeur van klanten voor mobiele datatoegang in plaats van traditionele voice en *short message service* (**SMS**) als gevolg van de ontwikkeling van nieuwe technologiën en de introductie van nieuwe applicaties zoals *over-the-top* (**OTT**) die het voor gebruikers mogelijk maakt om traditionele voice en SMS communicatie te vervangen door mobiele data. ***Vaste telecommunicatie in Nederland*** De vaste telefonie- en breedband internetmarkt wordt in Nederland gekarakteriseerd door een breedband internetmarkt met een relatief hoge klanten penetratiegraad met een beperkt groeipotentieel en een dalende vaste telefoniemarkt, omdat klanten in toenemende mate in hun communicatiepatronen overgaan op *voice over internet protocol* (**VoIP**) en mobiele diensten. Om die redenen, en gelet op de toenemende vraag van klanten, richten telecommunicatiedienstverleners zich op gebundelde aanbiedingen van meerdere producten waardoor differentiatie mogelijk is op basis van kwaliteit en waarde van de dienst, in plaats van enkel op basis van de prijs. Daarnaast stimuleren en ondersteunen gebundelde aanbiedingen in het algemeen de telefonie en breedband internetverkoop, verhoogt de ARPU en vermindert *churning* van klanten in vergelijking met individueel verkochte producten en diensten. ***Zakelijke telecommunicatiediensten in Nederland*** De zakelijke Nederlandse telecommunicatiemarkt ondervindt een verminderde vraag naar telecommunicatiediensten en achterblijvende vraag naar ICT-diensten omdat IT-begrotingen bij ondernemingen onder druk blijven staan. Zakelijke klanten richten zich in toenemende mate op vaste prijs pakketten en geïntegreerde oplossingen. Deze tendensen hebben geleid tot druk op de prijzen, omdat contracten vaak verlengd worden tegen een lagere prijs. In het bijzonder is de omzet van de vaste telefonie in het zakelijke segment gedaald door de vervanging van traditionele diensten door nieuwe technologiën zoals VoIP, druk op de prijzen en klanten die verbeteringen van hun bestaande infrastructuur uitstellen.

<table>
<tr><td></td><td></td><td>

ICT-diensten in Nederland

Er is veel concurrentie op de Nederlandse ICT-markt en deze markt heeft en blijft overcapaciteit ervaren. ICT-leveranciers, zoals KPN, blijven uitstel ervaren van grote investeringen door ICT-klanten en druk op de prijzen, met name bij kleinere nieuwe en vernieuwde deals, omdat IT-begrotingen beperkt blijven voor zowel veel zakelijke klanten als het grote klantensegment in het algemeen. Daarnaast staat de cyclische IT-dienstverlening, zoals consulting en tijd- en materieeldiensten, onder druk, omdat klanten met hun beperkte middelen prioriteit toekennen aan kapitaalinvesteringen. Met name de markt voor overheid- en de financiële dienstverleningsector, die behoren tot KPN's grootste klanten, zijn zeer competitief.

Duitsland

De Duitse mobiele markt is zeer competitief, met een toenemende klantenvoorkeur voor mobiele data in plaats van traditionele *voice* en SMS. Daardoor hebben nieuwe concurrenten en producten, zoals OTT-applicaties, samen met wettelijke verplichtingen om MTRs en *roaming*tarieven te reduceren, geleid tot een algehele afname van de omzet van diensten en ARPU in de mobiele telecommunicatiemarkt in Duitsland.

België

De Belgische telecommunicatiemarkt is zeer competitief. Concurrentie, samen met wettelijke verplichtingen om MTRs en *roaming*tarieven te reduceren, hebben geleid tot een algehele afname van de omzet van diensten en ARPU in de Belgische mobiele telecommunicatiemarkt. In toenemende mate wordt de markt gekenmerkt door vaste mobiele convergentie met concurrenten die gebundelde pakketten aanbieden waarbij zij vaste en mobiele diensten combineren.

</td></tr>
<tr><td>B.5</td><td>Beschrijving van de Groep en KPN's plaats daarin</td><td>

KPN is de houdstermaatschappij van de Groep die de volgende directe of indirecte materiële dochterondernemingen (allemaal direct of indirect gehouden door KPN) heeft, die allemaal handelen in uitoefening van het bedrijf van KPN:

Naam	**Land van oprichting**	**Percentage van kapitaal en stemrechten gehouden door KPN (direct of indirect)**
KPN B.V.	Nederland	100
iBasis Inc.	VS	100
Getronics N.V.	Nederland	100
E-Plus Mobilfunk GmbH & Co KG (**E-Plus**)	Duitsland	100
KPN Group Belgium N.V. (**KPN Group Belgium**)	België	100

</td></tr>
<tr><td>B.6</td><td>Belangrijkste aandeelhouder</td><td>

América Móvil is KPN's enige grootaandeelhouder op de datum van dit Prospectus. KPN is geïnformeerd door América Móvil dat het (direct of indirect) 422.559.000 Gewone Aandelen houdt en daarmee 29,52% van KPN's totale geplaatste en uitstaande aandelenkapitaal op de datum van dit Prospectus. Met inachtneming van de door KPN zelf gehouden Gewone Aandelen, waarop niet gestemd kan worden, is América Móvil's percentage van het totaal van aandelen waarop kan worden gestemd 29,77%.

</td></tr>
</table>

		América Móvil heeft toegezegd om onder bepaalde voorwaarden te participeren in de Claimemissie en in te schrijven op Aangeboden Aandelen *pro rata* naar haar huidige aandelenbelang in het totale aandelenkapitaal van KPN (met uitzondering van de door KPN zelf gehouden Gewone Aandelen), wat ongeveer 29,77% van de Gewone Aandelen vertegenwoordigt (met uitzondering van de door KPN zelf gehouden Gewone Aandelen). Verdere details van de *shareholder commitment letter*, ondertekend door América Móvil, zijn te vinden onder "General Information—Material contracts—Shareholder commitment letter and relationship agreement". Voor zover bekend bij KPN, bezit geen andere aandeelhouder, direct of indirect, 5% of meer van KPN's geplaatste en uitstaande aandelen op de datum van dit Prospectus. América Móvil heeft geen andere stemrechten dan andere aandeelhouders. KPN is zich niet bewust van enige partij, of andere partijen die duurzaam in onderling overleg handelen, die direct of indirect zeggenschap uitoefent over de stemmen in de Algemene Vergadering, noch is KPN enige afspraak bekend waarvan de uitvoering zou leiden tot een wijziging in de zeggenschap van KPN.
B.7	**Geselecteerde belangrijke historische financiële informatie**	De geselecteerde financiële informatie hieronder uiteengezet is overgenomen, zonder materiële aanpassing, uit de gecontroleerde en geconsolideerde jaarrekening van KPN over de jaren eindigend op 31 december 2012, 2011 en 2010 en de niet-gecontroleerde, geconsolideerde tussentijdse verslaggeving voor de drie maanden eindigend op 31 maart 2013 en 2012, opgesteld in overeenstemming met de International Financial Reporting Standards van de Europese Unie (**IFRS**) en opgenomen middels verwijzing.

Geselecteerde Geconsoldieerde Winst- en Verliesrekening

	Drie maanden eindigend 31 maart		**Jaar eindigend 31 December**		
	2013	**2012**	**2012**	**2011**	**2010**
	(geen accountantscontrole toegepast)				
	(EUR in miljoenen)				
Omzet	2.902	3.158	12.409	13.022	13.324
Overige opbrengsten	9	33	299	141	74
Totale opbrengsten en overige opbrengsten	**2.911**	**3.191**	**12.708**	**13.163**	**13.398**
Eigen werk gekapitaliseerd	(30)	(28)	(113)	(116)	(101)
Kosten van materiaal	174	264	901	1.005	911
Uitbesteed werk en andere kosten	1.125	1.143	4.545	4.503	4.560
Personeelsbeloningen	436	505	1.911	1.874	1.932
Afschrijvingen, amortisatie en waardeverminderingen	629	539	2.708	2.589	2,226
Overige bedrijfskosten	212	176	936	759	620
Totale bedrijfskosten	**2.546**	**2.599**	**10.888**	**10.614**	**10.148**
Bedrijfsresultaat	**365**	**592**	**1.820**	**2.549**	**3.250**
Financiële baten	5	5	39	32	19
Financiële lasten	(190)	(186)	(732)	(690)	(860)
Overige financiële resultaten	(2)	(15)	(151)	(96)	(75)
Financiële baten en lasten	**(187)**	**(196)**	**(844)**	**(754)**	**(916)**
Aandeel in resultaat geassocieerde deelnemingen en overige kapitaalbelangen	(3)	(6)	(13)	(24)	(31)
Resultaat voor belastingen	**175**	**390**	**963**	**1.771**	**2.303**
Belastingen	(35)	(84)	(270)	(222)	(508)
Nettowinst voor de periode	**140**	**306**	**693**	**1.549**	**1.795**

Geselecteerde Geconsolideerde Balans

	Per 31 maart	Per 31 december		
	2013	2012	2011	2010
	(geen accountantscontrole toegepast)			
	(EUR in miljoenen)			
Activa				
Totaal immateriële activa	9.655	8.458	9.212	9.755
Totaal bedrijfsgebouwen en terreinen	8.028	7.895	7.533	7.514
Totaal vaste activa	**20.444**	**19.287**	**19.442**	**19.810**
Totaal vlottende activa	**3.105**	**3.098**	**2.721**	**2.870**
Totaal Activa	**23.583**	**22.413**	**22.387**	**22.737**
Totaal Groepsvermogen	**2.463**	**2.461**	**2.930**	**3.500**
Totaal langlopende schulden	**15.259**	**14.090**	**13.656**	**13.802**
Totaal kortlopende schulden	**5.834**	**5.856**	**5.609**	**5.419**
Totaal Passiva	**23.583**	**22.413**	**22.387**	**22.737**

Geselecteerd verkort kasstroomoverzicht

	Drie maanden eindigend 31 maart		Jaar eindigend 31 december		
	2013	2012	2012	2011	2010
	(geen accountantscontrole toegepast)				
	(EUR in miljoenen)				
Netto kasstroom uit operationele activiteiten	581	398	3.007	4.003	3.808
Netto kasstroom aangewend voor investeringsactiviteiten	(1.908)	(476)	(2.133)	(1.986)	(2.149)
Netto kasstroom aangewend voor financieringsactiviteiten	1.398	337	(876)	(1.748)	(3.634)
Mutaties in liquide middelen en daaraan equivalente middelen	**71**	**259**	**(2)**	**269**	**(1.975)**
Koersverschillen	—	—	(1)	(1)	5
Netto liquide middelen en daaraan equivalente middelen aan het einde van de periode	**1.018**	**1.209**	**947**	**950**	**682**
Liquide middelen en daaraan equivalente middelen[(1)]	**1.213**	**1.267**	**1.286**	**990**	**823**

(1) Liquide middelen en daaraan equivalente middelen omvatten mede trekkingen op bankkredieten.

B.8	**Belangrijke pro forma financiële informatie**	Niet van toepassing; er is geen pro forma financiële informatie opgenomen in dit Prospectus.
B.9	**Winstprognose**	Niet van toepassing; er is geen winstprognose of raming opgenomen in dit Prospectus.
B.10	**Historische voorbehouden in afgifte van verklaring van accountant**	Niet van toepassing; er zijn geen voorbehouden gemaakt.
B.11	**Werkkapitaal**	KPN, daaronder begrepen al haar dochtermaatschappijen en geconsolideerde joint ventures, gelooft dat haar werkkapitaal toereikend is om te voldoen aan de huidige behoeften van KPN, daaronder begrepen al haar dochtermaatschappijen en geconsolideerde joint ventures, dat wil zeggen, voor tenminste 12 maanden volgend op de datum van dit Prospectus.

AFDELING C—EFFECTEN

C.1	**Type en categorie**	Gewone Aandelen op naam.
		Symbool: “KPN”
	Security identification number	ISIN code: NL0000009082
		Common code: 011244734
		Overdraagbare inschrijvingsrechten (Claims) op naam.

		Symbool: "KPNR" ISIN code: NL0010421525
C.2	**Munteenheid van de Gewone Aandelen**	De Gewone Aandelen worden uitgegeven in Euro.
C.3	**Aantal uitgegeven aandelen, nominale waarde per aandeel**	Op de datum van dit Prospectus zijn 1.431.522.482 Gewone Aandelen uitgegeven en volgestort. Er zijn geen Preferente Aandelen uitgegeven.
C.4	**Rechten verbonden aan de effecten**	Aan de Aangeboden Aandelen zijn winstrechten verbonden. Elk Aangeboden Aandeel geeft de aandeelhouder het recht om één stem uit te brengen in de Algemene Vergadering. Er zijn geen beperkingen ten aanzien van de stemrechten. Nederlands recht en de statuten van KPN (de **Statuten**) geven aandeelhouders in het algemeen een voorkeursrecht om in te schrijven op aandelen op een *pro rata* basis bij de uitgifte van nieuwe aandelen, of bij uitgifte van claims, om in te schrijven op de aandelen. Uitzonderingen op deze voorkeursrechten zijn onder meer (1) de uitgifte van Gewone Aandelen bij inbreng in natura, (2) de uitgifte van Gewone Aandelen aan werknemers van KPN of werknemers van een groepsmaatschappij zoals gedefinieerd in Artikel 2:24b van het Nederlands Burgerlijk Wetboek, (3) de uitgifte van Gewone Aandelen aan personen die eerder verworven rechten om in te schrijven op Gewone Aandelen uitoefenen, (4) de uitgifte van Preferente Aandelen. De houders van Preferente Aandelen hebben bovendien geen voorkeursrecht op Gewone Aandelen noch Preferente Aandelen. Overeenkomstig de Statuten is de Raad van Bestuur, met goedkeuring van de Raad van Commissarissen, bevoegd om de voorkeursrechten van aandeelhouders te beperken en, wanneer zij daartoe is aangewezen door de Algemene Vergadering, uit te sluiten. Enig overschot dat overblijft na de vereffening van schulden en proceskosten zal eerst uitgekeerd worden aan de houders van de Preferente Aandelen, het nominale bedrag gestort op de aandelen en enige winst die nog is verschuldigd op deze aandelen, voor zover deze nog niet is uitgekeerd in voorgaande jaren. Wanneer de balans niet toereikend is, zal de uitkering plaatsvinden in verhouding tot het gestorte bedrag op de aandelen. Het restant zal worden uitgekeerd aan de houders van Gewone Aandelen in verhouding tot de totale nominale waarde van hun Gewone Aandelen.
C.5	**Beperkingen op de vrije overdraagbaarheid van de effecten**	Er zijn geen beperkingen op de vrije overdraagbaarheid van de Gewone Aandelen op basis van de Statuten van KPN.

		Echter, de uitgifte van de Claims en de Aangeboden Aandelen aan personen gevestigd of woonachtig in, of burgers van, of zij die domicilie hebben in landen niet zijnde Nederland, en de overdracht van Claims en Aangeboden Aandelen naar jurisdicties, niet zijnde Nederland, kunnen onderworpen zijn aan specifieke regelgeving of beperkingen. In dergelijke gevallen dienen beleggers zich ervan bewust te zijn dat zij mogelijk de financiële risico's van deze investering voor een periode van onbepaalde tijd moeten dragen. Claims mogen enkel uitgeoefend en gebruikt worden om in te schrijven op Aangeboden Aandelen door Aandeelhouders op de datum van de Registratiedatum en de latere verkrijgers van de Claims, die telkens de verklaringen en garanties kunnen geven die zijn uiteengezet in "Selling and Transfer Restrictions" (**Eligible Persons**).
C.6	**Notering en toelating tot de handel**	Notering en toelating tot de handel van de Claims en Aangeboden Aandelen op NYSE Euronext Amsterdam is aangevraagd. KPN verwacht de handel van de Claims op NYSE Euronext Amsterdam te beginnen om of rond 09:00 CET op 26 april 2013 en te eindigen om 17:40 CET op 13 mei 2013, onvoorziene omstandigheden voorbehouden. De Claims zullen worden verhandeld onder het symbool "KPNR". De overdracht van de Claims zal plaatsvinden door middel van het girale boekingsysteem van Euroclear Nederland. Personen geïnteresseerd in het handelen, kopen of verkopen van Claims moeten zich er bewust van zijn dat de uitoefening van Claims door houders die gevestigd zijn in landen niet zijnde Nederland onderhevig is aan beperkingen, zoals beschreven in de afdeling "Selling and Transfer Restrictions". KPN verwacht dat de Aangeboden Aandelen toegelaten zullen worden tot de notering en de handel en dat de handel in de Aangeboden Aandelen van start zal gaan op NYSE Euronext Amsterdam om 09:00 CET op of rond 17 mei 2013, onvoorziene omstandigheden voorbehouden. De uitstaande Gewone Aandelen zijn genoteerd en zullen genoteerd blijven op NYSE Euronext Amsterdam onder het symbool "KPN".
C.7	**Dividendbeleid**	Op 23 april 2013 heeft KPN aangekondigd dat zij geen dividend zal uitkeren voor de boekjaren 2013 en 2014. Afhankelijk van haar operationele prestaties en financiele positie verwacht KPN daarna dividenduitkeringen te hervatten.

	AFDELING D—RISICO'S	
D.1	**Voornaamste risico's specifiek voor KPN en de sector**	**Risico's verbonden aan concurrentie** • KPN is blootgesteld aan significante concurrentie in alle gebieden van haar onderneming en in de verschillende geografische gebieden waarin KPN opereert van bestaande en potentieel nieuwe telecommunicatiedienstverleners of aanbieders van ICT-oplossingen en netwerkexploitanten.

		• De sectoren waarin KPN concurreert zijn onderhevig aan snelle en significante veranderingen in technologie waardoor KPN moeilijkheden kan ondervinden bij het succesvol concurreren. • Door de toegenomen vervanging van traditionele voice en SMS communicatiediensten door datadiensten, zijn KPN's traditionele voice en SMS-markten afgenomen en er wordt verwacht dat deze verder zullen afnemen ten gevolge van de toenemende concurrentie van alternatieve manieren van telecommunicatie. • *Churning* van klanten kan toenemen en omzet en marges kunnen significant lager zijn dan verwacht als KPN niet in staat is om de vraag van klanten om te zetten in aanbod. **Risico's verbonden aan KPN's bedrijf en de telecommunicatie-industrie** • KPN's resultaten en financiële toestand zijn afhankelijk van de economische omstandigheden in Nederland, Duitsland en België. • KPN's succes is afhankelijk van het in stand houden en verbeteren van haar netwerk, de systemen en de bedrijfsvoering. • KPN's *challenger*-strategie in Duitsland en België zouden niet succesvol kunnen zijn. • Het gedrag van ratingbureaus kan een wezenlijke negatieve wijziging teweegbrengen in de marktprijs van de Aangeboden Aandelen en op KPN's mogelijkheid om toekomstige financiering te verkrijgen of op de voorwaarden van die financiering. • KPN's bedrijf is afhankelijk van de kracht en zichtbaarheid van de verschillende merken. Nalaten om het vertrouwen van de klant in de verschillende merken te bevorderen en te versterken kan een materiële negatieve wijziging op het bedrijf van KPN, de resultaten en financiële toestand tot gevolg hebben. • KPN's uitrol van FttH is afhankelijk van de joint venture Reggefiber en het vergroten van KPN's eigendom in de joint venture door middel van de Call/Put Arrangementen vereisen dat KPN Reggefiber's activa en passiva volledig worden geconsolideerd op haar geconsolideerde balans. • KPN is afhankelijk van het vermogen om belangrijke medewerkers te behouden en te werven, zonder wie KPN haar bedrijf niet effectief kan managen. • KPN opereert in een kapitaalintensief bedrijf en heeft mogelijk niet voldoende liquiditeit om haar kapitaaluitgaven en investeringen voor de langere termijn te financieren (d.w.z. voor een periode van meer dan 12 maanden gerekend vanaf de datum van dit Prospectus). • KPN is blootgesteld aan risico's van juridische en vergelijkbare procedures, met name gerelateerd aan KPNQwest en Reggefiber.

		• Uitval van KPN's telecommunicatiesystemen of veiligheidsmaatregelen kunnen haar activiteiten significant verstoren, hetgeen een negatief effect kan hebben op KPN's reputatie, het klantenbestand kan verkleinen en kan resulteren in omzetderving. • KPN kan werknemers- of arbeidsgerelateerde problemen ondervinden, hetgeen tot werkonderbrekingen, reputatieschade of verhoogde kosten kan leiden. • KPN's pensioenverplichtingen kunnen KPN's kasstroom, winstgevendheid, financiële toestand, netto activa, vrij eigen vermogen en KPN's vermogen om dividend uit te betalen reduceren. • Verslechterende economische omstandigheden of andere factoren kunnen leiden tot verdere waardevermindering van materiële activa, goodwill en andere immateriële activa, hetgeen afbreuk kan doen aan KPN's financiële toestand of resultaten. • KPN is afhankelijk van hardware en software leveranciers en *content*leveranciers, die er voor kunnen kiezen of gedwongen kunnen zijn hun diensten en producten stop te zetten, prijzen te rekenen die niet concurrerend zijn of er voor kunnen kiezen de contracten met KPN niet te verlengen. • KPN verzamelt en verwerkt klantendata als onderdeel van haar dagelijkse werkzaamheden en het uitlekken van dergelijke data kan leiden tot overtredingen van wet- en regelgeving hetgeen kan resulteren in boetes, reputatieschade en klanten *churn* en afbreuk kan doen aan het bedrijf van KPN. • Risico's met betrekking tot de uitbesteding van diensten kunnen afbreuk doen aan het bedrijf van KPN en leiden tot hogere kosten dan aanvankelijk verwacht. • Veranderingen in buitenlandse wisselkoersen kunnen een negatief effect hebben op KPN's financiële resultaten. • KPN is onderworpen aan renterisico hetgeen kan leiden tot hogere rentelasten in de toekomst. • KPN heeft geen voorzieningen voor afbraak van bepaalde elementen van haar netwerk en enige resulterende kasstromen zijn onzeker. • KPN heeft significante uitgestelde belastingvorderingen die mogelijk niet kunnen worden verrekend. • KPN is onderworpen aan stijgende exploitatiekosten en inflatierisico's die afbreuk kunnen doen aan de winst. • Derden kunnen stellen dat KPN inbreuk maakt op hun intellectuele eigendomsrechten hetgeen afbreuk kan doen aan het bedrijf van KPN. • KPN's bedrijf kan negatief beïnvloed worden door feitelijke of als zodanig ervaren gezondheidsrisico's en andere milieuverplichtingen met betrekking tot mobiele telecommunicatie transmissie-apparatuur en apparaten, met inbegrip van de locatie van de antennes.

		• Storingen in de krediet- en aandelenmarkt kunnen het risico van wanbetaling door wederpartijen van KPN's derivaten en andere financiële instrumenten vergroten en de beschikbaarheid van schuldfinanciering voor KPN verder beperken. • Marktperceptie met betrekking tot de stabiliteit van de Euro kan een negatieve impact hebben op het bedrijf van KPN of het vermogen van KPN om haar schulden te herfinancieren. **Risico's Betreffende Wet- en Regelgeving** • KPN kan mogelijk geen spectrumlicenties verkrijgen of verlengen in de jurisdicties waarin zij opereert en, in het bijzonder, KPN verwacht dat zij in de nabije toekomst kan participeren in spectrumveilingen in Duitsland en België. • KPN is onderworpen aan de controle en regelgeving van toezichthoudende organen in de jurisdicties waarin KPN opereert, die mogelijk de kosten vergroten en op andere wijze negatieve invloed kan hebben op het bedrijf. • KPN's opbrengsten kunnen dalen door daling in vaste en mobiele beëindigingtarieven. • KPN is mogelijk onderworpen aan gestegen kosten of druk op de opbrengsten door veranderingen in de regulering van internationale *roaming*tarieven. • KPN is in het verleden aangemerkt, en wordt mogelijk in de toekomst aangemerkt, als een onderneming met aanmerkelijke marktmacht in de markten waarin zij opereert, de regulering daaromtrent kan een negatieve invloed hebben op het bedrijf. • KPN's activiteiten, faciliteiten, producten en werknemers zijn onderworpen aan een breed scala van gezondheids- en veiligheidsregulering en aandacht, en daardoor kan KPN mogelijk onderworpen zijn aan materiële verplichtingen. • Negatieve besluiten van de fiscus of veranderingen in belastingverdragen, wetten, regels of interpretaties kunnen een negatieve materiële invloed hebben op KPN's bedrijfs resultaten en kasstromen. • KPN heeft geen bevestiging ontvangen van de relevante autoriteiten in Nederland met betrekking tot de aftrekbaarheid van rentebetalingen gedaan op de recent uitgegeven Hybride Kapitaalinstrumenten of de afwezigheid van een verplichting om bronbelasting in te houden. Als gevolg kunnen de Hybride Kapitaal-instrumenten onderhevig zijn aan een vrijwillige inkoop door KPN. Het kan niet worden gegarandeerd dat KPN een dergelijke in koop van de Hybride Kapitaalinstrumenten kan herfinancieren hetgeen verhoogde rentekosten, hogere inkomsten belastingverplichtingen en verlaagde winst tot gevolg kan hebben en enig aanvullend kapitaal bijeengebracht voor het herfinancieren van de Hybride Kapitaal instrumenten kan een verhoogde schuldverhouding of verwatering van houders van Gewone Aandelen tot gevolg hebben.

D.3	**Voornaamste risico's met betrekking tot de effecten**	**Risico's verbonden aan de Uitgifte en de Gewone Aandelen** • Het dividend van KPN kan mogelijk niet tijdig, of helemaal niet, worden hersteld. • De beurskoers van de Gewone Aandelen zal fluctueren en kan dalen beneden de Uitgiftekoers. • KPN kan beleggers niet verzekeren dat zich een actieve handelsmarkt voor de Claims zal ontwikkelen en, als een dergelijke markt zich wel ontwikkelt, dat de beurskoers van de Claims beïnvloed zal worden door, en mogelijk onderhevig zal zijn aan een hogere volatiliteit dan, de beurskoers van de Gewone Aandelen. • Aandeelhouders zullen significante verwatering ervaren door de Claimemissie wanneer zij niet volledig van hun Claims gebruik maken of gebruik kunnen maken. • Eén aandeelhouder bezit ongeveer 29,52% van de Gewone Aandelen en is dus mogelijk in de positie om significante invloed uit te oefenen over KPN's acties, hetgeen de belangen van andere aandeelhouders kan schaden en de belangen van deze aandeelhouder staan mogelijk niet op één lijn met de belangen van andere aandeelhouders. • Wanneer Eligible Persons niet op rechtsgeldige en tijdige wijze hun Claims uitoefenen, dan zijn zij mogelijk niet in staat om in te schrijven op de Aangeboden Aandelen tegen de Uitgiftekoers en kunnen zij mogelijk geen compensatie ontvangen voor hun niet-uitgeoefende Claims. • Als de Aanbieding is ingetrokken dan zullen zowel uitgeoefende als niet-uitgeoefende Claims zijn verbeurd zonder compensatie voor de bezitters en de inschrijving voor en toewijzing van Aangeboden Aandelen die heeft plaatsgevonden zullen worden genegeerd. Een dergelijke verbeuring van Claims laat onverlet de geldigheid van afgewikkelde handel in de Claims. • Aanvullende uitgifte van aandelen of toekomstige verkoop van Gewone Aandelen door KPN of door significante aandeelhouders van KPN, of de mogelijkheid van dergelijke uitgiftes of toekomstige verkoop, kunnen een negatieve materiële invloed hebben op de prijs van de Aandelen en de belangen van de aandeelhouders verwateren. • Behoudens bepaalde uitzonderingen, kunnen Aandeelhouders in bepaalde jurisdicties mogelijk niet participeren in de Aanbieding of kiezen voor het ontvangen van dividend in aandelen en het belang en de stembelangen in het aandelenbelang van KPN van dergelijke Aandeelhouders zal dienovereenkomstig verwateren. • Overnamepogingen die gunstig kunnen zijn voor Aandeelhouders kunnen mogelijk voorkomen of ontmoedigd worden door bepaalde constructies op grond van het Nederlandse recht en de Statuten. • Aandeelhouders kunnen onderworpen zijn aan wisselkoersrisico door negatieve bewegingen in de waarde van hun locale valuta ten opzichte van de Euro.

		• De mogelijkheid van Aandeelhouders om vorderingen in te stellen of een vonnis ten uitvoer te leggen jegens KPN of leden van de Raad van Commissarissen en de Raad van Bestuur kan beperkt zijn. • Wanneer effecten- of industrieanalisten stoppen met het publiceren van onderzoeksrapporten over KPN's bedrijf, of hun aanbevelingen negatief wijzigen of negatieve aanbevelingen doen met betrekking tot de Gewone Aandelen, dan kan de beurskoers en het handelsvolume van Gewone Aandelen dalen.

AFDELING E—AANBIEDING		
E.1	**Netto-opbrengsten en geraamde kosten**	KPN verwacht dat de Aanbieding een netto-opbrengst zal opleveren van EUR 2,937 miljoen, na aftrek van de verwachte kosten, provisies en belastingen gerelateerd aan de Aanbieding van ongeveer EUR 72 miljoen.
E.2a	**Redenen voor de Aanbieding en bestemming van de opbrengsten**	**Achtergrond en redenen voor de Aanbieding** In de afgelopen jaren, hebben gestegen schuldniveaus gecombineerd met meer commerciële investeringen effect gehad op KPN's financiële positie en haar kredietprofiel is onder druk komen te staan. KPN's gepubliceerde Net Debt/ Adjusted EBITDA is gestegen gedurende 2012, van 2,3x op 31 december 2011, naar 2,7x op 31 december 2012. Bovendien heeft KPN in januari 2013 EUR 1.352 miljoen betaald in verband met de Nederlandse spectrumveiling, die de Net Debt/ Adjusted EBITDA ongeveer verhoogd zou hebben naar 3,0x op 31 december 2012. Op 31 maart 2013 was KPN's Net Debt/ Adjusted EBITDA 2,8x. Om haar financiële positie op één lijn te brengen met haar strategie, doet KPN de Aanbieding en heeft het recent de aanbieding van de EUR 1.100 miljoen perpetual kapitaalinstrumenten luidende in Euro uitgegeven door KPN op 14 maart 2013, de GBP 400 miljoen langlopende kapitaalinstrumenten luidende in pound sterling uitgegeven door KPN op 14 maart 2013 en de USD 600 miljoen langlopende kapitaalinstrumenten luidende in USD uitgegeven door KPN op 28 maart 2013 (tezamen de **Hybride Kapitaalinstrumenten**) afgerond die haar balans zal versterken en is bedoeld om voor een stabiele financiële positie in de komende jaren te zorgen. De netto-opbrengsten van de Aanbieding, samen met de netto-opbrengsten van de recent afgeronde aanbieding van de Hybride Kapitaalinstrumenten, zullen KPN's financiële en strategische flexibiliteit vergroten en KPN in staat stellen om door te gaan met het investeren in haar bedrijfsactiviteiten en haar netto schuldniveau te verlagen. KPN gelooft dat de Aanbieding, samen met de netto-opbrengsten van de recent afgeronde aanbieding van Hybride Kapitaalinstrumenten, de toewijding om een *investment grade* kredietprofiel te behouden zal ondersteunen en is ervan overtuigd dat het in het belang van KPN's aandeelhouders en haar andere *stakeholders* is om de kapitaalstructuur significant te versterken.

		KPN vereist continue toegang tot de kapitaalmarkten om leningen te herfinancieren wanneer deze opeisbaar zijn. Zie "Operating and Financial Review—Liquidity and capital resources—Overview of indebtedness". Een *investment grade* kredietprofiel wordt gezien als belangrijk voor het vermogen van KPN om aankomende aflossingen te herfinancieren onder gunstige voorwaarden. Dit zal KPN in staat stellen om door te gaan met het investeren in haar bedrijfsactiviteiten wat essentieel is voor het behalen van haar strategische doelstellingen. **Bestemming van de opbrengsten** KPN is van plan de netto-opbrengsten van de Aanbieding, samen met de netto-opbrengsten van de recent afgeronde aanbieding van de Hybride Kapitaalinstrumenten, voornamelijk te gebruiken om haar kapitaalstructuur te versterken door de netto-schuldpositie terug te brengen. De netto-opbrengsten van dergelijke uitgiftes zullen als volgt worden bestemd: • aflossen van de opnames onder de Kredietfaciliteit die zijn gebruikt om gedeeltelijk de EUR 1.352 miljoen betaling te financieren voor spectrum in Nederland in januari 2013; • direct of indirect aflossen van KPN's obligaties, waaronder de EUR 540 miljoen af te lossen in maart 2013, de EUR 545 miljoen af te lossen in september 2013, de EUR 750 miljoen af te lossen in februari 2014 en de EUR 650 miljoen af te lossen in mei 2014; • versnellen van bepaalde investeringen in jurisdicties waarin KPN opereert en het consolideren van Reggefiber; en • voor zover KPN nog resterende opbrengsten heeft, voor algemene zakelijke doeleinden.
E.3	**Voorwaarden van de aanbieding**	**Uitgiftekoers** EUR 1,06 per Aangeboden Aandeel (de **Uitgiftekoers**). **Voorkeursrechten** De wettelijke voorkeursrechten van de Aandeelhouders met betrekking tot de Aanbieding zijn uitgesloten voor het doel van deze Aanbieding. **Registratiedatum** De Registratiedatum is onmiddellijk na het sluiten van de handel op NYSE Euronext Amsterdam om 17:40 CET op 25 april 2013. Tot het sluiten van de handel in Gewone Aandelen op de Registratiedatum zullen de Gewone Aandelen verhandeld worden *cum* Claims. Vanaf 09:00 CET op 26 april 2013 zullen de Gewone Aandelen verhandeld worden *ex* Claims. **Claims** Elk Gewone Aandeel gehouden onmiddellijk na het sluiten van de handel op NYSE Euronext Amsterdam om 17:40 CET op de Registratiedatum geeft de aandeelhouder recht op één (1) Claim. KPN, als houder van Gewone Aandelen, zal geen Claims verkrijgen.

		Onderhevig aan het toepasselijk effectenrecht en de voorwaarden uiteengezet in dit Prospectus zal elke bestaande Aandeelhouder die een Eligible Person is, gerechtigd zijn om, tot het einde van de Uitoefeningsperiode, in te schrijven op twee Aangeboden Aandelen voor elke Claim gehouden tegen betaling van de Uitgiftekoers voor elk Aangeboden Aandeel. Er zullen geen fracties van Aangeboden Aandelen worden uitgegeven. **Uitoefeningsperiode** De uitoefeningsperiode is van 09:00 CET op 26 april 2013 tot 15:00 uur CET op 14 mei 2013 (de **Uitoefeningsperiode**). Wanneer een Eligible Person zijn Claims niet uitoefent voor het einde van de Uitoefeningsperiode, dan kunnen deze Claims niet langer worden uitgeoefend. **Rump Aanbieding en Underwriting** Na afloop van de Uitoefeningsperiode zullen de Joint Global Coordinators, onder de voorwaarden en condities van de Underwriting Agreement, van start gaan met de Rump Aanbieding, wanneer die er überhaupt zijn. In de Rump Aanbieding zullen de Banken de Rump Aandelen, indien aanwezig, aanbieden door middel van onderhandse plaatsing in Nederland en bepaalde andere jurisdicties, in overeenstemming met de voorwaarden en condities in de Underwriting Agreement. De Rump Aanbieding, indien aanwezig, wordt verwacht te beginnen om 07:30 CET op of rond 15 mei 2013 en te eindigen niet later dan om 17:30 CET op of rond 15 mei 2013. **Onuitgeoefende Claims Betaling** Wanneer, na voltooiing van de Rump Aanbieding, de totale opbrengsten voor de Rump Aandelen die zijn aangeboden en verkocht in de Rump Aanbieding, verminderd met de verkoopkosten en toepasselijke belastingen, hoger zijn dan de totale Uitgiftekoers voor dergelijke Rump Aandelen (dit bedrag, is het **Overschot**); dan zal elke rechthebbende op een Claim die niet is uitgeoefend voor het einde van de Uitoefeningsperiode recht hebben om een deel van het Overschot te ontvangen in cash *pro rata* naar het aantal onuitgeoefende Claims weergegeven in de effectenrekening van een dergelijke Aandeelhouder (de **Onuitgeoefende Claims Betaling**), maar enkel wanneer dat bedrag gelijk is aan of meer is dan EUR 0,01 per onuitgeoefende Claim. De Onuitgeoefende Claims Betaling, indien van toepassing, zal uitgekeerd worden aan houders van Onuitgeoefende Claims zodra uitvoerbaar na de Afwikkelingsdatum door de Subscription, Listing and Paying Agent via financiële tussenpersonen. KPN en de Joint Global Coordinators kunnen niet garanderen dat de Rump Aanbieding zal plaatsvinden. Bij plaatsvinding van de Rump Aanbieding zijn KPN, de Subscription, Listing and Paying Agent, de Banken of enig ander persoon die kopers voor de Rump Aandelen verwerft niet verantwoordelijk voor een gebrek aan Overschot door de plaatsing van Rump Aandelen in de Rump Aanbieding.

		Betaling en levering Betaling voor de Aangeboden Aandelen moet gedaan worden aan de Subscription, Listing and Paying Agent niet later dan op de Afwikkelingsdatum. De rechthebbende op Claims moet de Uitgifteprijs per Aangeboden Aandeel voor de Aangeboden Aandelen waarop het heeft ingetekend betalen in overeenstemming met de instructies ontvangen van de financiële tussenpersonen door middel van wie de rechthebbende de Claims houdt. De financiële tussenpersoon zal de Uitgiftekoers betalen aan de Subscription, Listing and Payment Agent, die dit vervolgens zal betalen aan KPN. Financiële tussenpersonen kunnen mogelijk betaling verlangen voorafgaand aan de Afwikkelingsdatum. Levering van de Aangeboden Aandelen zal plaatsvinden via het girale boekingssysteem van Euroclear Nederland.
E.4	**Belangen van betekenis voor de Aanbieding (met inbegrip van tegenstrijdige belangen)**	Niet van toepassing; er is geen belang, noch een tegenstrijdig belang, dat van betekenis is voor de Aanbieding.
E.5	**Persoon of entiteit die aanbiedt de effecten te verkopen en lock-up overeenkomsten**	KPN zal de Claims en de Aangeboden Aandelen uitgeven en aanbieden. In verband met de Aanbieding heeft KPN ingestemd met zekere beperkingen van de directe of indirecte uitgifte, aanbieding, lease, verkoop, verlening van rechten, warrants of opties op, of andere beschikking over enige Gewone Aandelen of andere effecten inwisselbaar in of converteerbaar naar, of op wezenlijke punten overeenstemmend met, Gewone Aandelen gedurende een periode vanaf de datum van de Underwriting Agreement tot 180 dagen na de Afwikkelingsdatum (onder bepaalde gangbare voorwaarden), behalve indien met voorafgaande schriftelijke toestemming van de Banken.
E.6	**Verwatering**	Aandeelhouders die de Claims, aan hen verleend onder de Aanbieding, verkopen, of deze Claims niet of niet mogen uitoefenen, zullen door de uitgifte van de Aangeboden Aandelen een wezenlijke verwatering ondervinden van hun proportionele eigendom en stemrechten tot ongeveer 66,7%.
E.7	**Geraamde kosten doorberekend aan de belegger door KPN**	Niet van toepassing; geen kosten zijn of zullen aan de belegger worden doorberekend door KPN met betrekking tot de Aanbieding.

RISK FACTORS

An investment in KPN's securities involves a high degree of risk and may result in the loss of all or part of investors' investment. Prior to making an investment decision, prospective investors should consider carefully the risks and uncertainties described below, together with the other information contained or incorporated by reference in this Prospectus as a whole. If any of these risks were to occur, KPN's business, financial condition, results of operations or prospects could be materially and adversely affected, and the value of the Rights or the Offer Shares could decline and investors could lose all or part of their investment. The following information is not an exhaustive list of the risks and uncertainties associated with investing in KPN. Additional risks and uncertainties that KPN is unaware of, or that KPN currently deems immaterial, could also have a material and adverse effect on KPN's business, financial condition, results of operations or prospects and could negatively affect the price of the Rights or the Offer Shares.

Prospective investors should carefully review the entire Prospectus and should reach their own views before making any decision on the merits and risks of investing in the Rights or the Offer Shares. Before making an investment decision with respect to the Rights and/or the Offer Shares, prospective investors should consult their own financial, legal and tax advisers to carefully review and assess the risks associated with an investment in the Rights and/or the Offer Shares and consider such an investment decision in the context of the investor's personal circumstances.

Risks associated with competition

KPN is exposed to significant competition in all areas of its business and in the various geographies where it operates from existing and potential new telecommunications service or ICT solutions providers and network operators.

KPN is subject to significant competition for all its products and services in the fixed-line and mobile telecommunications markets, along with ICT solutions for business customers. Competitors include cable network operators, mobile network operators, MVNOs and branded resellers as well as non-traditional voice, data and ICT service providers. KPN also competes with domestic and international business service providers in the provision of ICT services for business customers. KPN competes in the telecommunications markets in the Netherlands, Germany and Belgium on the basis of pricing, network coverage, network speed and reliability, customer experience, products and services offered, customer service and support and its ability to be technologically adept, innovative and secure.

KPN is the incumbent telecommunications and ICT provider in the Netherlands. KPN's primary competitors in the fixed-line and mobile telecommunications market for both retail and business customers are cable operators, such as UPC and Ziggo, as well as copper and fiber-based providers, such as Tele2 and T-Mobile, for fixed-line telephony, broadband and TV and mobile network operators, such as Vodafone and T-Mobile, for mobile telecommunications. In the business and corporate ICT market KPN's main competitors in the Netherlands are international ICT providers, such as T-Systems, Capgemini, IBM, Atos and Hewlett Packard. KPN's primary competitors have pursued aggressive marketing and pricing strategies to retain and expand their market share which, if pursued in the future, could reduce KPN's margins, cause it to increase its marketing and promotional expenses in response to such strategies, and result in increased customer churn.

In addition, Tele2, which already operates as an MVNO in the Netherlands, is expected to enter the Dutch mobile telecommunications market as a new mobile network operator in the foreseeable future. The entry of Tele2 in the Dutch mobile telecommunications market could introduce a new round of aggressive price competition in that market, which could, in turn, materially impact KPN's market share and number of customers, and affect its revenues, EBITDA and results of operations. KPN's subscriber acquisition and retention costs or the level of discounts it offers to its customers may increase as a result of significant competition, such as Tele2's expansion of its operations in the Netherlands, for new subscribers, or for the retention of existing subscribers, which could put further pressure on its revenues and margins.

KPN is pursuing a challenger strategy in the German and Belgian mobile telecommunications markets, and competes with large, established players, such as Vodafone, Deutsche Telekom and Telefónica Deutschland in Germany and Belgacom Mobile (Proximus), Mobistar and Telenet in Belgium. KPN's competitors in Germany and Belgium are larger established network operators that benefit from considerable financing, marketing and personnel advantages, broad brand-name recognition, perceived network quality and a deeply entrenched customer base. KPN may prove unable to compete effectively with these established players, resulting in a material adverse effect on its business, financial condition and results of operations.

In the Netherlands, Germany and Belgium, KPN's mobile businesses compete with MVNOs that may be able to offer lower prices to customers as a result of their lower capital expenditure and investment obligations. In addition to competing with MVNOs for retail customers, KPN competes with other mobile network operators for customer relationships with certain MVNOs, branded resellers and other large wholesale customers that use KPN's networks to supply mobile services to their retail customers. KPN's ability to compete with these mobile network operators for business from MVNO customers directly impacts its ability to maintain both its wholesale and retail customer relationships.

As a result of the above, or as a result of increasing competitive pressure due to factors beyond KPN's control, KPN's business, financial condition and results of operations could be materially adversely affected. For a further discussion of the market environment and competition, see the "—Market environment and competition" subsection within the discussion of each operating segment in "Business Overview".

The sectors in which KPN competes are subject to rapid and significant changes in technology, with which KPN may have difficulty competing successfully.

The fixed and mobile telephony, fixed and mobile broadband internet, TV and business ICT markets are characterized by rapid and significant changes in technology, customer demand and behavior, and as a result feature a constantly changing competitive environment. The telecommunications industry is experiencing continuous structural changes, including new revenue models introduced by KPN's competitors and new market entrants. These structural changes, together with the accompanying products, such as emerging customer demand for 4G handsets, or other technological developments are exerting substantial pricing pressure on KPN's products and services, and may increase KPN's subscriber acquisition and retention costs. In particular, new technologies such as VoIP (over fixed and mobile technologies), mobile instant messaging, Wi-Fi or internet protocol TV (**IPTV**) for retail customers and cloud computing for business customers have had and are expected to have a continued effect on the telecommunications industry and on KPN's business. As a consequence of these or other developments, new and established information and telecommunications technologies or products may not only fail to complement each other, but in some cases may even substitute or decrease demand for each other. KPN is also investing in new technologies, such as 4G, that may have slower than expected customer acceptance, or may be limited by the lack of supply of products by third parties to enable KPN's customers to take advantage of such new technology, for example, a limited supply of 4G handsets by third parties. If KPN is unable to effectively anticipate, react to or access technological changes in the telecommunications market, KPN could lose customers, fail to attract new customers, experience lower ARPU or incur substantial or unanticipated costs and investments in order to maintain its customer base, all of which could have a material adverse effect on its business, financial condition and results of operations.

As a result of the increasing substitution of data services in place of traditional voice and SMS communications, KPN's traditional voice and SMS markets have been decreasing and are expected to continue to decrease due to increasing competition from alternative modes of telecommunication.

KPN is facing increasing competition from non-traditional data services based on new voice and messaging over the internet technologies, in particular OTT applications, such as Skype, Google Talk, FaceTime, WhatsApp and Facebook Messenger. These applications are often free of charge, other than for data usage, accessible via smartphones, tablets and computers and allow their users to have access to potentially unlimited messaging and voice services over the internet, bypassing more expensive traditional voice and messaging services such as SMS which have historically been a source of significant revenues for fixed and mobile network operators such as KPN. With the growing share of smartphones, tablets and computers in the geographies in which KPN operates, an increasing number of customers are using OTT applications services in substitution for traditional voice or SMS communications. On average, KPN charges lower rates for internet data usage as compared to per-minute or per SMS fees, and may also offer its services through flat fee packages which tend to generate a lower ARPU as compared to traditional per-minute or per-SMS tariffs. Moreover, many devices can access the internet via Wi-Fi connections, as opposed to over a mobile network, further limiting the fees KPN can charge for its products and services. Within KPN's Business segment, this trend towards data usage is resulting in an increasing proportion of machine-to-machine (**M2M**) traffic, which is significantly lower margin than traditional voice or SMS. Historically, KPN has generated a substantial portion of its revenues from voice and SMS services, particularly in its mobile business in the Netherlands, E-Plus in Germany and KPN Group Belgium, and the substitution of data services for these traditional voice and SMS volumes has had and is likely to continue to have a negative impact on KPN's revenues and EBITDA, particularly from mobile services. As a result of these and other factors, KPN faces a mobile market in which price pressure has been increasing, resulting in declining total revenues and EBITDA in recent years.

All mobile network operators, including KPN, are currently competing with OTT application providers who leverage on existing infrastructures and who generally do not operate capital-intensive business models associated with traditional mobile network operators like KPN. OTT application service providers have recently become more sophisticated competitors, and technological developments have led to a significant improvement in the quality of service, in particular speech quality, delivered via data communications applications. In addition, players with strong brand capability and financial strengths, such as Apple, Google and Microsoft, have turned their attention to the provision of OTT applications. In the long term, if non-traditional mobile voice and data services or similar services continue to increase in popularity, as they are expected to do, and if KPN and other mobile network operators are not able to address this competition, this could contribute to further declines in ARPU and lower margins across many of KPN's products and services, thereby having a material adverse effect on KPN's business, results of operations, financial condition and prospects.

Customer churn may increase, and revenues and margins could be significantly lower than expected, if KPN fails to offer customer propositions that respond to customer demand.

One of KPN's primary revenue drivers is its number of customers. The success of KPN's business and its ability to limit churn by retaining existing customers or to win new customers depends upon the introduction of new or enhanced products and services, flexible pricing models, high quality customer service, and improved network capabilities in response to evolving customer expectations, new technologies, or the offerings of its competitors. Any of the new or enhanced products, services or pricing models KPN introduces may fail to achieve market acceptance, or products or services introduced by KPN's competitors may prove more appealing to customers, who may discontinue using KPN's services, either of which would, in turn, increase KPN's customer churn. Any increase in customer churn may lead to a reduced number of total customers, increased acquisition and retention costs, the need to reduce other costs to preserve margins, or lower overall revenues and margins.

The various measures KPN has taken and plans to take to manage churn and to increase customer loyalty may not be successful in managing its churn rate. For example, KPN's broadband internet market share among retail customers in the Netherlands has faced significant rates of customer churn in recent years due to competitors being able to offer faster internet connection and download speeds in certain areas. KPN believes customers purchasing bundled services may be less likely to switch to a different operator for all or part of their bundled services. As a result, KPN's ability to offer attractive and competitively priced product bundles, including integrated fixed and mobile packages, is important to its ability to compete, reduce churn by retaining existing customers and win new customers. Certain of KPN's competitors, such as UPC and Ziggo, increasingly offer integrated products over their fixed line and/or cable networks, including "triple-play" offerings to retail customers that combine fixed-line telephony, broadband and TV, and KPN's competitors may begin to offer "quadruple-play" offerings which add mobile telephony through partnerships with MVNOs or mobile network operators other than KPN, or through the development of their own mobile networks. Bundled services, already a significant component of KPN's product offering, are expected to become increasingly important to retail customers and small business customers and to grow in popularity. Although KPN expects to introduce its own integrated quadruple-play offering, such offering could take longer than it expects to commercialize, or if commercialized, fail to gain market acceptance. In addition, in Germany and Belgium, KPN generally does not offer extensive bundled offerings to customers, except in conjunction with its recent introduction of a triple play package in Belgium, and as a result, may be exposed to higher rates of churn than its competitors in those countries.

KPN's efforts to retain customers and reduce churn may also require additional upgrades to its network infrastructure, particularly in Germany, and failure to successfully maintain and improve network performance could contribute to increased customer churn. Moreover, in Belgium, in the context of recent regulatory developments, KPN has opted to have no minimum length for its mobile contracts, which has resulted in and may continue to result in increased customer churn.

If KPN fails to communicate effectively the quality, reliability or other benefits of its network through marketing and advertising efforts, or to successfully instill its brands with a reputation for network quality and reliability, it may not be able to attract new customers or reduce churn by retaining existing customers, and its marketing and advertising efforts may cost more than the incremental revenue attributable to such efforts, which in turn, may decrease EBITDA margins. Similarly, KPN's efforts to increase pricing flexibility by offering flat fee bundles in various operating segments, and by introducing new handset financing and selection options in its Consumer Mobile segment, may fail to achieve the expected benefits, attract new subscribers, or reduce churn. In addition, KPN's competitors may improve their ability to attract new subscribers, for example by offering products and attractive price plans that KPN currently does not offer, or offer their products or services at lower prices, which would make it more difficult for KPN to retain its current subscribers or to acquire new subscribers.

Risks associated with KPN's business and the telecom industry

KPN's results of operations and financial condition depend on economic conditions in the Netherlands, Germany and Belgium.

KPN operates almost entirely in the Netherlands, Germany and Belgium, and its success is therefore closely tied to general economic conditions in those markets. According to the OECD, the macro-economic outlook in KPN's geographical markets remains relatively weak compared to historical levels, with projected 2013 GDP growth of 0.2%, 0.6% and 0.5% in the Netherlands, Germany and Belgium, respectively. Weakness in the Dutch, German or Belgian economies, and, in particular, low GDP growth and increasing levels of unemployment, has had and, if such economic weakness persists, may continue to have a direct negative impact on the spending patterns of customers, both in terms of the products they subscribe for and the extent to which they use such products. During periods of deteriorating economic conditions and high unemployment, retail customers generally have less discretionary income with which to purchase products. KPN's revenue in its Consumer Mobile and Consumer Residential segments in the Netherlands as well as in its German and Belgian mobile operations are most directly impacted by a reduction in discretionary income, and as a result of continued economic weakness in the Netherlands, Germany or Belgium, it may be more difficult for KPN to attract new customers, or retain existing customers, and KPN's revenue and ARPU, particularly in those segments, may continue to decline.

Additionally, KPN's business and corporate customers are also affected by general economic conditions and consumer spending, and therefore an extended recession, or public perception of declining economic conditions, is and could continue to substantially decrease IT expenditures among KPN's business customers, which would in turn adversely affect KPN's revenues in its Business and IT Solutions segments. KPN also provides products and services to a number of government entities that have in the past and may in the future be subject to budget cuts or expenditure limitations. In addition, a further deterioration of economic conditions may lead to a higher number of non-paying customers or generally result in a higher number of service disconnections. A weak economy and negative economic developments may jeopardize KPN's ability to achieve its strategy and have had and may continue to have a material adverse effect on its business, financial condition, results of operations and prospects.

KPN's success depends upon maintaining and improving its networks, systems and operations.

KPN must continuously maintain and improve its networks and other infrastructure in a timely and cost-effective manner. A reliable and high quality network is necessary to manage churn by sustaining its customer base, to maintain strong customer brands and reputation and to satisfy regulatory requirements, including minimum service requirements. The maintenance and improvement of KPN's existing networks and infrastructure depends on its ability to:

- enhance the functionality or upgrade the technology of its existing fixed copper and mobile networks in order to offer increasingly customized services to KPN's customers;
- expand the capacity of its existing fixed copper and mobile networks to cope with increased bandwidth usage;
- simplify, modify and improve customer service, network management and administrative systems; and
- finance its maintenance costs, future network and IT projects, upgrades and capacity expansion.

KPN is making significant investments to upgrade its networks in the Netherlands, Germany and Belgium. In particular, KPN is investing in new technologies based on its existing fixed-line copper network, such as upgrading and extending its VDSL capabilities, while also focusing on the further expansion of FttH network, executed through its FttH joint venture, Reggefiber, and its FttO in the Netherlands. It is also continuing its HSPA+ and mobile broadband rollout in Germany and Belgium. KPN also has begun to roll out its 4G network for mobile communication in the Netherlands, and will start to roll out 4G in Belgium by the end of 2013, with the aim to have 4G available to the majority of the population in Belgium by the end of 2014. It also expects to begin deploying 4G in Germany in either 2013 or 2014 in line with customer demand. KPN's network investments may fail to generate adequate returns, or may require significantly more cash investment than is currently projected, with no assurance of market acceptance or regulatory cooperation. Furthermore, these roll outs may take longer to complete than anticipated and may suffer from technical delays or faults that require additional repair.

KPN expects that it may participate in spectrum auctions (or other forms of frequency allocations) in Germany as early as 2014 and in Belgium as early as later this year, which could result in KPN incurring significant and unexpected investments. For example, in the fourth quarter of 2012, KPN participated in the spectrum auction in the Netherlands to acquire the bandwidth necessary to continue its existing services, and to introduce new services for its customers. As a result of this auction, KPN paid EUR 1,352 million in January 2013, which was a significantly higher cost than anticipated. See "—KPN may fail to obtain or renew its spectrum licenses in the jurisdictions in which it operates, and, in particular, KPN expects that it may participate in spectrum auctions in Germany and Belgium in the near future."

In addition, due to rapid changes in the telecommunications industry, KPN's network investments may prove to be inadequate or may be superseded by new technological changes. KPN's network investments may also be limited by market uptake and customer acceptance. For example, despite KPN's significant investments in its 4G network rollout in the Netherlands, it may not be able to ensure a smooth transition in service between 3G and 4G, or customers may be unable to acquire 4G-capable handsets, including acquiring handsets designed for 800MHz 4G networks, such as KPN's. If KPN fails to make adequate capital expenditures or investments, or to properly and efficiently allocate such expenditures or investments, the performance of its networks, both in real terms and in relative terms as compared to its competitors, could suffer, resulting in lower customer satisfaction, diminution of brand strength and increased churn. Moreover, these and other factors may result in KPN's specific plans and targets, as described under "—Strategy" and "—Challenger Strategy" in "Business Overview", not being realized on time or at cost.

In addition, certain regulatory approvals, such as new building permits or licenses and permits for digging related to KPN's FttH network, may be required. For example, KPN may require building permits to modify existing mobile sites to shift from a higher frequency to a lower frequency or licenses to provide services based on new technologies. As a result of complying with such regulations, KPN's current and future technology initiatives may experience delays, cost overruns or fail to achieve the desired results.

KPN has also entered into sale and leaseback transactions for the majority of its mobile towers in the Netherlands and Germany. Although these arrangements provide obligations for third parties to maintain the towers, KPN has limited control over the actions of these third parties in maintaining these sites. These third parties may fail to adequately maintain the sites on which KPN's mobile towers are located and the terms of the sale and leaseback transactions may limit KPN's operational flexibility, for example by requiring long-term revenue sharing, under which KPN would be obligated to make payments even if it no longer needs one or more of the mobile towers due to technological change.

If KPN fails to maintain or improve its networks, IT systems or operations, its business, financial condition and results of operations could be materially adversely affected.

KPN's challenger strategy in Germany and Belgium may not be successful.

KPN pursues a challenger strategy in Germany and Belgium, where it also competes with incumbent mobile service providers which generally have superior brand recognition, distribution networks and financial resources. Traditional voice and SMS revenues in these markets have declined as a result of customer optimization and preference for mobile data, particularly driven by OTT applications, and due to regulatory restrictions on the level of MTRs and roaming charges that may be charged by mobile providers. This decreasing market revenue may make pursuing a challenger strategy by KPN particularly difficult as it can be more challenging to gain market share in an environment where traditional voice and SMS revenues are declining.

In order to execute its challenger strategy, KPN is seeking to monetize the shift to data by upgrading the quality of its networks in Germany and Belgium, requiring additional capital expenditures and investments. In addition, KPN is seeking to grow its market share by entering regions in Germany and Belgium where it has lower market share, which requires additional marketing and distribution expenses and which may not be successful. In both Germany and Belgium, KPN expects to face lower margins as it makes such investments and targets market share growth. If the next phase of KPN's challenger strategy is not successful in Germany or Belgium, its business, financial condition and results of operations could be materially adversely affected.

Rating agency action could materially adversely affect the market price of the Offer Shares as well as KPN's ability to obtain future financing and the terms of that financing.

Following the results of the Dutch spectrum auction, each of Fitch Ratings Ltd. (**Fitch**), Moody's Investors Service Limited (**Moody's**) and Standard & Poor's Financial Services LLC (**S&P**) negatively amended KPN's ratings. On 17 December 2012, Fitch downgraded KPN's long-term issuer default rating from BBB to BBB- with a stable outlook; on 6 February 2013, Moody's confirmed KPN's Baa2 senior unsecured rating with negative outlook; and on 8 February 2013, S&P downgraded KPN's long- and short-term ratings to BBB-/A-3 from BBB/A-2, with a stable outlook. All three rating agencies cited the price KPN paid in the Dutch spectrum auction and the corresponding impact on KPN's Net Debt/Adjusted EBITDA ratio as the primary reason for their actions.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. Ratings do not address the marketability of the Offer Shares at any market price. The significance of each rating should be analyzed independently from any other rating. Lower credit ratings could make it more difficult or more expensive for KPN to obtain financing in the future or to refinance its existing debt, and could negatively impact the market price of the Offer Shares.

KPN's business depends on the strength and visibility of its various brands. Failure to promote and reinforce customer trust in its brands would have a material adverse effect on KPN's business, results of operations and financial condition.

KPN maintains multiple well-recognized brands in its areas of operation in the Netherlands, Germany and Belgium, and promotes different brands for its various operating segments, including multiple brands per operating segment, across various price points. As a means of protecting and increasing market share, reducing customer churn, and growing its revenues, KPN intends to continue to pursue a strategy of promoting its various brands in the Netherlands, Germany and Belgium.

In the Netherlands, KPN seeks to protect its incumbent position by maintaining its brands against competition and potential new entrants, and has incurred, and may have to increase in the future, high levels of marketing expenses as a result. In Germany and Belgium, in support of its challenger strategy, KPN intends to significantly invest in its brands to increase customer awareness in the near future. In particular, E-Plus in Germany plans to increase marketing associated with each of its brands and to target geographic regions where it has lower market share to stimulate brand awareness of certain of those brands. KPN may not be able to successfully increase customer awareness of its brands, expand the use of its brands into new geographic regions, or strengthen brand recognition, and its efforts to do so may not prove to be cost-effective. There can be no assurance that KPN's brands will retain their current recognition levels or that the strength of, or investment in, KPN's brands will lead to a measurable increase in net adds, reduce customer churn, or increase KPN's revenues.

In addition, KPN's multiple brands may prove confusing for customers, lead to duplicative or costly replication of marketing efforts, or may promote KPN's more economical brands at the expense of its premium brands. In particular, as KPN continues to market its products and services online, particularly in Germany, it may increase sales or recognition of one brand at the expense of another of its brands. KPN is currently consolidating its brands in the Netherlands to streamline marketing and to provide customers with its clearly-defined brands targeted at different market segments. In the process of consolidating its brands, KPN may lose customers to competitors or suffer from customer confusion, loss of brand awareness, or other factors. KPN's brands could also be subject to negative publicity as a result of various factors, including a perception of poor customer service, interruptions in power or service supply, intermittent network coverage, security breaches or misuse of personal and financial data provided by customers, or the conduct of employees or of subcontractors. Any damage to KPN's brand or reputation could have a material adverse impact on KPN's business, results of operations and financial condition.

KPN's deployment of FttH is dependent upon its joint venture, Reggefiber, and increasing KPN's ownership in the joint venture through the Call/Put Arrangement would require KPN to fully consolidate Reggefiber's assets and liabilities on KPN's consolidated balance sheet.

KPN has entered into a joint venture (**Reggefiber**) with Reggeborgh Group B.V. (**Reggeborgh**) for deployment of FttH in the Netherlands, as a key part of its strategy. If there is a dispute or other disagreement, KPN may not have the right or power to direct the management or policies of Reggefiber and the deployment of FttH may fail to result at the pace KPN expects or at all.

KPN has made significant investments in Reggefiber, and the book value of Reggefiber on KPN's consolidated balance sheet amounted to EUR 293 million as of 31 March 2013. KPN also has the option to purchase an additional 9% stake in Reggefiber, and Reggeborgh has the option to sell 9% of its interest in Reggefiber to KPN (the options jointly referred to as the **Call/Put Arrangement**). If either party exercises its option under the Call/Put Arrangement, KPN would be required to pay between EUR 116 to EUR 161 million to acquire an additional 9% stake in Reggefiber, depending on the reduction of average per home FttH activation capital expenditure at the time of payment as compared to prior periods. Both options vest on the earlier of 1 January 2014 or upon the achievement of 1.5 million homes connected to the Reggefiber FttH network, and are subject to the approval of the competition authority in the Netherlands, the *Autoriteit Consument & Markt* (the **ACM**). Such approval may not be forthcoming on a timely basis, or at all.

If either option is exercised and approved by the ACM, KPN's ownership in Reggefiber would increase from 51% to 60%. As a result, KPN would be required to change its accounting treatment of Reggefiber, and fully consolidate its assets and its liabilities, as well as to accept as liabilities on its consolidated balance sheet Reggefiber's bank loans and those shareholder loans which Reggefiber has borrowed from Reggeborgh. This consolidation would result in KPN adding to its consolidated balance sheet Reggefiber's bank loans, which totaled EUR 376 million as of 31 December 2012 (net of Reggefiber's cash and cash equivalents), as well as require KPN to redeem Reggefiber's shareholder loans from Reggeborgh, requiring an additional payment by KPN at the time of consolidation. As of 31 December 2012, the amount of the Reggefiber's shareholder loans from Reggeborgh was EUR 183 million, and this could be significantly higher at the time of consolidation. The consolidation of Reggefiber's liabilities, or the requirement that KPN borrow funds to redeem Reggefiber's shareholder loans from Reggeborgh, could result in substantial additional leverage, raise KPN's Net Debt/ Adjusted EBITDA ratio and have a negative impact on KPN's credit rating. Reggefiber's total liabilities could be substantially higher at the date of any future consolidation, in light of Reggefiber's negative operating cash flows.

In addition, upon KPN reaching the 60% ownership threshold, Reggeborgh is entitled to put the remaining 40% of its stake in Reggefiber to KPN (the **Put Option**), for an amount totaling either EUR 647 million for a period from three and a half years to five years after the date on which the Call/Put Arrangement has been exercised by either party, or the fair value of the remaining stake in Reggefiber for a period of seven years after the date KPN reaches the 60% ownership threshold, whichever is greater. There is no certainty that KPN will be able to fund from its free cash flow the amount required to be paid under the Put Option. As a result, to achieve full ownership of Reggefiber, KPN may be required to take on significant additional indebtedness.

Currently, the value of the Reggefiber Call/Put Arrangement is held on KPN's balance sheet, where it is valued at fair value and recorded as a derivative financial instrument liability of EUR 278 million as of 31 March 2013, which is unchanged from 31 December 2012. A change in value of KPN's interest in Reggefiber, and consequently in the value of its option to acquire an increased stake in Reggefiber, would be reflected on KPN's income statement as gain or loss under other financial results. If changes in FttH penetration rates, the pace of the planned FttH deployment, actual capital expenditures, investments or regulatory change do not align with current expectations, KPN could be required to recognize significant losses upon revaluation of the Call/Put Arrangement and carry higher balance sheet liabilities. Any such charge could have a material adverse effect on KPN's business, financial condition and results of operations.

KPN depends on the ability to attract and retain key personnel without whom KPN may not be able to manage its business effectively.

KPN's operations are currently managed by senior management and key employees. The loss of any of its senior management or key employees could significantly impede KPN's financial plans, product development, network completion, marketing and other plans. In addition, competition for qualified senior management in the telecommunications industry is intense. KPN's growth and success in implementing its business plans largely depends on its continued ability to attract and retain experienced senior management as well as highly skilled employees. KPN cannot assure investors that it will be successful in hiring and retaining such qualified personnel. Furthermore, integration of new senior management would require additional time and resources, which could adversely affect KPN's ability to successfully implement its strategy. If any of KPN's senior management or other key personnel cease employment with KPN, its business, results of operations, financial position and prospects could be harmed.

KPN operates in a capital-intensive business and may not have sufficient liquidity to fund its capital expenditures and investments over the longer term (that is, over a period of more than 12 months from the date of this Prospectus).

KPN requires significant capital expenditures and investments to improve and maintain its networks and add customers, including expenditures for equipment and related labor costs. Generally, advancements in the information and telecommunications industry (the development of faster networks and new products requiring mobile internet access) and the behavior of KPN's customers (for example, accelerated growth in internet usage and expectations of higher speeds) may require it to invest in the capacity of its network at a faster pace than KPN currently anticipates, and at greater additional expense. Moreover, if KPN increases its ownership in its FttH joint venture, Reggefiber, it would be required to include Reggefiber's bank loans on its balance sheet, which totaled EUR 376 million as of 31 December 2012 (net of cash and cash equivalents), as well as redeem Reggefiber's shareholder loans from Reggeborgh, requiring an additional payment by KPN at the time of consolidation. As of 31 December 2012, the amount of the Reggefiber's shareholder loans from Reggeborgh was EUR 183 million, and this could be significantly higher at the time of consolidation. The consolidation of Reggefiber's liabilities, or the requirement that KPN borrow funds to redeem Reggefiber's shareholder loans from Reggeborgh, could result in substantial additional leverage, raise KPN's Net Debt/Adjusted EBITDA ratio and have a negative impact on KPN's credit rating. In addition, part of KPN's swap portfolio contains reset clauses at pre-agreed dates, in order to mitigate counterparty exposure during the life of the swap. These reset clauses may result in early Euro settlement obligations in cash with the swap counterparty for part of the outstanding notional amount of the swap. This contributes to KPN's liquidity risk as these reset clauses could lead to significant cash outflows prior to maturity. See "Operating and Financial Review—Qualitative and quantitative disclosure about market risk—Liquidity risk".

KPN can provide no assurance that its business will generate sufficient cash flows from operations or that future debt and equity financing will be available to it on acceptable terms or in an amount sufficient to enable it to, over the longer term (that is, over a period of more than 12 months from the date of this Prospectus), fund its capital expenditures or investments or renew its debt financing as principal repayments come due. Forces over which KPN has little or no control, such as competition, technological innovation, regulatory changes, the loss of its current distribution partners which could require additional capital expenditure for new stores or distribution channels and general market conditions all impact KPN's operating performance, and therefore the cash it has available to fund these expenditures and service its debt. Furthermore, rating agency action may negatively affect KPN's ability to obtain funds from financial institutions and may increase its financing costs by increasing the interest rates at which it is able to refinance existing debt or incur new debt. In addition, sustained turbulence in the capital markets could further restrict KPN's ability to access additional funding.

If KPN's future cash flows from operations and other capital resources are insufficient, KPN may be unable to fund its strategy, which includes planned capital expenditures, investments, maintenance of its credit rating and sustaining a positive leverage ratio, and as a result, could have a material and adverse effect on KPN's business, results of operations, financial condition and prospects.

KPN is subject to risks from legal and similar proceedings, particularly relating to KPNQwest and Reggefiber.

KPN is involved in a number of legal and arbitration proceedings, including relating to KPNQwest and Reggefiber, as more fully described in "Business Overview—Legal proceedings". Disputes and legal proceedings are subject to many uncertainties, and their outcomes are often difficult to predict. Adverse judgments, particularly relating to KPNQwest or Reggefiber, could result in restrictions or limitations being imposed on KPN or result in a material adverse effect on its results of operations and financial condition.

Failure of KPN's telecommunications systems or security measures could significantly disrupt its operations, which could negatively affect KPN's reputation, reducing its customer base and resulting in lost revenue.

KPN's success largely depends on the continued and uninterrupted performance of its information technology, network systems and of certain hardware and datacenters that it manages for its clients. The hardware supporting a large number of critical systems for KPN's network and those of its clients is housed in locations that are geographically close to each other or that could be exposed to similar risks at the same time. As a result, these systems are vulnerable to damage from a variety of sources, including fire, power loss, malicious human acts, telecommunications failures and natural disasters, and the disaster recovery, security, information protection and service continuity protection measures that KPN has undertaken or may in the future undertake, and its monitoring of network performance, may be insufficient to identify problems and prevent losses. Moreover, despite security measures, KPN's servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems each of which, in the individual or in the aggregate, could negatively affect KPN's levels of customer satisfaction and reputation. See "—KPN collects and processes customer data as part of its daily business and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and customer churn and adversely affect KPN's business."

Moreover, in the event of a power outage or data loss, KPN does not have a backup or alternative supply source for all components of its network. Despite the presence of certain data backup systems and similar precautions KPN has taken, unanticipated problems affecting its systems could cause failures in its information technology systems or disruption in the transmission of signals over KPN's network. Sustained or repeated system failures that interrupt KPN's ability to provide service to its customers or otherwise meet its business obligations in a timely manner would adversely affect KPN's reputation and result in a loss of customers and reputational damage, and may trigger claims for payment of damages or contractual remedies. The occurrence of any of these eventualities could have a material adverse effect on KPN's business, financial condition, results of operations and prospects.

Furthermore, KPN's technical equipment and systems have been and may continue to be subject to occasional malfunctioning due to technical shortcomings in KPN's own network or with other surrounding equipment. KPN might incur liabilities or reputational damages as a result thereof, which could materially and adversely affect its business, results of operations, financial condition and prospects.

In addition, KPN is not insured against war, terrorism (except to a limited extent under its general property insurance) and cyber-risks.

KPN may experience employee or labor relations problems, which may lead to work stoppages, reputational damage or increased costs.

Many of KPN's employees are members of unions. Although management believes that KPN's relations with its employees have generally been satisfactory, KPN has occasionally had disputes with unions and its employees, particularly in connection with KPN's ongoing FTE reduction program and its move to outsourcing or offshore certain business functions. In addition, KPN has in place two collective labor agreements in the Netherlands, one of which is due for renewal in June 2013 and is currently under negotiation, and the other of which has an effective date of 1 January 2013. KPN's inability to negotiate an acceptable agreement with its unions for either of these agreements could result in strikes or work stoppages by the affected workers and increased operating costs as a result of higher wages or benefits paid. If unionized workers were to engage in a strike or other work stoppage, KPN could experience a significant disruption in operations, reputational damage or higher labor costs, which could have a material adverse effect on KPN's business.

KPN's pension liability may reduce KPN's cash flows, profitability, financial condition, net assets, distributable reserves and KPN's ability to pay dividends.

KPN maintains a number of pension plans for its employees, which provide for the payment of retirement benefits and certain disability and survivor benefits. In particular, the majority of KPN's employees in the Netherlands are covered by defined benefit plans, as are certain of KPN's employees in Germany and Belgium. While KPN makes periodic contributions to its defined benefit plans, such contributions are based on certain assumptions imposed by law and therefore the actual amount of future pension obligations may be higher than provided for by KPN. A portion of KPN's pension plans are unfunded and KPN recognizes these liabilities on KPN's consolidated balance sheet as an accrual against future obligations. As of 31 March 2013, KPN had defined benefit obligations in excess of its defined benefit plan assets amounting to EUR 1,700 million based on IFRS pension accounting requirements. This includes EUR 246 million associated with legacy obligations for the US and UK operations of Getronics for which KPN has retained certain pension obligations despite disposing of those businesses. KPN's pension deficit could further increase depending, among other things, on changes in the valuation of publicly-traded debt or equity securities, changes in the applied discount rate, and fluctuations in exchange rates and interest rates. An increase in KPN's defined benefit pension liabilities could have a material adverse effect on its cash flows, financial condition and results of operations.

Should the Dutch actuarial valuation at any time disclose a significant underfunding of KPN's pension fund, KPN could be obliged to make additional contributions into the pension plan in addition to the normal contributions defined in the pension plan regulations. Such contributions may adversely affect KPN's ability to fund its capital expenditures or investments, pay dividends or service debt obligations, and generally have a material adverse effect on KPN's cash flows, financial condition and results of operations. See "—KPN's dividend may fail to be restored in a timely manner, or at all.

Deteriorating economic conditions or other factors could result in the further impairment of tangible assets, goodwill and other intangible assets, which may adversely affect KPN's financial condition or results of operations.

In recent years, KPN has recognized impairment of goodwill, tangible and intangible assets related to KPN's IT Solutions segment. Such impairment charges totaled EUR 314 million in the year ended 31 December 2012, relating to goodwill from IT Solutions (previously Corporate Market, and prior to that, Getronics), and EUR 298 million in the year ended 31 December 2011, relating to goodwill, tangible and other intangible assets from IT Solutions, in each case, triggered by persistent adverse market conditions in the ICT market, including fierce price pressure.

To the extent economic conditions worsen or other factors cause one or more of KPN's historic acquisitions for which goodwill was recorded to show increasing signs of impairment, KPN may need to record impairment charges relating to certain of its businesses, such as Getronics, E-Plus or Reggefiber, and such charges, while not directly affecting KPN's cash flows, could have a material adverse effect on its results of operations or financial condition. In particular, within Germany, further competitive pressure in the mobile market, resulting in a reduction of the long-term growth rate of the business, could result in impairment of goodwill going forward

KPN depends on hardware and software suppliers and content suppliers, who may choose to discontinue or be forced to discontinue their services or products, seek to charge prices that are not competitive or choose not to renew contracts with KPN.

KPN has important relationships with several suppliers of hardware, software, content and related services that KPN uses to operate its fixed and mobile telephony, fixed and mobile broadband internet, TV and business telecommunications systems. In certain cases, KPN has made substantial investments in the equipment or software of a particular supplier, making it difficult for KPN to quickly change supply and maintenance relationships in the event that its initial supplier refuses to or is unable to offer KPN favorable prices or ceases to produce equipment or provide the support that KPN requires. Certain of KPN's suppliers in Asia, which may be difficult or costly to replace, may face governmental or regulatory restrictions on imports into the EU. In the event that hardware or software products or related services are defective, it may be difficult or impossible to enforce recourse claims against suppliers, especially if warranties included in contracts with suppliers have expired, are exceeded by those in KPN's contracts with its customers or if the suppliers are insolvent. In addition, there can be no assurances that KPN will be able to obtain the hardware, software, services and content it needs for the operation of its business, in a timely manner, at competitive terms and in adequate amounts.

The success of KPN's business increasingly depends on the quality and variety of the TV and other content it delivers to its customers. As KPN does not produce its own content, it depends on agreements, relationships and cooperation with broadcasters and collective rights associations. If KPN is unable to obtain or retain attractively priced competitive content on its network, demand for its existing and future TV and other content services could decrease, thereby limiting its ability to maintain or increase revenues from these services, which could have an adverse effect on KPN's business, financial condition and results of operations.

KPN collects and processes customer data as part of its daily business and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and customer churn and adversely affect KPN's business.

KPN accumulates, stores and uses data in the ordinary course of its operations that is protected by data protection laws. Although KPN takes precautions to protect customer data in accordance with the applicable privacy requirements of the European Union and of the jurisdictions where it operates, KPN may fail to do so and certain customer data may be leaked or otherwise used inappropriately. For example, in January 2012, as a safety precaution, KPN chose to publicly announce the temporary shut down of its email services after hackers posted usernames, passwords, phone numbers and addresses of more than 500 of KPN's customers after the data was taken from a third party. KPN works with independent and third-party sales agents, service providers and call center agents, and although KPN's contracts with these third parties restrict the use of customer data, KPN can provide no assurances that they will abide by the contractual terms. Violation of data protection laws may result in fines, loss of reputation and customer churn and could have an adverse effect on KPN's business, financial condition and results of operations.

Risks in relation to outsourcing of services may adversely affect KPN's business and may cause higher costs than initially anticipated.

Over recent years, KPN has increasingly outsourced or offshored certain of its operations, including the outsourcing of a large part of its back office, network, and IT operations, and may do so with other parts of its operations in the future. KPN may experience an adverse effect on its customer satisfaction if its service partners do not deliver the service quality agreed in the outsourcing contracts, and certain business customers may object to outsourced services being provided by KPN at all. For example, KPN's brands could also be damaged by negative public perception of outsourcing or perception of inadequate customer service, particularly if it increases the role outsourcing or offshoring plays in the provision of certain customer service functions. Furthermore, should any of these arrangements be terminated by either contract party, including as a result of bankruptcy or insolvency by KPN's outsourcing partners, this could result in delays or disruptions to KPN's operations and could result in it incurring additional costs, including if the outsourcing counterparty increases pricing or if KPN is required to locate alternative service providers or in-source previously outsourced services. KPN may also incur higher costs if it decides to or is required by its customers to perform these services in-house, particularly if it must do so on short notice. In addition, it is possible that persons who provide services for KPN on a contractual basis may be recharacterized as KPN's employees, in which case KPN would be required to pay social insurance contributions and tax, on a retroactive basis for such persons, including a potential fine and/or surcharge. The occurrence of any of these eventualities could have a material adverse effect on KPN's business, results of operations, financial condition and prospects.

KPN's financial results could be adversely affected by changes in foreign currency exchange rates.

KPN's financial statements are expressed in Euro and KPN's functional currency is the Euro. Moreover, the substantial majority of KPN's revenues and expenses are denominated in Euro. However, KPN is exposed to currency exchange risk, primarily with respect to the pound sterling and the US dollar, from the settlement of international telecommunications traffic and the purchase of goods and equipment. In addition, KPN has borrowed certain amounts in pound sterling and US dollars, and therefore incurs interest expense in those currencies.

In an attempt to reduce the impact of currency fluctuations and the volatility of returns that may result from its currency exposure, KPN attempts to hedge its currency risks on payments mainly with foreign exchange forward contracts, and to hedge its currency risks on bonds with cross-currency swaps for the duration of the bond. There can be no assurance that such hedging will be fully effective or beneficial in protecting KPN from the adverse foreign currency exchange rate movements or that any resets will not result in additional cash outflows before maturity.

KPN is subject to interest rate risk, which could result in higher interest expense in the future.

As of 31 March 2013, KPN had all of its short- and medium-term interest rate exposures at fixed interest rates, in part from hedges, but may have a mix of financial instruments bearing floating or fixed interest rates in the long-term, and as a result may be subject to risk from movements in interest rates upon refinancing its debt obligations in the future. Interest rates are highly sensitive to many factors, including government monetary policies and domestic and international economic and political conditions, as well as other factors beyond KPN's control. KPN periodically evaluates its mix of fixed and floating interest rate liabilities, and will from time to time engage in swap transactions to hedge its exposure to floating interest rates. There can be no assurance that such hedging will be fully effective or beneficial in protecting KPN from the consequences of higher interest rates.

KPN does not provision for dismantling of certain elements of its network and any resulting cash outflows are uncertain.

Although KPN currently records a provision for its future obligations to dismantle and remove certain elements of its network, and to restore the sites on which equipment is located, in certain cases no such provision has been recorded. In particular, KPN may, at the request of the landlord, be required in the future to remove certain cables in the Netherlands, if those cables are determined to have been idle for a continuous period of 10 years. Because it is uncertain whether and when such landlords will request removal of the cables, the date when its cables may be deemed idle and the resulting cash outflows associated with their removal is uncertain. As a result, KPN has no reliable estimate of the impact of such obligations, and no provisions have been made. KPN could face significant additional provisioning requirements related to these obligations in the future.

KPN has significant deferred tax assets which may not be recoverable.

As of 31 March 2013, KPN's operations in Germany maintained a deferred tax asset of EUR 1,737 million. KPN determines the value of its deferred tax asset by estimating future taxable income, taking into account various uncertainties in future cash flows and taxable profits. KPN's ability to use these deferred tax assets, and the carrying value of these assets, are dependent upon having future taxable income in Germany during the periods in which KPN is permitted to use its tax loss carry-forwards. If KPN's estimates of its future taxable income and future cash flows in Germany are not accurate, the full value of these deferred tax assets may not be available to reduce KPN's future tax liabilities, and the value of these assets may be subject to impairment. Furthermore, a change of control of either KPN or E-Plus of more than 50% would result in the loss of KPN's deferred tax assets. A partial change in ownership in E-Plus of 25% to 50% would result in a proportional loss of KPN's German deferred tax assets. As a result, a change in control could result in the loss or impairment of KPN's German tax assets.

KPN is subject to increasing operating costs and inflation risks which may adversely affect its earnings.

While KPN attempts to increase its subscription fees, revenue for prepaid cards, connection fees, access fees and revenues from sales of goods and services to offset increases in operating costs, there is no assurance that it will be able to do so, particularly in the face of market competition or decreased customer demand. If KPN is unsuccessful in increasing the fees it charges its customers in line with increasing operating costs, or if it is unable to reduce its cost base through its FTE reduction program or other cost control efforts, its operating costs may rise faster than associated revenue, resulting in a material negative impact on its cash flow and net earnings. If inflation were to increase, KPN could be negatively impacted by inflationary increases in wages according to KPN's collective labor agreements with its unions, salaries, benefits and other costs, as well as equipment and component prices, if it were not able to increase its prices in line with such increases.

Third parties may claim that KPN infringes their intellectual property rights, which could adversely affect KPN's business.

KPN's current portfolio of intellectual property rights consists of registered trademarks relating to KPN's core brands, and approximately 350 patent families. Of these, approximately 50 patent families are declared essential for the commercial exploitation of telecom communication technology and services. Though KPN takes steps to protect its intellectual property rights, there can be no guarantee that third parties will not claim that KPN has infringed or is infringing their intellectual property rights. Moreover, KPN cannot guarantee that a court or other adjudicative body will find any of KPN's intellectual property rights to be valid in the event they are challenged by a third party or that they conform to required technical standards. Furthermore, the fact that KPN has received ownership of, or licenses under, certain intellectual property rights from its contract partners is no guarantee that its activities do not infringe the intellectual property rights of third parties.

The various Dutch, German and Belgian laws relating to intellectual property, the international treaties valid in the Netherlands, Germany and Belgium, and the Dutch, German and Belgian codes of civil procedures, all contain provisions allowing the proprietor of an intellectual property right to request the Dutch, German and Belgian courts to grant various enforcement measures. Examples include (a) measures relating to the gathering and protection of evidence (such as the unilateral appointment by the courts of an expert with a mission to (among others) describe the alleged infringing goods), (b) provisional and precautionary measures (such as a court order to provisionally stop the commercialization of the alleged infringing goods, under a penalty), (c) corrective measures (such as a recall from the channels of commerce) or (d) damages, which could be substantial. In addition, the Dutch, German and Belgian laws also provide for penal sanctions (fines and even imprisonment) for certain specific infringements (e.g., malicious or fraudulent copyright infringement).

If a third party claims that KPN has infringed its intellectual property rights, this may have an adverse effect on its ability to store or distribute certain of its products or specific parts thereof. Furthermore, any claims of infringement by a third party, even those without merit, will require administrative handling and follow-up as well as cause distraction, for example investigating and responding to cease and desist letters, and could cause damage to KPN's reputation and the value of its brand, cause KPN to incur substantial defense costs and distract its management and employees from its business. In addition, KPN may be required to seek a license for the use of the infringed intellectual property, which may not be available to it on commercially reasonable terms or at all.

KPN's business may be adversely affected by actual or perceived health risks and other environmental requirements relating to mobile telecommunications transmission equipment and devices, including the location of antennas.

Various reports have alleged that there may be health risks associated with the effects of electromagnetic signals from antenna sites, mobile handsets and other mobile telecommunications devices. KPN cannot assure investors that further medical research and studies will not establish a link between electromagnetic signals or radio frequency emissions and these health concerns. The actual or perceived risk of mobile telecommunications devices, press reports about risks or customer litigation relating to such risks could adversely affect the size or growth rate of KPN's customer base and result in decreased mobile usage or increased litigation costs. In addition, these health concerns may cause authorities in the jurisdictions in which KPN operates to impose more onerous regulations on the construction of base stations or other telecommunications network infrastructure. In particular, public concern over actual or perceived health effects related to electromagnetic radiation may result in increased costs related to KPN's networks, which may hinder the completion or increase the cost of network deployment, reduce the coverage of KPN's network and hinder the commercial availability of new services. For example, in Brussels, Belgium, mobile network operators are restricted to three volts per meter output as a result of concern over electromagnetic radiation. Compliance with this regulation has required in the past and may require in the future significant capital expenditure to increase the number of mobile base stations in order to adequately cover an area with the necessary voltage output for mobile service. If actual or perceived health risks were to result in decreased mobile usage, increased customer litigation or more burdensome regulation, KPN's business, financial condition and results of operations could be materially and adversely affected.

KPN is also subject to a variety of laws and regulations relating to land use and the protection of the environment, including those governing the storage, management and disposal of hazardous materials and the clean-up of contaminated sites. KPN could incur substantial costs, including clean-up costs, fines, sanctions and third-party claims for property damage or personal injury, as a result of violations of, or liabilities under, such laws and regulations, which could have a material adverse effect on KPN's business, results of operations and financial condition.

Disruptions in the credit and equity markets could increase the risk of default by the counterparties to KPN's derivative and other financial instruments, and further restrict the availability of debt financing to KPN.

Although KPN seeks to manage the credit risks associated with its derivative and other financial instruments, cash investments and undrawn debt facilities, disruptions in credit and equity markets could increase the risk that its counterparties could default on their obligations to KPN. While KPN currently has no specific concerns about the creditworthiness of any counterparty for which it has material credit risk exposures, the current economic conditions and uncertainties in global financial markets have increased the credit risk of KPN's counterparties, and KPN cannot rule out the possibility that one or more of its counterparties could fail or otherwise be unable to meet its obligations to KPN. Any such instance could have a material adverse effect on KPN's cash flows, results of operations, available liquidity or financial condition. Furthermore, it is not possible to predict how economic conditions, sovereign debt concerns and/or adverse regulatory developments could impact the credit markets KPN accesses and, accordingly, KPN's future financial position or results of operations. In this regard, sustained or further tightening of the credit markets could adversely impact KPN's ability to access debt financing on favorable terms, or at all. KPN's high leverage and recent deterioration in credit ratings could also weaken its ability to obtain new debt financing or refinance existing obligations, which may become necessary if KPN's liquidity position does not improve. Weak equity markets could also foreclose KPN's ability to undertake future equity offerings. Sustained turbulence in the debt and equity markets could therefore contribute to KPN's inability to access the financing necessary to improve its liquidity position, thereby materially and adversely affecting its business, results or operations, financial condition and prospects.

Market perceptions concerning the stability of the Euro could negatively impact KPN's business or KPN's ability to refinance KPN's liabilities.

Recent economic events affecting the European economies, including the sovereign debt crisis in Greece, Italy, Spain, Portugal and Cyprus, have raised a number of questions regarding the stability and overall standing of the European Monetary Union. The departure or risk of departure from the Euro by one or more Eurozone countries or the abandonment of the Euro as a currency could have major negative effects on KPN's existing contractual relations with its suppliers, and could adversely affect the economy in the Netherlands, Germany and Belgium. In particular, the departure of these countries from the Euro would increase KPN's exposure to changes in currency rates. Any of these developments could have a significant negative impact on KPN's business, financial condition and results of operations.

Risks relating to regulatory and legislative matters

KPN may fail to obtain or renew its spectrum licenses in the jurisdictions in which it operates, and, in particular, KPN expects that it may participate in spectrum auctions in Germany and Belgium in the near future.

KPN's current principal spectrum licenses have specified terms, some of which are due for renewal in the near term. Upon spectrum license renewal, KPN is often required to pay various licensing fees and satisfy certain other conditions. KPN's ability to renew its spectrum and other licenses and the terms of renewal to which those licenses are subject are determined by a number of factors, some of which are beyond KPN's control, including the prevalent regulatory and political environment at the time of renewal. As a condition for renewal, KPN may also be required to agree to new and more onerous terms and service requirements. The loss of, or failure to renew, any of KPN's spectrum licenses or other concessions, or a renewal on unfavorable terms, could have a material adverse effect on KPN's business, financial condition and results of operations.

Moreover, as KPN expands its network and services it will need to obtain additional licenses. In particular, KPN expects that it may participate in frequency allocations (via auction or otherwise) in Germany as early as 2014 and in Belgium as early as later this year, which could result in KPN incurring significant and unexpected investments. In Germany, although no auction has been announced or decided upon, the telecommunications regulator in Germany *(Bundesnetzagentur für Elektrizität, Gas, Telekommunikation, Post und Eisenbahnen* (**BNetzA**)) has indicated that the sum of interest from various parties exceeds the available spectrum, and that the advantages of an early auction outweigh the disadvantages. These frequency allocations may require KPN to incur significantly greater investments than planned. For example, KPN obtained a combination of 120MHz of frequency licenses in the Dutch spectrum auction in the fourth quarter of 2012, paying EUR 1,352 million in January 2013, which was a significantly higher cost than anticipated. See "—Mobile licensing" in "Regulation".

Additional licenses may also need to be obtained if KPN expands its services into new product areas, and such licenses may be subject to auction or otherwise prove expensive or require significant cash outlays, or have certain onerous terms and conditions, such as requirements related to network coverage and pricing, with which KPN may not have previously had to comply. If KPN is unable to obtain such licenses within the expected timeframe, at a commercially acceptable cost, or at all, or if the licenses subject KPN to onerous conditions, it could have a material adverse effect on KPN's business, financial condition and results of operations.

In addition, the terms of certain of KPN's licenses and concessions require KPN to meet certain conditions established by the laws and regulatory regimes of each jurisdiction in which it operates, including, for example, meeting minimum quality, service and network coverage standards. If KPN fails or is unable to comply with the conditions on its licenses or with the legal and regulatory regime requirements of the applicable jurisdiction more generally, KPN may be subject to fines and/or other administrative actions or may have one or more of its licenses or concessions suspended or revoked. The suspension or revocation of any of KPN's licenses or concessions could have a material adverse effect on KPN's business, financial condition and results of operations.

KPN is subject to monitoring and regulation by regulatory bodies in the jurisdictions in which it operates, which may increase its costs and otherwise adversely affect its business.

Most of KPN's network activities are monitored by a national regulatory authority (**NRA**) in each EU Member State, including the ACM in the Netherlands (the authority, as of 1 April 2013, consisting of the former Netherlands Consumer Authority, the former Netherlands Competition Authority (**NMa**) and the former Netherlands Independent Post and Telecommunications Authority (**OPTA**)), BNetzA in Germany, the Belgian Institute for Postal Services and Telecommunications (**BIPT**) in Belgium and the European Commission generally. Such governmental regulation and supervision, as well as future changes in laws, regulations or government policy (or in the interpretation of existing laws or regulations) that affect KPN, its competitors or its industry, strongly influence how it operates and will operate its various businesses. Adverse regulatory developments could expose its business to a number of risks as well as limit growth, curtail revenues and impact KPN's service offerings, lead to increased operating expenses and higher levels of capital expenditure or investment. In addition, regulation may restrict KPN's operations and subject KPN to further competitive pressure, including pricing restrictions, interconnection and other access obligations, obligations to protect customer interests, and restrictions or controls on content. Furthermore, KPN's competitors often engage in litigation to challenge certain regulatory decisions which impact their and KPN's businesses, and there is a risk that the results of such litigation could alter KPN's or its competitors' current regulatory environment such that

KPN's business or results of operating would be negatively impacted. Moreover, there is a risk of non-compliance associated with the complexity of regulation. Failure to comply with current or future regulation could expose KPN's business to various sanctions, including fines.

Regulation of KPN's services includes and may include price controls, service quality standards requirements to protect customers' interests and to carry specified programming, requirements to grant network access to competitors and content providers and programming content restrictions, among others. In particular, KPN is or may become subject to:

- rules regarding licensing, authorizations, declarations, frequency allocations and other regulatory permits, certificates and notices;
- rules regarding the interconnection of its network with those of other network operators;
- requirements that a network operator carry certain TV channels (the "must carry" obligation);
- rules relating to privacy, data protection, consumer protection and e-commerce;
- protection of minors;
- the disclosure of personal data of customers committing certain severe criminal acts to the appropriate authorities;
- rules in relation to ISPs;
- approval of acquisitions, including, for example, of RoutIT or the increase of KPN's ownership in Reggefiber;
- rules regarding the fair, reasonable and non-discriminatory treatment of broadcasters; and
- other requirements covering a variety of operational areas such as environmental protection, wiretapping, data retention and technical standards.

Furthermore, KPN's ability to introduce new products and services may also be affected if it does not accurately predict how existing or future laws, regulations or policies would apply to such products and services, which could prevent KPN from realizing a return on its investment in their development. Complying with existing regulations is burdensome, and future changes may increase KPN's operational and administrative expenses and limit its revenues, which in turn could have a material adverse effect on its business, financial condition and results of operations.

KPN's revenues may decline as a result of decreases in fixed and mobile termination rates.

In the Netherlands, Germany and Belgium, the fees for access and interconnection that fixed and mobile operators charge for calls and SMS terminating on their respective networks are determined ex ante by the relevant regulatory authority in accordance with EU law. In recent years, NRAs in the Netherlands, Germany and Belgium have taken action to significantly reduce these termination rates. In particular MTRs, which have been reduced in line with 2009 recommendations from the European Commission, as described in greater detail in "Regulation", have been reduced the most significantly. Because MTRs are a component of KPN's revenues (for calls and SMS that terminate on KPN's networks) and of KPN's access and interconnection expenses (for calls and SMS that terminate on the network of other network operators), the decrease in fixed termination rates (**FTRs**) and MTRs has had and will continue to have a direct impact on KPN's revenues and other income and costs, and a consequent impact on KPN's profitability. For example, regulatory changes to permissible MTR and roaming charges had an adverse impact on revenues of EUR 54 million and on EBITDA of EUR 33 million in the three months ended 31 March 2013, an adverse impact on revenues of EUR 134 million and on EBITDA of EUR 64 million in the year ended 31 December 2012 and an adverse impact on revenues of EUR 486 million and on EBITDA of EUR 203 million in the year ended 31 December 2011, including offsetting cost reduction benefits. The impact of declining MTRs on KPN's profitability has been particularly pronounced in Germany and Belgium, where KPN generally does not offer fixed-line telephony products as a significant portion of its business which could benefit from declining MTRs. In the Netherlands, on 16 April 2013, the ACM published a draft decision regarding the regulation of MTR and FTR tariffs, which may result in further reductions to the MTR and FTR fees KPN may charge for the termination of calls carried on its network. A further reduction in FTRs and MTRs could decrease KPN's revenues and profit margins in the future, which could have a material adverse effect on KPN's business, financial condition and results of operations.

KPN may be subject to increased costs or pressure on its revenues from changing regulation for international roaming charges.

Roaming charges, or fees charged for calls and SMS initiated outside the subscriber's home country, are subject to increasingly stringent fee caps for voice, SMS and data tariffs in the wholesale and retail customer markets throughout the EU. See "Regulation—The EU regulatory framework for electronic communications—Roaming on mobile networks". As a result, the roaming charges KPN may charge its wholesale customers for voice, SMS and data roaming are expected to decline until the end of July 2014, and after that date, retail roaming prices for voice, SMS and data will also be subject to price caps until (at least) July 2017. In addition, beginning in July 2014, retail roaming services will be required to be "decoupled" from other service offerings, and as a result KPN will be required to allow its customers to obtain roaming services from KPN's existing or new competitors in each market, who may set lower roaming charges and thereby win customers from KPN for roaming or other services. The unbundling of roaming services will also require network operators such as KPN to provide access to their network to foreign operators who wish to provide roaming services in the territories covered by those operators.

The price regulation on roaming charges and other price caps may be reduced further by future regulation, and the roaming services or the extent of network access that KPN is required to provide to its competitors could be extended. Such regulatory change may increase pressure on KPN's revenues and could materially and adversely affect KPN's business, financial condition, results of operations and prospects.

KPN has been found in the past, and in the future may be found, to have significant market power in the markets in which it operates, the regulation of which may adversely affect its business.

The European Regulatory Framework for Electronic Communications Networks and Services provides a foundation to impose measures on entities deemed to have significant market power in any of the markets in which they operate. KPN has been designated as having significant market power in the call termination markets on its individual fixed and mobile networks in the Netherlands, Germany and Belgium, resulting in regulation of FTRs and MTRs on those networks. Furthermore, KPN has been designated as having significant market power in several of its fixed (wholesale) markets in the Netherlands by OPTA (the predecessor to the ACM). See "Regulation—The Netherlands—Significant market power and market analysis". Regulatory changes in relation the evaluation of which companies have significant market power in certain markets are ongoing and could adversely affect KPN's competitive position and margins in the future. For example, the ACM is currently implementing its latest round of market analysis in the Netherlands, which may result in changes to tariffs in those markets, in some cases retroactively for wholesale. As a result, there is a risk that KPN could be found to have significant market power in one or more additional markets in which it operates in the future. In addition, should NRAs in any one of the Netherlands, Germany or Belgium opt to extend findings of significant market power into new markets, and if KPN were to be deemed to have significant market power in such a market, such additional regulatory restrictions could have a material adverse effect on KPN's business, financial condition and results of operations.

A finding that KPN has significant market power in a given market subjects it to heightened regulatory monitoring and review, pricing regulation and could require KPN to provide other service providers access to its network for purposes of providing competing services at regulated prices, as well as impose other restrictions on how it operates its networks and markets its services. Furthermore, if competition authorities in a given jurisdiction were to view KPN's significant market power as being relevant to a finding of market dominance, KPN may not be able to successfully expand its business by means of mergers or acquisitions in markets in which it is found to have significant market power or would obtain significant market power as the result of a given merger or acquisition. In addition, in 2013 the EU is expected to provide regulatory guidance in relation to next generation access (**NGA**) networks, which may include guidelines for wholesale price regulation on traditional copper and NGA networks of operators with significant market power. This guidance may consequently have an impact on KPN's fixed line broadband internet products in the Netherlands, and KPN cannot currently predict or estimate what, if any, aspects of KPN's business might be impacted by this guidance.

Because a finding of significant market power impacts how KPN is permitted to operate its network, price and market its products any finding that KPN has significant market power in one or more of the markets in which KPN operates could have a material adverse effect on its business, financial condition and results of operations.

KPN's operations, facilities, products and employees are subject to a wide range of health and safety regulations and concerns, and as a result, KPN may be subject to material liabilities.

KPN is subject to certain environmental, health and safety laws and regulations that affect KPN's operations, facilities, products and employees in each of the jurisdictions in which KPN operates. There is a risk that KPN may have to incur expenditures to cover environmental and health liabilities to maintain compliance with current or future environmental, health and safety laws and regulations or to undertake any necessary remediation.

In addition, certain of KPN's employees or contractors may be required to work under extreme or dangerous conditions (for example, heights or weather) or in extreme or dangerous locations. KPN is subject to potentially material liabilities, including those related to personal injuries or property damage, which may result from working under extreme or dangerous conditions or in extreme or dangerous locations.

Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on KPN's results of operations and cash flow.

The tax laws and regulations in the Netherlands, Germany and Belgium may be subject to change and there may be changes in interpretation and enforcement of tax law. As a result, KPN may face increases in taxes payable if tax rates increase, or if tax laws and regulations are modified by the competent authorities in an adverse manner. Moreover, in certain jurisdictions, such as Belgium, KPN's operations are taxed at the local and municipal level. Local governments in Belgium increasingly tax mobile network operations, including based on number of mobile base stations, as a source of revenue, and an increase in tax or an increase in the number of jurisdictions taxing KPN's operations could have a material adverse effect on KPN's business, financial condition and results of operations.

In addition, the Dutch tax authorities periodically examine KPN's subsidiaries. KPN regularly considers the likelihood of assessments and has established tax allowances which represent management's best estimate of the potential assessments. The resolution of any of these tax matters could differ from the amount reserved, which could have a material adverse effect on KPN's cash flows, business, financial condition and results of operations for any reporting period.

KPN has not received confirmation from the relevant authorities in the Netherlands regarding the deductibility of interest payments made on the recently issued Capital Securities or the absence of a withholding tax requirement. As a result, the Capital Securities could be subject to a voluntary redemption by KPN. KPN's ability to refinance such a redemption of the Capital Securities cannot be assured, resulting in higher interest expense, higher income tax liabilities and reduced profits, and any additional capital raised to refinance the Capital Securities could result in substantial additional leverage or dilution to holders of Ordinary Shares.

Under the terms of each of the Capital Securities, KPN has the right to redeem the Capital Securities prior their maturity dates under certain circumstances. In particular, KPN has sought clearance from the relevant authorities in the Netherlands, requesting confirmation of the deductibility of interest and the absence of withholding tax on the Capital Securities. As of the date of this Prospectus, no such clearance has been received from the relevant authorities in the Netherlands in response to this request. The relevant authorities in the Netherlands may decline to provide clearance or other form of guidance at all, or may return an unfavorable ruling which completely or partially denies KPN the right to deduct its interest payments on the Capital Securities from its taxable income, or requires KPN to withhold interest on these payments, or both. There can be no assurance that KPN would be able to take any measures to avoid or mitigate the negative consequences of such an event.

KPN intends not to withhold tax on its interest payments and intends, based on its understanding of both the relevant Dutch tax laws and the past practice of the Dutch tax authorities, to deduct interest paid on the Capital Securities from its taxable income for purposes of calculating its income tax liability starting with the financial year ending on 31 December 2013. If the relevant authorities in the Netherlands perform an audit or review of KPN's tax returns for that financial year or any subsequent years, and challenge or otherwise bar these deductions or retroactively require withholding, KPN could, if such challenge or ban was the result of a change in law or regulation or application or interpretation thereof, at that time have the right to redeem the Capital Securities, and could also face potential back taxes, fines, penalties, charges and interest on the amounts owed to the government.

If, as a result of any of the circumstances described above, KPN decides to exercise its optional right to redeem the Capital Securities, it may not have adequate cash resources, and may be required to incur substantial additional leverage. This would, in turn, have an adverse impact on KPN's Net Debt/Adjusted EBITDA ratio and contribute to potential rating downgrades and higher financing costs for KPN's other debt instruments. KPN may not be able to obtain debt financing to fund the redemption of the Capital Securities on commercially acceptable terms, or at all. As a result, KPN may opt to issue additional equity securities, potentially result in substantial dilution to holders of Ordinary Shares. If additional funding to finance a redemption of the Capital Securities is not available on commercially attractive terms, or at all, KPN's liquidity position may be significantly adversely affected, and it may be required to significantly alter its strategy or curtail its future capital expenditure and investment plans, and its liquidity position could be significantly adversely affected. Moreover, if KPN decides not to exercise its optional right to redeem the Capital Securities, or if it is unable to do so at commercially reasonable cost of financing, it would face substantially higher interest expenses, higher income tax liabilities and reduced profits.

Risks associated with the Offering and the Ordinary Shares

KPN's dividend may fail to be restored in a timely manner, or at all.

On 23 April 2013, KPN announced that it will pay no dividend for the financial years 2013 and 2014. Subject to its operational performance and financial position, KPN expects to resume dividend payments thereafter.

Whether dividends are restored after the 2014 financial year, and the declaration, timing and payment of future cash dividends, if any, will be subject to KPN's operational performance and financial position, and will be at the absolute discretion of KPN's Board of Management, with the approval of the Supervisory Board, and is subject to relevant Dutch law and a number of factors, including the level of KPN's distributable reserves and factors such as KPN's business prospects and conditions, cash requirements, earnings and cash flow, capital resources, financial performance and conditions and expansion and capital expenditure or investment plans. In addition, as KPN itself is a holding company and does not perform any operating activities, its ability to pay a dividend and the level of any dividends in respect of the Ordinary Shares is subject to the extent to which KPN receives funds, directly or indirectly, from its operating subsidiaries in a manner which creates funds from which dividends can be legally paid. However, each subsidiary's ability to pay dividends will depend on the law of the jurisdiction in which such subsidiary is organized or incorporated. Under Dutch law, KPN may make distributions to its shareholders and other persons entitled to distributable profits only up to the amount of the part of KPN's equity which exceeds the nominal value of the issued share capital of KPN and its reserves that must be maintained by law and the Articles of Association. In addition, while any arrears of interest is outstanding under the Capital Securities, if KPN declares or pays a dividend or other distribution, it would be required under the terms of the Capital Securities to repay the deferred interest at that time. Accordingly, investors should not rely on receiving any fixed level of dividend income from the Ordinary Shares, and any return on an investment in the Offer Shares may depend entirely upon the possibility of future appreciation in their value, which is not assured. Any failure to restore dividends or any delay in doing so could have a material adverse effect on the price of Ordinary Shares.

The market price of the Ordinary Shares will fluctuate, and may decline below the Issue Price.

The market price of the Ordinary Shares at the time of the Rights Offering may not be indicative of the market price for Ordinary Shares after the Rights Offering is completed. The market price of the Ordinary Shares which Eligible Persons will receive upon exercise of the Rights may fluctuate significantly due to a variety of factors, including changes in, or changes in sentiment in the market regarding, KPN's business, results of operations and financial condition. Such fluctuations may be influenced by the market's perception of the likelihood that the Rights Offering will complete and the extent to which Rights will be exercised for Ordinary Shares, which may vary with speculation in the media or the investment community, or the expectations and recommendations of analysts who cover KPN's business and industry. In turn, these may be affected by a number of factors, some of which are beyond KPN's control, including actual or anticipated changes in KPN's performance, the performance of KPN's competitors and other companies in the markets in which it operates, strategic actions by KPN's competitors (including acquisitions and restructurings), regulatory changes, large sales or purchases of Ordinary Shares (or the perception that such transactions may occur) and general market and economic conditions.

Stock markets around the world have recently experienced significant price and volume fluctuations in connection with the continuing global financial crisis and economic contraction (including the crisis in the Eurozone). Securities quoted on NYSE Euronext Amsterdam have experienced significant volatility which has had an adverse impact on the market prices for securities and which may be unrelated to the actual performance or prospects of individual companies, such as KPN. KPN cannot assure investors that as a result of these and other factors the market prices of the Ordinary Shares will not decline below the Issue Price. Should this occur after Eligible Persons have exercised their Rights, the exercise of which cannot be revoked or modified except as described in "The Offering—Rights Offering—Exercise period", they will suffer an immediate unrealized loss as a result. Moreover, KPN cannot assure Eligible Persons that, following the exercise of Rights, they will be able to sell their Ordinary Shares at a price equal to or greater than the Issue Price.

KPN cannot assure investors that an active trading market will develop for the Rights and, if a market does develop, the market price of the Rights will be affected by, and may be subject to greater volatility than, the market price of Ordinary Shares.

KPN intends to set a trading period for the Rights on NYSE Euronext Amsterdam from 09:00 (CET) on 26 April 2013 until 17:40 (CET) on 13 May 2013. Prior to the Rights Offering there has been no market for the Rights. KPN cannot assure investors that an active trading market in the Rights will develop or be sustained on NYSE Euronext Amsterdam during that period. The Rights are expected to have an initial value that is lower than that of Ordinary Shares and will have a limited trading life, which may impair the development or sustainability of an active trading market. If such a market fails to develop or be sustained, this could negatively affect the liquidity and price of the Rights, as well as increase their price volatility. Accordingly, KPN cannot assure investors of the liquidity of any such market, any ability to sell the Rights or the prices that may be obtained for the Rights. In addition, the price at which Rights may trade on NYSE Euronext Amsterdam will be subject to the same risks which may affect the market price of Ordinary Shares as described in these "Risk Factors". Accordingly, the market price of the Rights may be highly volatile.

Shareholders will experience significant dilution as a result of the Rights Offering if they do not or cannot exercise their Rights in full.

If shareholders who are Eligible Persons fail to exercise their Rights in full by the end of the Exercise Period at 15:00 (CET) on 14 May 2013 as part of the Rights Offering, or are Ineligible Persons, their proportionate ownership and voting interests in KPN will be significantly reduced and the percentage of its enlarged share capital their existing Ordinary Shares will represent will accordingly be significantly reduced. If shareholders who are Eligible Persons elect to sell rather than exercise their Rights, the consideration they receive may not be sufficient to compensate them fully for the dilution of their percentage ownership of its share capital which will result from the Rights Offering. See also "The Offering".

One shareholder owns approximately 29.52% of the Ordinary Shares and thus may be in a position to exercise significant influence over KPN's actions, to the detriment of other shareholders and this shareholder's interests may not be aligned with the interests of other shareholders.

América Móvil has notified KPN that, at the date of this Prospectus, it directly or indirectly owns 29.52% of the Ordinary Shares issued and outstanding, and 29.77% of the Ordinary Shares issued and outstanding when excluding Ordinary Shares held by KPN. As a result of its shareholding, América Móvil is able to control a significant portion of the voting rights in KPN. In addition, América Móvil has recently obtained two seats on the Supervisory Board and has entered into a Relationship Agreement with KPN to govern the long-term relationship between both parties. See "General Information—Material contracts—Shareholder Commitment Letter and relationship agreement". América Móvil, or any other large shareholder or shareholder group may be in a position to exert significant influence over, or determine the outcome of, matters requiring approval of KPN's shareholders, including but not limited to appointments to the Supervisory Board and the approval of dividends or major transactions. The interests of América Móvil or any other large shareholder or shareholder group may differ from the interests of other shareholders. As a result of its substantial interest, América Móvil or any other large shareholder or shareholder group, may be able to influence certain decisions without the support of other shareholders, or delay or prevent certain transactions that are in the interests of other shareholders, including without limitation an acquisition or other change in control of KPN's business, which could prevent other shareholders from receiving a premium on their Ordinary Shares. The market price of Ordinary Shares may decline if América Móvil or any other large shareholder or shareholder group uses its influence in ways that are perceived to be adverse to KPN's financial position.

If Eligible Persons do not properly and timely exercise their Rights, they may not be able to subscribe for Offer Shares at the Issue Price and they may not receive any compensation for their unexercised Rights.

The Exercise Period for the Rights commences at 09:00 (CET) on 26 April 2013 and expires at 15:00 (CET) on 14 May 2013. Eligible Persons and, if applicable, financial intermediaries acting on their behalf, must act promptly to ensure that all required exercise instructions are actually received by the Subscription, Listing and Paying Agent before the expiration of the Exercise Period. If Eligible Persons or their financial intermediaries fail to correctly follow the procedures that apply to the exercise of their Rights, KPN may, depending on the circumstances, reject their exercise of Rights. If Eligible Persons fail to validly exercise their Rights, such Rights will continue to be reflected in their securities account only for the purpose of the payment of the Excess Amount, if any. KPN cannot assure Eligible Persons, however, that there will be an Excess Amount for distribution to holders of unexercised Rights.

In addition, if an Eligible Person neither exercises his Rights nor sells his unexercised Rights, the Banks have agreed with KPN to use reasonable endeavors to procure subscribers for the Ordinary Shares underlying the Rights. There is no assurance that the Banks will be able to procure subscribers at a price per Ordinary Share that exceeds the sum of the Issue Price per Ordinary Share and the Offering expenses. The Banks may also cease their endeavor to procure subscribers at any time. Even if the Banks are able to procure subscribers for the Ordinary Shares underlying the Rights, the consideration a Shareholder who neither exercises Rights nor sells unexercised Rights will receive, may not be sufficient to compensate him fully for the dilution of his percentage ownership of KPN’s share capital which will result from the Offering. For additional information, see “The Offering”.

If the Offering is withdrawn, both the exercised and unexercised Rights will be forfeited without compensation to their holders and the subscriptions for and allotments of Offer Shares that have been made will be disregarded. Any such forfeiture of Rights will be without prejudice to the validity of any settled trades in the Rights.

The grant of the Rights and the offer of the Offer Shares (pursuant to the exercise of Rights or otherwise) are conditional upon the fulfillment of certain conditions precedent. If any of these conditions is not met or is not waived by the Banks, or if certain circumstances occur prior to payment for and delivery of the Offer Shares, the Offering will be withdrawn, the obligations of the Banks to procure subscribers for or themselves subscribe and pay for any Offer Shares will lapse and both the exercised and unexercised Rights will be forfeited without compensation to their holders, subscriptions for an allotments of Offer Shares that have been made will be disregarded, and all transactions in the Rights on NYSE Euronext Amsterdam that have not yet been settled, will be annulled. Any such forfeiture of Rights will be without prejudice to the validity of any settled trades in Rights. There will be no compensation or refund for any settled trades in Rights. All dealings in Rights prior to the closing of the Offering are at the sole risk of the parties concerned. NYSE Euronext Amsterdam N.V., KPN, the Banks, the Subscription, Listing and Paying Agent do not accept any responsibility or liability to any person as a result of the withdrawal of the Offering or (the related) annulment of any transactions in Rights on NYSE Euronext Amsterdam.

Additional equity offerings or future sales of Ordinary Shares by KPN or by significant shareholders of KPN, or the possibility of such offerings or future sales, could have a material adverse effect on the price of the Shares and dilute the interests of shareholders.

KPN faces a challenging trading environment as a result of economic conditions, an intensely competitive environment for telecommunications operators and the other considerations set out in this Prospectus. In addition, the European credit markets remain constrained despite the efforts of the European Central Bank and certain national governments to provide liquidity support. In the future, KPN may seek to raise funds through additional equity offerings. Additional equity offerings could cause dilution for its shareholders if they do not participate, or are not invited or eligible to participate. Moreover, future sales of a substantial number of Ordinary Shares by significant shareholders of KPN, in particular América Móvil, who is not subject to any restrictions on the sale or disposition of its Ordinary Shares, or the perception by the market that such sales may or will occur, could have a negative impact on the market price of Ordinary Shares and could increase the volatility in the market price of Ordinary Shares.

Subject to certain exceptions, Shareholders in certain jurisdictions may not be able to participate in the Offering or elect to receive share dividends, and such Shareholders’ ownership and voting interests in KPN’s share capital will accordingly be diluted.

In the event of an increase in KPN’s share capital, Shareholders will be generally entitled to certain pre-emption rights, unless these rights are excluded by a resolution of the General Meeting or of the Board of

Management, if so designated by a resolution of the General Meeting or pursuant to the Articles of Association. However, the securities laws of certain jurisdictions may restrict KPN's ability to allow Shareholders to participate in offerings of its securities and to exercise pre-emption rights. Accordingly, Shareholders with registered addresses, or who are resident or located, in certain jurisdictions, including the United States, will not, subject to certain exceptions, be eligible to exercise Rights as part of the Offering. Such Shareholders may not receive the full economic benefit of the Rights if the Banks are unable to procure subscribers for the Ordinary Shares underlying the Rights at a price that exceeds the sum of the Issue Price per Ordinary Share and the Offering expenses, in which case the Rights will lapse without compensation. As a result, Shareholders with registered addresses or who are resident or located in such jurisdictions, including the United States, may experience dilution of their ownership and voting interests in KPN's share capital.

In addition, KPN may in the future offer, from time to time, a stock dividend election to Shareholders, subject to applicable securities laws, in respect of future dividends. However, subject to certain exceptions KPN may not permit Shareholders with registered addresses or who are resident or located in certain restricted jurisdictions, including the United States, to exercise this election. Accordingly, Shareholders in these restricted jurisdictions may be unable to receive dividends in the form of shares rather than cash and, as a result, may experience further dilution. See "Selling and Transfer Restrictions" for the restrictions that apply to the Offering.

Takeover attempts that may be favorable to Shareholders may be prevented or discouraged by certain arrangements in Dutch law and the Articles of Association.

Like other companies in the Netherlands, the Articles of Association have certain arrangements that may have the effect of preventing, discouraging or delaying a change of control. For instance, *Stichting Preferente Aandelen B KPN* (the **Foundation**) is entitled to acquire from KPN Preference Shares up to a maximum of 100% of KPN's total issued and outstanding share capital in the form of Ordinary Shares, as outstanding immediately prior to the exercise of the call option, less one Preference Share and any shares already issued to the Foundation. The issuance of Preference Shares in this manner would cause substantial dilution to the voting power of any Shareholder, including a Shareholder attempting to gain control of KPN, and could therefore have the effect of preventing, discouraging or delaying a change of control that might otherwise be in an investor's best interest or have otherwise resulted in an opportunity for Shareholders to sell the Ordinary Shares at a premium to the then-prevailing market price. See "Description of Share Capital and Corporate Governance". Both the existence and the exercise of the Foundation's call option may have an adverse effect on the market price of the Ordinary Shares.

Shareholders may be subject to exchange rate risk as a result of adverse movements in the value of their local currencies against the Euro.

The Rights and the Offer Shares are priced in Euro, and will be quoted and traded in Euro. In addition, any dividends that KPN may pay will be declared and paid in Euro. Accordingly, Shareholders resident in non-Euro jurisdictions may be subject to risks arising from adverse movements in the value of their local currencies against the Euro, which may reduce the value of the Rights and Offer Shares, as well as that of any dividends paid.

The ability of Shareholders to bring actions or enforce judgments against KPN or members of its Supervisory Board and Board of Management may be limited.

The ability of Shareholders to bring an action against KPN may be limited under law. KPN is a public company with limited liability incorporated under the laws of the Netherlands. The rights of Shareholders are governed by Dutch law and by the Articles of Association. These rights differ from the rights of shareholders in typical US corporations and some other non-Dutch corporations. It may be difficult for a Shareholder to prevail in a claim against KPN or to enforce liabilities predicated upon non-Dutch securities laws.

A Shareholder may not be able to enforce a judgment against some or all of the members of KPN's Supervisory Board and Board of Management. A majority of the members of KPN's Supervisory Board and Board of Management are residents of the Netherlands. Consequently, it may not be possible for a Shareholder to affect service of process upon members of KPN's Supervisory Board and Board of Management within such Shareholder's country of residence, or to enforce against members of KPN's Supervisory Board and Board of Management judgments of courts of such Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a Shareholder will be able to enforce any judgment in civil and commercial matters or any judgments KPN's Supervisory Board and Board of Management who are residents of the Netherlands or countries other than those in which judgment is made. In addition, Dutch or other courts may not impose civil liability on members of KPN's Supervisory Board and Board of Management in any original action based solely on foreign securities laws brought against KPN or members of its Supervisory Board and Board of Management in a court of competent jurisdiction in the Netherlands or other countries.

If securities or industry analysts cease to publish research reports on KPN's business, or adversely change or make negative recommendations regarding Ordinary Shares, the market price and trading volume of Ordinary Shares could decline.

Whether there is an active trading market for Ordinary Shares will be influenced by the continued availability and recommendations of research reports covering KPN's business. If one or more research analysts ceases to cover KPN's business or fails to regularly publish reports on its business, KPN could lose visibility in the financial markets, which could cause the market price or trading volume of Ordinary Shares to decline. In addition, if research analysts do not make positive recommendations regarding Ordinary Shares, or if negative research is published on the industry or geographic markets KPN serves, the price and trading volume of Ordinary Shares could decline.

IMPORTANT INFORMATION

Potential investors are expressly advised that an investment in the Rights or the Offer Shares entails certain risks and that they should therefore carefully review the entire contents of this Prospectus. Furthermore, before making an investment decision with respect to any of the Rights or the Offer Shares, potential investors should consult their stockbroker, intermediary, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with an investment in the Rights or the Offer Shares and consider such an investment decision in light of the potential investor's personal circumstances.

All references to **KPN** or the **Group** are to Koninklijke KPN N.V. and, as the context requires, any or all of its subsidiaries and consolidated joint ventures, taken as a whole.

General and Responsibility statement

Potential investors should only rely on the information contained in this Prospectus and any supplement to this Prospectus within the meaning of Article 5:23 of the Dutch Financial Supervision Act, should such supplement be published. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of KPN and the terms of the Offering, including the merits and risks involved.

KPN does not undertake to update this Prospectus, unless pursuant to Article 5:23 of the Dutch Financial Supervision Act and therefore potential investors should not assume that the information in this Prospectus is accurate as of any date other than the date of this Prospectus. No person is or has been authorized to give any information or to make any representation in connection with the Offering, other than as contained in this Prospectus. If any information or representation not contained in this Prospectus is given or made in connection with the Offering, that information or representation may not be relied upon as having been authorized by or on behalf of KPN, Banks or any of their respective affiliates. The delivery of this Prospectus at any time after the date of this Prospectus will not, under any circumstances, create any implication that there has been no change in the Group's affairs since the date of this Prospectus or that the information in this Prospectus is correct as of any time since its date.

This Prospectus is made available by KPN. KPN accepts responsibility for the information contained in this Prospectus. KPN declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

No representation or warranty, express or implied, is made or given by or on behalf of the Banks or any of their affiliates or any of their respective directors, officers or employees or any other person, as to the accuracy, completeness or fairness of the information or opinions contained in this Prospectus, or incorporated by reference herein, and nothing in this Prospectus, or incorporated by reference herein, is, or shall be relied upon as, a promise or representation by the Banks or any of their affiliates as to the past or future.

None of the Banks, in any of their respective capacities in connection with the Offering, and ABN AMRO Bank N.V. as Subscription, Listing and Paying Agent for the Offering, accepts any responsibility whatsoever for the contents of this Prospectus nor for any other statements made or purported to be made by either itself or on its behalf in connection with KPN, the Offering, the Rights or the Offer Shares (including, for the avoidance of doubt, the Rump Shares). Accordingly, the Banks disclaim, to the fullest extent permitted by applicable law, all and any liability, whether arising in tort or contract or which they might otherwise be found to have in respect of this Prospectus and/or any such statement.

Although the Banks are party to various agreements pertaining to the Offering and each of the Banks has or might enter into a financing arrangement with KPN, this should not be considered as a recommendation by any of them to invest in the Rights or the Offer Shares.

Restrictions on the Offering

The Offering, the distribution of this Prospectus, any related materials and the offer and sale of Rights and the Offer Shares (including, for the avoidance of doubt, the Rump Shares) may, in certain jurisdictions other than the Netherlands, including, but not limited to, the United States, be restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute an offer to sell, or a solicitation to purchase, any of the Rights or the Offer Shares (including, for the avoidance of doubt the Rump Shares) in any jurisdiction in which such offer or solicitation is not authorized or is unlawful. The content of this Prospectus is not to be considered or interpreted as legal, financial or tax advice.

None of KPN or the Banks, or any of their respective representatives, is making any representation to any offeree or purchaser of the Rights or the Offer Shares regarding the legality of an investment in the Rights or the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Rights or the Offer Shares.

The investors also acknowledge that: (i) they have not relied on the Banks or any person affiliated with the Banks in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied only on the information contained in this Prospectus, and that no person has been authorised to give any information or to make any representation concerning KPN or its subsidiaries or the Rights or the Offer Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the KPN or the Banks.

Persons in possession of this Prospectus are required to inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction, including those set out in the following paragraphs. KPN does not accept or assume any responsibility or liability for any violation by any person of any such restrictions. For further information on the manner of distribution of the Rights or the Offer Shares, and the transfer restrictions to which they are subject, see "Selling and Transfer Restrictions".

As a condition to a purchase of any Rights or the Offer Shares (including, for the avoidance of doubt, the Rump Shares), each purchaser will be deemed to have made, or in some cases, be required to make, certain representations and warranties, which will be relied upon by KPN, the Banks and others. KPN and the Joint Global Coordinators reserve the right, in their sole and absolute discretion, to reject any purchase of Rights and Offer Shares that KPN or the Joint Global Coordinators believe may give rise to a breach or violation of any law, rule or regulation. For a more detailed description of restrictions relating to the Offering, see "Selling and Transfer Restrictions".

Notice to Investors

EXCEPT AS OTHERWISE SET OUT IN THIS PROSPECTUS, THE OFFERING DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO SHAREHOLDERS OR INVESTORS IN THE UNITED STATES, AUSTRALIA OR JAPAN.

This Prospectus does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire, Rights and Offer Shares, or to take up any Rights in any jurisdiction in which such an offer or solicitation is unlawful or would result in KPN becoming subject to public company reporting obligations outside the Netherlands.

The distribution of this Prospectus, the exercise of Rights, and the offer or sale of Rights or Offer Shares is restricted by law in certain jurisdictions. This Prospectus may only be used where it is legal to exercise Rights and offer, solicit offers to purchase or sell Rights or Offer Shares. Persons who obtain this Prospectus must inform themselves about and observe all such restrictions.

No action has been or will be taken to permit the exercise of Rights or a public offer or sale of Rights or Offer Shares (pursuant to the exercise of Rights or otherwise), or the possession or distribution of this Prospectus or any other material in relation to the Rights Offering or the Rump Offering in any jurisdiction outside the Netherlands where action may be required for such purpose. Accordingly, neither this Prospectus nor any advertisement or any other related material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

The Rights and Offer Shares offered hereby have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and, subject to certain exceptions, may not be offered, sold, exercised, pledged, taken up, delivered, renounced or otherwise transferred, directly or indirectly, in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state and other securities laws of the United States. Persons receiving this Prospectus are hereby notified that KPN and other sellers of Rights and Offer Shares are relying on an exemption from the registration requirements of Section 5 of the Securities Act, which may include Rule 144A or Regulation S thereunder.

THE RIGHTS AND OFFER SHARES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY US FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE RIGHTS OR THE OFFER SHARES OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective purchaser to consider purchasing the particular securities described herein.

The information contained in this Prospectus has been provided by KPN and the other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by KPN and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without the prior written consent of KPN, is prohibited.

Any reproduction or distribution of this Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the securities described herein. Investors agree to the foregoing by accepting delivery of this Prospectus.

If, at any time, KPN is neither subject to section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, it will furnish, upon request, to any owner of the Rights or Offer Shares, or any prospective purchaser designated by any such owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. In such cases, KPN will also furnish to each such owner all notices of shareholders' meetings and other reports and communications that are made generally available by KPN to its shareholders.

Shareholders who have a registered address in, or who are resident or located in, jurisdictions other than the Netherlands and any person (including, without limitation, agents, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this Prospectus to a jurisdiction outside the Netherlands should read "Selling and Transfer Restrictions".

In the United Kingdom, this Prospectus is being distributed only to, and is directed only at, persons (a) who have professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the **Order**), or (b) who are high net worth bodies corporate, unincorporated associations and partnerships and the trustees of high value trusts, as described in Article 49(2) of the Order; or (c) who KPN believes on reasonable grounds to be persons to whom Article 43(2) of the Order applies for these purposes, or (d) other persons to whom it may lawfully be communicated (all such persons being referred to in (a), (b), (c) and (d) are defined as **Relevant Persons**). In the United Kingdom, any investment or investment activity to which this Prospectus relates is only available to and will only be engaged in with Relevant Persons. Any other persons who receive this Prospectus should not rely on or act upon it.

Subject to certain exceptions, this Prospectus should not be forwarded or transmitted in or into the United States, Australia or Japan.

Once Rights have been exercised, such exercise cannot be revoked or modified, except as otherwise described in "The Offering". Rights cannot be exercised after 15:00 CET on 14 May 2013. At that time, any unexercised Rights will continue to be reflected in the Shareholder's securities account solely for the purpose of the distribution of the Excess Amount, if any. See "The Offering".

This Prospectus will be published in English only. Terms used in the Prospectus are defined in "Definitions".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE

CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE SUBSCRIBER, PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Presentation of financial and other information

This Prospectus includes or incorporates by reference (i) the audited consolidated financial statements (including the notes and auditor's report) of the Group as of and for the years ended 31 December 2010, 2011 and 2012 and (ii) the unaudited consolidated interim financial statements prepared in accordance with IAS 34 as of and for the three months ended 31 March 2013 (the **Consolidated Financial Statements**). The Consolidated Financial Statements have been prepared in accordance with IFRS and with Part 9 of Book 2 of the Dutch Civil Code.

The audits of KPN's historical financial information for the years ended and as of 31 December 2010, 2011 and 2012 and the related notes thereto which have been prepared in accordance with IFRS and are incorporated by reference in this Prospectus as set out in "Incorporation by reference" were performed in accordance with Dutch law (including the Dutch Standards on Auditing).

None of the financial information used or incorporated by reference in this Prospectus has been audited in accordance with auditing standards of the United States Public Company Accounting Oversight Board. The financial information included or incorporated by reference in this Prospectus is not intended to comply with the reporting requirements of the United States Securities and Exchange Commission (the **SEC**). Compliance with such requirements would require the modification or exclusion of certain financial measures and the presentation of certain other information not included herein.

Until 31 December 2011, KPN divided its business into the following: The Netherlands (comprising the Consumer, Business, Wholesale & Operations, iBasis and Corporate Market operating segments), Mobile International (comprising the Germany, Belgium and Rest of World operating segments) and other activities. Beginning with its results from the first three months of 2012, KPN began publishing its financial and operating results in an adjusted reporting format following the implementation of its new management executive structure, effective from 1 January 2012. The new structure was implemented to enable more direct control of the operational activities and ensure closer alignment with market dynamics.

The main changes in KPN's reporting format as of 1 January 2012 were the following:

- Splitting its previous Consumer segment within The Netherlands into two new operating segments, Consumer Residential and Consumer Mobile;
- Combining the Dutch IT Operations (IT NL) and Wholesale & Operations operating segments into the NetCo operating segment;
- Allocating the Telfort business (previously included in the Consumer operating segment) among the Consumer Residential, Consumer Mobile, Business and NetCo operating segments; and
- Moving iBasis out of The Netherlands reporting segment.

As a result, KPN currently divides its business operations into the following: The Netherlands, Mobile International, iBasis and Other. The Netherlands comprises the Consumer Residential, Consumer Mobile, Business, NetCo and IT Solutions (previously Corporate Market) segments. Mobile International is divided into the Germany and Belgium segments.

The new reporting format had an impact on a segment level only, not on KPN's consolidated reporting at a Group level.

As of 1 January 2013, KPN transferred certain elements of its Corporate Market operating segment in the Netherlands to its Business operating segment and renamed Corporate Market as IT Solutions. For purposes of the comparability of certain financial statements incorporated by reference in this Prospectus, the unaudited consolidated income statement for the three months ended 31 March 2012 was restated to reflect the impact of this transfer as if it had become effective as of 1 January 2012, and as a result the consolidated income statements for the three months ended 31 March 2012 and the three months ended 31 March 2013 as incorporated by reference herein have been prepared on the same basis. The audited consolidated income statements for the years ended 31 December 2010, 2011 and 2012 however have not been similarly restated, and as a result may not be directly comparable to the consolidated income statements for the three months ended 31 March 2012 and the three months ended 31 March 2013.

Also as of 1 January 2013, the Rest of World segment, which as of that date consisted primarily of Ortel Mobile, ceased to report separately. From 1 January 2013 the activities of Ortel Mobile have been integrated into the Germany, Belgium and Consumer Mobile segments, based on the geography of the underlying activity, with the exception of Ortel France which has been included in "other" within Mobile International. The Group's annual and interim financial statements incorporated by reference in this Prospectus have not been restated for this organizational change.

In addition, IAS 19 "Employee benefits" was amended in June 2011 and became effective as IAS19R on 1 January 2013. The specific impact of IAS19R on KPN's consolidated financial statements is set out in detail in "Operating and Financial Review—Recent accounting pronouncements". For purposes of the comparability of certain financial statements incorporated by reference in this Prospectus, the unaudited consolidated income statement for the three months ended 31 March 2012 was restated to reflect the impact of IAS19R as if it had become effective as of 1 January 2012, and as a result the consolidated income statements for the three months ended 31 March 2012 and the three months ended 31 March 2013 as incorporated by reference herein have been prepared on the same basis. However, the audited consolidated income statements for the years ended 31 December 2010, 2011 and 2012 have not been similar restated, and as a result may not be directly comparable to the consolidated income statements for the three months ended 31 March 2012 and the three months ended 31 March 2013.

Non-IFRS financial measures

The financial information included in this Prospectus is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification or exclusion of certain financial measures, including EBITDA, Adjusted EBITDA, Net Debt, Free Cash Flow, Underlying Revenue and Underlying EBITDA.

- KPN defines **EBITDA** as operating profit before depreciation and impairments of property, plant and equipment and amortization and impairments of intangible assets. EBITDA is comprised of external revenues, other income and inter-division revenues between operating segments.
- KPN defines **Adjusted EBITDA**, which is used solely for the purpose of calculating its Net Debt/Adjusted EBITDA ratio, as the Group's 12 month rolling total EBITDA excluding book gains, release of pension provisions and restructuring costs, when over an aggregate of EUR 20 million.
- KPN defines **Net Debt**, which is used solely for the purpose of calculating its Net Debt/Adjusted EBITDA ratio, as the nominal value of interest bearing financial liabilities excluding derivatives, representing the repayment obligations in Euro, and taking into account 50% of the nominal value of the Capital Securities, less net cash and cash equivalents (including cash classified as held for sale, net of bank overdrafts).
- KPN defines **Free Cash Flow** as cash flow from operating activities plus proceeds from real estate, minus capital expenditures (being expenditures on property, plant and equipment, and software) excluding tax recapture payments from E-Plus.
- KPN defines **Underlying Revenue** as revenue adjusted for changes in the composition of the Group from acquisitions and disposals in the period, incidentals and the impact of regulatory changes to MTR tariffs and roaming charges.
- KPN defines **Underlying EBITDA** as EBITDA adjusted for changes in the composition of the Group from acquisitions and disposals in the period, incidentals and the impact of regulatory changes to MTR and roaming charges.

Adjusted EBITDA, Underlying Revenue and Underlying EBITDA have been adjusted for certain income (expenses) to remove the effects of certain charges or releases that KPN believes are not indicative of its underlying operating performance. These charges and releases relate primarily to substantial impacts from acquisitions, disposals or regulatory changes, as well as accounting changes, and the reversal and recognition of provisions for redundancy and restructuring costs. Some of these types of costs or revenues may be of a recurring nature, but KPN does not adjust for any other items that it believes to occur in the normal course of business.

The above non-IFRS financial measures are not a measure of financial performance under IFRS, should not be considered an alternative to cash flow from operating activities, or operating profit, or any other IFRS measure, and may not be comparable to similarly titled measures of other companies, because the above non-IFRS financial measures are not uniformly defined and other companies may calculate them in a different manner than KPN does, limiting their usefulness as comparative measures. In particular, the definitions of Underlying Revenue and Underlying EBITDA are specific to KPN's business and reflect certain adjustments to reported figures relating to the Group's recent operational history, and which may not be experienced on a similar basis, or at all, going forward. In addition, Underlying Revenue and Underlying EBITDA can be significantly affected by matters beyond KPN's control, such as the impact of regulatory changes. Accordingly, undue reliance should not be placed on any of the non-IFRS financial measures contained in this Prospectus and they should not be considered in isolation from, or as a substitute for, the analysis of KPN's results of operations and financial condition under IFRS. The above non-IFRS financial measures are not audited and are calculated using financial information extracted from the Consolidated Financial Statements incorporated by reference to this Prospectus.

Key performance indicators and other metrics

The key performance indicators and other metrics included in this Prospectus and described below are derived from management estimates, are not part of KPN's financial statements or financial accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. KPN's use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies in the telecommunications industry. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS. For definitions of certain other terms relating to subscriber data and key performance indicators, please see "Glossary".

Regulatory impact

KPN defines "regulatory impact" as the mandated decrease in MTRs and roaming charges. This regulatory impact is calculated for a given year by taking into account the impact of reductions in MTRs tariffs and roaming charges, and adjusting previous year revenues and EBITDA for these reductions, using previous year volumes, as if the new lower tariffs would have been applicable in the previous year.

Service revenues (Consumer Mobile)

KPN defines "service revenues (Consumer Mobile)" as the retail and wholesale subscription fees from voice, SMS/MMS and mobile data, handset lease and insurance; revenues from incoming voice, SMS/MMS and mobile data; revenues from outgoing voice, SMS/MMS and mobile data; and revenues from roaming and net content, minus service discounts for the specified period.

Service revenues (Business)

KPN defines "service revenues (Business)" as the subscription fees for voice, SMS/MMS and mobile data; handset lease from Telfort Zakelijk and insurance; revenues from incoming and outgoing voice, SMS/MMS and mobile data; revenues from roaming and net content; and M2M revenues for the specified period.

Service revenues (Germany)

KPN defines "service revenues (Germany)" as the retail and wholesale subscription fees from voice, SMS/MMS and mobile data; handset options; revenues from incoming and outgoing voice, SMS/MMS and mobile data; revenues from roaming, net content and M2M, minus service discounts for the specified period.

Service revenues (Belgium)

KPN defines "service revenues (Belgium)" as the retail and wholesale subscription fees from voice, SMS/MMS and mobile data; revenues from incoming and outgoing voice, SMS/MMS and mobile data; revenues from roaming, net content and M2M, minus service discounts for the specified period.

Wireless retail customers

KPN defines "wireless retail customers" as the total number of Consumer Mobile's retail subscribers (postpaid and prepaid) other than through wholesale parties connected to KPN's mobile network as of the end of the specified period.

Wireless wholesale customers

KPN defines "wireless wholesale customers" as the total number of subscribers (postpaid and prepaid) based on the number of activated SIM cards purchased by KPN's wholesale customers, with the exception of full MVNOs (wholesale customers that have their own IT systems as well as certain other network elements), as of the end of the specified period.

ARPU wireless blended (Consumer Mobile)

KPN defines "ARPU wireless blended (Consumer Mobile)" as the average service revenues per month per subscriber. ARPU wireless blended for the Consumer Mobile segment is calculated as the service revenues for the specified period divided by the sum of the month-end average subscriber base (postpaid and prepaid retail and wholesale end-user subscribers) for months of that period.

ARPU wireless blended (Business)

KPN defines "ARPU wireless blended (Business)" as the average service revenues per month per subscriber. ARPU wireless blended for the Business segment is calculated as the service revenues for the specified period divided by the sum of the month-end average subscriber base (postpaid and M2M) for months of that period. As of 1 January 2013, M2M revenues and subscribers are excluded from the ARPU wireless blended (Business) calculation.

ARPU wireless blended (Germany)

KPN defines "ARPU wireless blended (Germany)" as the average service revenue per month per subscriber. ARPU wireless blended for the Germany segment is calculated as the service revenues for the specified period divided by the sum of the month-end average subscriber base (postpaid, prepaid and M2M) for months of that period.

ARPU wireless blended (Belgium)

KPN defines "ARPU wireless blended (Belgium)" as the average service revenue per month per subscriber. ARPU wireless blended for the Belgium segment is calculated as the service revenues for the specified period divided by the sum of the month-end average subscriber base (retail and wholesale end-user subscribers for postpaid and prepaid) for months of that period.

Voice customers

KPN defines "voice customers" as the total number of traditional voice subscribers (PSTN/ISDN) and VoIP subscribers (copper and fiber) across all brands within the Consumer Residential segment in the Netherlands, excluding the Business segment's small office and home office customers, as of the end of the specified period.

Broadband internet customers

KPN defines "broadband internet customers" as the total number of subscribers with an activated broadband internet (copper and fiber) connection within the Consumer Residential segment in the Netherlands, excluding the Business segment's small office and home office customers, as of the end of the specified period.

TV customers

KPN defines "TV customers" as the total number of subscribers with active subscriptions for KPN's TV services within the Consumer Residential segment in the Netherlands, including interactive, digital and analogue over copper or fiber as of the end of the specified period.

FttH activated

KPN defines "FttH activated" as the total number of activated fiber subscribers across brands within the Consumer Residential segment in the Netherlands as of the end of the specified period.

ARPU per customer (Consumer Residential)

KPN defines "ARPU per customer" as the total service revenues of all products, including fixed line telephony, broadband internet and TV, divided by total average number of subscribers, based on total number of access lines, across brands within the Consumer Residential segment in the Netherlands for the specified period.

Access lines voice

KPN defines "access lines voice" as the total number of traditional voice and VoIP connections provided to customers of KPN's Business segment as of the end of the specified period. As of 1 January 2013, Internet plus Bellen Zakelijke Markt (IPB ZM) is included in the Access lines voice numbers.

Business DSL

KPN defines "business DSL" as the total number of DSL connections provided to KPN's Business segment as of the end of the specified period. As of 1 January 2013, OndernemersPakket Internet plus Bellenen (OPIB) and Internet plus Bellen Zakelijke Markt (IPB ZM) are included in the Business DSL numbers.

Connections VPN

KPN defines "connections VPN" as the total number of E-VPN and IP-VPN connections for external and internal customers, including tailor made solutions for large or corporate clients and internal wholesale customers (where revenues are recognized by the Business segment), but excluding external wholesale customers (where revenues are recognized by the NetCo segment), as of the end of the specified period.

Wireless customers (Business)

KPN defines "wireless customers (Business)" as the total number of subscribers (postpaid and M2M) connected to KPN's mobile network as of the end of the specified period. As of 1 January 2013, M2M subscribers are excluded from the Wireless customers (Business) numbers.

Wireless customers (Germany)

KPN defines "wireless customers (Germany)" as the total number of retail subscribers and customers of E-Plus's wholesale subscribers (in both cases, including postpaid, prepaid and M2M) connected to E-Plus's mobile network as of the end of the specified period.

Wireless customers (Belgium)

KPN defines "wireless customers (Belgium)" as the total number of retail subscribers and customers of KPN Group Belgium's wholesale subscribers (in both cases, including postpaid and prepaid) connected to KPN Group Belgium's mobile network as of the end of the specified period.

Net adds—postpaid (Germany)

KPN defines "net adds—postpaid (Germany)" as the total of newly registered postpaid subscribers in a given period, including M2M, minus the number of postpaid subscribers who cancelled their subscriptions, plus all migrations in from prepaid and migrations from wholesale, minus migrations out to prepaid and migrations out to wholesale for the specified period.

Net adds—postpaid (Belgium)

KPN defines "net adds—postpaid (Belgium)" as the total of newly registered postpaid subscribers in a given period, minus the number of postpaid subscribers who cancelled their subscriptions, plus all migrations in from prepaid and migrations from wholesale, minus migrations out to prepaid and migrations out to wholesale for the specified period.

Net adds—prepaid (Germany)

KPN defines "net adds—prepaid (Germany)" as the total of newly registered prepaid subscribers in a given period, minus the number of prepaid subscribers who cancelled their subscriptions, plus all migrations in from postpaid and migrations from wholesale, minus migrations out to postpaid and migrations out to wholesale for the specified period.

Net adds—prepaid (Belgium)

KPN defines "net adds—prepaid" as the total of newly registered prepaid subscribers in a given period, minus the number of prepaid subscribers who cancelled their subscriptions, plus all migrations in from postpaid and migrations from wholesale, minus migrations out to postpaid and migrations out to wholesale for the specified period.

Minutes international

KPN defines "minutes international" as the total number of voice minutes sold by iBasis to its carrier customers for the period.

Average revenue per minute

KPN defines "average revenue per minute" as minutes international divided by total revenue generated for the sales of minutes to carrier customers by iBasis for the period.

Rounding

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or row of a table contained in this Prospectus may not conform exactly to the total figure given for that column or row.

Currency

Unless otherwise indicated, financial information relating to KPN is presented in Euro. All references in this Prospectus to: (i) "€", "Euro" or "EUR" are to the currency introduced at the start of the third stage of the EMU, pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the EU; (ii) "$", "US dollars" or "USD" are to the lawful currency of the United States of America and (iii) "£", "pound sterling" or "GBP" are to the lawful currency of the United Kingdom.

Incorporation by reference

The Articles of Association and the Consolidated Financial Statements are incorporated in, and form part of, this Prospectus by reference and can be obtained free of charge on KPN's website at http://www.kpn.com/corporate/aboutkpn/investor-relations/corporate-governance/legal-structure.htm and http://www.kpn.com/corporate/aboutkpn/company-profile/annual-report.htm, respectively.

The auditor's reports incorporated by reference are the original auditor's reports that were issued on 22 April 2013, 26 February 2013, 17 February 2012 and 21 February 2011 with respect to the Consolidated Financial Statements as of and for three months ended 31 March 2013 and as of and for the years ended 31 December 2012, 31 December 2011 and 31 December 2010, respectively, and refer to KPN's consolidated financial statements, corporate financial statements and directors reports, each of which is included in the Consolidated Financial Statements. For the purposes of the Prospectus, KPN's corporate financial statements and directors report are not incorporated by reference. In each case, unless stated otherwise, the entire document is incorporated by reference into this Prospectus. Notwithstanding the foregoing, where the documents incorporated by reference themselves incorporate information by reference, such information does not form part of this Prospectus.

Potential investors should only rely on the information that is provided in this Prospectus or incorporated by reference into this Prospectus. No other documents or information, including the contents of KPN's website (www.kpn.com) or of websites accessible from hyperlinks on that website, form part of, or are incorporated by reference into, this Prospectus.

Forward-looking statements

Certain statements contained in this Prospectus that are not historical facts are "forward-looking statements". This Prospectus contains forward-looking statements which are based on KPN's beliefs and projections and on information currently available to KPN. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond KPN's control and all of which are based on KPN's current beliefs and expectations about future events. Forward-looking statements are typically identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "intends", "estimates", "plans", "assumes", "anticipates", "annualized", "goal", "target" or "aim" or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy that involve risks and uncertainties.

Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. KPN undertakes no duty to and will not necessarily update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties facing KPN and its subsidiaries. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections of the directors and management of KPN, public statements by KPN, present and future business strategies and the environment in which KPN will operate in the future. By their nature, they are subject to known and unknown risks and uncertainties, which could cause KPN's actual results and future events to differ materially from those implied or expressed by forward-looking statements. KPN believes that these risks and uncertainties include, but are not limited to, those described under "Risk Factors," "Use of Proceeds and Reasons for the Offering," "Operating and Financial Review", "Business Overview" and "Regulation" and includes, among others, statements relating to:

- the nature of the competitive environment in which KPN operates;
- KPN's strategy, outlook and growth prospects, including its operational and financial targets;
- the macro-economic outlook in general and, in particular, economic conditions in the Netherlands, Germany and Belgium;
- KPN's ability to obtain or renew, as well as the cost of, its spectrum licenses in the jurisdictions in which it operates, and, in particular, if it participates in spectrum auctions in Germany and Belgium;
- the regulatory environments in the Netherlands, Germany and Belgium, particularly with regard to the regulation of tariffs and fee within the telecommunications industry;
- technological change, alternative forms of communication, and evolving consumer preferences on a timely basis;

- KPN's ability to limit customer churn in its customer base;
- the need to continually upgrade networks, equipment and systems, and to either renew existing licenses or purchase new licenses;
- the strength and visibility of KPN's various brands and the failure to promote and reinforce customer trust in its brands;
- the success of KPN's deployment of FttH through its joint venture, Reggefiber;
- the outcome of pending or threatened litigation, such as KPNQwest and Reggefiber;
- the availability, terms and deployment of capital, particularly in view of rating agency action;
- KPN's pension liability;
- general economic trends and trends in the information, communications and entertainment industries, including any resulting impairment charges;
- the availability of hardware, software and attractive programming content for KPN's TV services at reasonable costs;
- costs and risks associated with outsourcing;
- exchange rate fluctuations;
- changes in floating interest rates;
- asset retirement obligations relating to dismantling and removing certain elements of KPN's network;
- inability to take advantage of deferred tax assets;
- KPN's ability to maintain or increase rates to its customers or to pass through increased costs to its customers;
- concerns over health risks associated with the use of wireless telecommunications transmission equipment and other health and safety risks related to radio frequency emissions;
- KPN's ability to maintain and enforce its intellectual property rights;
- disruptions in the credit and equity markets or default by the counterparties to KPN's derivative and other financial instruments;
- clearance from the relevant authorities in the Netherlands regarding tax treatment of the Capital Securities;
- KPN's ability to restore dividends on its Ordinary Shares; and
- other factors discussed in this Prospectus.

Should one or more of these risks or uncertainties materialize, or should any assumptions underlying forward-looking statements prove to be incorrect, KPN's actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to KPN or that KPN does not currently consider material could also cause the events and trends discussed in this Prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realized. Prospective investors should read "Risk Factors" and "Operating and Financial Review" for a discussion of additional risks.

Prospective investors are cautioned that forward-looking statements speak only as of the date of this Prospectus. Except as required by applicable law, KPN does not undertake, and it expressly disclaims, any duty to revise any forward-looking statement in this Prospectus, be it as a result of new information, future events or otherwise.

Enforcement of civil liabilities

The ability of a Shareholder to bring an action against KPN may be limited under law. KPN is a public limited liability company incorporated under the laws of the Netherlands. The members of the Board of Management and Supervisory Board reside outside the United States. The assets of these individuals are located outside the United States. KPN's assets are predominantly located outside of the United States. As a result, it may be difficult for investors to effect service of process within the United States upon KPN, its affiliates or its directors and officers, or to enforce judgments obtained in the United States against KPN, its affiliates or its directors and officers, including judgments based on civil liabilities under the securities laws of the United States or any state or territory within the United States. In addition, there is doubt as to the enforceability, in the

Netherlands, of original actions or actions for enforcement based on the federal securities laws of the United States or judgments of US courts, including judgments based on the civil liability provisions of the US federal securities laws.

Market and industry data

All references in this Prospectus to market share, market data and industry statistics consist of estimates compiled by information from competitors and from internal systems within KPN's business. Industry publications, reports and analyses used by KPN to generate such estimates, including the Telecompaper reports dated 16 November 2012, 7 January 2013 and 5 April 2013 (the **Telecompaper Reports**) with respect of total service revenues for various telecommunications markets in the Netherlands, generally state that their information is obtained from sources they believe to be reliable but that the accuracy and completeness of such information is not guaranteed and not audited and that the projections they contain are based on a number of significant assumptions. In addition, certain data has been derived or extracted from publicly available information, including the statistical office of the European Union (**Eurostat**) and the International Monetary Fund (**IMF**). Where third-party information has been used in this Prospectus, the source of such information has been identified.

In this Prospectus, KPN makes certain specific statements regarding its competitive position and market share in various operating segments, and by certain product groups. Specifically:

- In the Consumer Mobile and Business segments, KPN estimates its combined mobile service market share in the Netherlands based on its own service revenues across those segments, as a percentage of market service revenues across those segments as presented in the Telecompaper Reports;
- In the Consumer Residential segment, KPN estimates its TV market share in the Netherlands based on number of subscribers, as a percentage of total TV subscribers in the Netherlands as presented in the Telecompaper Reports;
- In the Consumer Residential segment, KPN estimates its broadband internet market share in the Netherlands based on number of subscribers, as a percentage of total broadband internet subscribers in the Netherlands as presented in the Telecompaper Reports;
- In Germany, KPN estimates its mobile market share based on its service revenues in the first quarter of 2013 as a percentage of total estimated market service revenues of the other mobile network operators in the mobile market in Germany for the fourth quarter of 2012, and it estimates its mobile market share based on its subscribers as of 31 March 2013 as a percentage of market subscribers for the other mobile network operators in the mobile market in Germany based on the public disclosure of the other mobile network operators in the mobile market in Germany for the fourth quarter of 2012, and
- In Belgium, KPN estimates its mobile market share based on its service revenues in the first quarter of 2013 as a percentage of total estimated market service revenues of the other mobile network operators in the mobile market in Belgium for the fourth quarter of 2012, and it estimates its mobile market share based on its subscribers as of 31 March 2013 as a percentage of market subscribers for the other mobile network operators in the mobile market in Belgium based on the public disclosure of the other mobile network operators in the mobile market in Belgium for the fourth quarter of 2012.

KPN believes these statements to be true based on market data and industry statistics which are in the public domain, but KPN has not independently verified the information. KPN cannot guarantee that a third party using different methods to assemble, analyze or compute market data or public disclosure from competitors would obtain or generate the same results. In addition, KPN's competitors may define their markets and their own relative positions in these markets differently than KPN does, and may also define various components of their business and operating results, such as service revenues, in a manner which makes such figures non-comparable with KPN's service revenues.

The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as KPN is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Although KPN believes these sources are reliable, as KPN does not have access to the information, methodology and other bases for such information, KPN has not independently verified the information.

Glossary

Terms used in this Prospectus are set forth to assist investors in the "Glossary" beginning on page 220.

USE OF PROCEEDS AND REASONS FOR THE OFFERING

Background and reasons for the Offering

In recent years, KPN's financial position has been impacted by rising debt levels combined with increased commercial investments and its credit profile has come under pressure. KPN's reported Net Debt/Adjusted EBITDA increased during 2012, from 2.3x as of 31 December 2011, to 2.7x as of 31 December 2012. In addition, KPN paid EUR 1,352 million in January 2013 in connection with the Dutch spectrum auction, which would have increased its Net Debt/Adjusted EBITDA to approximately 3.0x as of 31 December 2012. As of 31 March 2013, KPN's Net Debt/Adjusted EBITDA was 2.8x.

To align its financial position with its strategy, KPN is undertaking the Offering and has recently completed offerings of the Capital Securities which will strengthen its balance sheet and is intended to provide a stable financial position in the coming years. The net proceeds from the Offering, together with the net proceeds of the recently completed offerings of the Capital Securities, will increase KPN's financial and strategic flexibility and will enable KPN to continue to invest in its operations and reduce its net debt level. KPN believes that the Offering, together with the net proceeds of the recently completed offerings of the Capital Securities, will support its commitment to maintain an investment grade credit profile and is convinced that it is in KPN's shareholders' and its other stakeholders' best interest to strengthen the capital structure significantly.

KPN requires continuous access to the capital markets to refinance its borrowings when these are due. See "Operating and Financial Review—Liquidity and capital resources—Overview of indebtedness". An investment grade credit profile is considered to be important to enable KPN to refinance upcoming redemptions at favorable terms. This will enable KPN to continue to invest in its operations which is essential to achieving its strategic objectives.

KPN expects that the Offering will raise net proceeds of EUR 2,937 million, after deducting the estimated expenses, commissions and taxes related to the Offering of approximately EUR 72 million.

Use of proceeds

KPN intends to use the net proceeds of the Offering, together with the net proceeds of the recently completed offerings of the Capital Securities, primarily to strengthen its capital structure by reducing net indebtedness. The net proceeds of such issuances have been used and are intended to be used as follows:

- to repay the drawings under its Credit Facility which had been utilized to partially fund the EUR 1,352 million payment for spectrum in the Netherlands in January 2013;
- to directly or indirectly repay KPN's bond redemptions, including EUR 540 million due in March 2013, EUR 545 million due in September 2013, EUR 750 million due in February 2014 and EUR 650 million due in May 2014;
- to accelerate certain investments in the jurisdictions in which KPN operates, as well as the consolidation of Reggefiber; and
- to the extent KPN has net proceeds remaining, for general corporate purposes.

DIVIDENDS AND DIVIDEND POLICY

General

Pursuant to Dutch law and the Articles of Association, distributions on shares may only be made up to an amount equal to the part of KPN's equity that exceeds the sum of the nominal value of the issued share capital, plus the reserves as required to be maintained by Dutch law and by the Articles of Association. Any final distribution of profits may only be made after the adoption of KPN's own (i.e., non-consolidated) annual accounts of the preceding year, which will be used as the basis for determining if the distribution of profits is legally permitted. See "Description of Share Capital and Corporate Governance—Dividends".

Pursuant to the Articles of Association, profit distributions may not exceed the distributable part of the equity. If in any year losses are incurred no dividend may be paid out for that year. In subsequent years, too, payment of dividends can only take place when those losses have been offset by profit, unless it is resolved to clear the losses to the debit of the distributable part of the equity or to pay dividends from the distributable part of the equity. The General Meeting may, on a proposal of the Board of Management which has been approved by the Supervisory Board, resolve to clear the loss to the debt of the distributable part of the equity or to pay dividends from the distributable part of the equity.

If Preference Shares are outstanding, KPN must first pay dividend on those Preference Shares. See "Description of Share Capital and Corporate Governance—Foundation Preference Shares B KPN". The dividend is based on the percentage which is equal to the average of the twelve month EURIBOR, weighted to the number of days over which the payment occurs, increased by one (1). The dividend shall be calculated on a proportionate basis if the Preference Shares involved are issued in the course of the financial year. The dividend is calculated over the paid-up part of the nominal value of the Preference Shares. After the payment of dividend on any outstanding Preference Shares, the Board of Management determines, subject to the approval of the Supervisory Board, which part of the remaining profit must be added to reserves. The remaining part of the profit, after allocation to the reserves, shall be at the disposal of the General Meeting, provided that no further distributions can be made on the Preference Shares. The General Meeting may, on proposal of the Board of Management, which has received the approval of the Supervisory Board, make distributions to holders of Ordinary Shares from the distributable part of the shareholders equity. The Board of Management may, subject to the approval of the Supervisory Board, resolve that a payment of dividend on Ordinary Shares be wholly or partly not in cash, but in Shares instead of cash.

Subject to the approval of the Supervisory Board and subject to Dutch law and the Articles of Association, the Board of Management may resolve to distribute an interim dividend insofar as KPN's equity is larger than the amount of the paid-up part of the capital increased with the reserves that should be maintained pursuant to the law or the Articles of Association. For this purpose, the Board of Management must prepare an interim statement of assets and liabilities.

Shareholders are entitled to share in the profit *pro rata* to their share holding. Any entitlement to a dividend distribution by a Shareholder expires five years after the date those dividends were released for payment.

Dividend policy

On 23 April 2013, KPN announced that it will pay no dividend for the financial years 2013 and 2014. Subject to its operational performance and financial position, KPN expects to resume dividend payments thereafter.

Dividend history

Over 2012, KPN declared a dividend of EUR 0.12 per Ordinary Share, all of which was distributed as interim dividend in August 2012. KPN did not declare a final dividend over 2012.

Over 2011, KPN declared a dividend of EUR 0.85 per Ordinary Share, of which EUR 0.28 per Ordinary Share was distributed as interim dividend in August 2011.

Over 2010, KPN declared a dividend of EUR 0.80 per Ordinary Share, of which EUR 0.27 per Ordinary Share was distributed as interim dividend in August 2010.

Dividend ranking of Offer Shares

All shares issued and outstanding on the day following the Settlement Date, including the Offer Shares, will rank equally in all respects with existing Ordinary Shares in the capital of KPN and will be eligible for any dividend payment that may be declared on Ordinary Shares in the future.

Manner and time of dividend payments

Payment of any dividend on Ordinary Shares in cash will be made in Euro. Any dividends will be paid to Shareholders through Euroclear Nederland, the Dutch centralized securities custody and administration system. Dividends will be credited automatically to Shareholders' accounts without the need for Shareholders to present documentation proving their ownership of the Ordinary Shares. There are no restrictions in respect of the ability to receive dividends under Dutch law in respect of Shareholders who are non-residents of the Netherlands. However, see "Taxation" for a discussion of certain aspects of taxation of dividends and refund procedures for non-residents of the Netherlands.

Uncollected dividends

A claim for any dividend declared lapses five years after the date on which those dividends were released for payment. Any dividend that is not collected within this period reverts to KPN and is allocated to its general reserves.

Taxation on dividends

Dividend payments are generally subject to withholding tax in the Netherlands. See "Taxation" for a discussion of certain aspects of taxation of dividends and refund procedures.

CAPITALIZATION AND INDEBTEDNESS

The following table sets out KPN's capitalization and indebtedness as of 31 March 2013, and as adjusted to reflect the Offering as if the Offering would have been completed on such date. This table should be read in conjunction with the "Operating and Financial Review" of this Prospectus and the Consolidated Financial Statements and the notes thereto incorporated by reference into this Prospectus.

The table below has been prepared for illustrative purposes only and, because of its nature, does not provide an accurate representation of the Group's capitalization following completion of the Offering.

	As of 31 March 2013	As adjusted for the Offering
	(EUR in millions) (unaudited)	
CAPITALIZATION		
Guaranteed/secured current debt	—	—
Unguaranteed/secured current debt[(1)]	132	132
Unguaranteed/unsecured current debt	1,493	1,493
Total current debt	**1,625**	**1,625**
Guaranteed/secured non-current debt	—	—
Unguaranteed/secured non-current debt[(1)]	166	166
Unguaranteed/unsecured non-current debt	12,321	12,321
Total non-current debt	**12,487**	**12,487**
Total indebtedness	**14,112**	**14,112**
Share capital[(2)]	344	1,025
Share premium[(3)]	6,717	8,991
Other reserves	(342)	(342)
Retained earnings	(5,394)	(5,394)
Perpetual capital securities	1,089	1,089
Equity attributable to equity holders	**2,414**	**5,369**
Total capitalization	**16,526**	**19,481**
NET FINANCIAL INDEBTEDNESS		
A. Cash[(4)]	813	3,765
B. Cash equivalents	400	400
C. Cash classified as held for sale	4	4
D. Liquidity (A+B+C)	**1,217**	**4,169**
E. Current financial receivable	**1**	**1**
F. Current bank debt and bank overdraft	199	199
G. Bonds outstanding (carrying value)	1,294	1,294
H. Current portion of financial lease obligations	132	132
I. Other current financial debt	—	—
J. Current financial debt (F+G+H+I)	**1,625**	**1,625**
K. Net current financial indebtedness (J – E – D)	**407**	(2,545)
L. Non-current bank loans	—	—
M. Bonds outstanding (carrying value)	12,271	12,271
N. Financial lease obligations	166	166
O. Other non-current loans	50	50
P. Non-current financial indebtedness (L+M+N+O)	**12,487**	**12,487**
Q. Net financial indebtedness (K+P)	**12,894**	**9,942**

(1) Unguaranteed/secured debt as of 31 March 2013 is entirely comprised of a EUR 132 million current portion and a EUR 166 million non-current portion of financial lease obligations. The underlying assets are primarily buildings leased back by KPN and mobile handsets in Germany.

(2) The movement in share capital represents 2,839 million Offer Shares of EUR 0.24 nominal value each.

(3) The movement in the share premium represents 2,839 million Offer Shares issued at EUR 1.06 per share less EUR 0.24 nominal value per share, and approximately EUR 72 million estimated expenses, commissions and taxes related to the Offering, plus a EUR 18 million tax deduction.

(4) Includes the net proceeds of EUR 2,937 million received from the Offering. Of total estimated expenses, commissions and taxes related to the Offering of approximately EUR 72 million, approximately EUR 15 million were paid prior to 31 March 2013, and therefore are not reflected in cash as adjusted for the Offering.

For a further discussion of certain commitments and contingencies as of 31 March 2013, please see "Operating and Financial Review—Liquidity and capital resources—Contractual obligations and commercial commitments".

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth KPN's consolidated statement of income, consolidated statement of financial position, condensed consolidated statement of cash flows and certain other financial data for the periods indicated. The selected consolidated financial information set out below is a summary only. It may not contain all of the information that is important to prospective investors and, accordingly, should be read in conjunction with "Summary—Summary Financial Information", "Capitalization and Indebtedness", "Use of Proceeds and Reasons for the Offering", "Operating and Financial Review", and the Consolidated Financial Statements, the notes thereto and the auditors' reports incorporated by reference. Please also see "Important Information—Presentation of financial and other information" for further details on the consolidated financial and operating information included below.

KPN's consolidated financial information presented as of and for the years ended 31 December 2012, 2011 and 2010 and the three months ended 31 March 2013 and 2012 set forth below were extracted without material adjustment from its audited consolidated financial statements for the years ended 31 December 2012, 2011, and 2010 and its unaudited consolidated interim financial statements as of and for the three months ended 31 March 2013 and 2012, respectively, prepared in accordance with IFRS and incorporated by reference. KPN's results as of and for the three month period ended 31 March 2013 are not necessarily indicative of results for the full year 2013. The following tables also include certain non-IFRS financial data for the periods indicated.

Consolidated Statement of Income

	Three months ended 31 March		Year ended 31 December		
	2013	2012	2012	2011	2010
	(unaudited)				
	(EUR in millions)				
Revenues	2,902	3,158	12,409	13,022	13,324
Other income	9	33	299	141	74
Total revenues and other income	**2,911**	**3,191**	**12,708**	**13,163**	**13,398**
Own work capitalized	(30)	(28)	(113)	(116)	(101)
Cost of materials	174	264	901	1,005	911
Work contracted out and other expenses	1,125	1,143	4,545	4,503	4,560
Employee benefits	436	505	1,911	1,874	1,932
Depreciation, amortization and impairments	629	539	2,708	2,589	2,226
Other operating expenses	212	176	936	759	620
Total operating expenses	**2,546**	**2,599**	**10,888**	**10,614**	**10,148**
Operating profit	**365**	**592**	**1,820**	**2,549**	**3,250**
Finance income	5	5	39	32	19
Finance costs	(190)	(186)	(732)	(690)	(860)
Other financial results	(2)	(15)	(151)	(96)	(75)
Financial income and expenses	**(187)**	**(196)**	**(844)**	**(754)**	**(916)**
Share of the loss of associates and joint ventures	(3)	(6)	(13)	(24)	(31)
Profit before income tax	**175**	**390**	**963**	**1,771**	**2,303**
Income taxes	(35)	(84)	(270)	(222)	(508)
Profit for the period	**140**	**306**	**693**	**1,549**	**1,795**
Profit attributable to non-controlling interests	2	—	2	—	3
Profit attributable to equity holders	138	306	691	1,549	1,792

Consolidated Statement of Financial Position

	As of 31 March	As of 31 December		
	2013	2012	2011	2010
	(unaudited)	(EUR in millions)		
Assets				
Non-current assets				
Goodwill	5,151	5,157	5,575	5,733
Licenses	3,495	2,191	2,495	2,818
Software	800	838	852	819
Other intangibles	209	272	290	385
Total intangible assets	**9,655**	**8,458**	**9,212**	**9,755**
Land and buildings	668	671	705	875
Plant and equipment	6,651	6,573	5,704	5,619
Other tangible non-current assets	89	94	116	130
Assets under construction	620	557	1,008	890
Total property, plant and equipment	**8,028**	**7,895**	**7,533**	**7,514**
Investments in associates and joint ventures	328	326	261	284
Loans to associates and joint ventures	239	227	127	33
Available-for-sale financial assets	43	35	48	53
Derivative financial instruments	203	233	169	17
Deferred income tax assets	1,772	1,822	1,831	1,918
Trade and other receivables	176	291	261	236
Total non-current assets	**20,444**	**19,287**	**19,442**	**19,810**
Current assets				
Inventories	110	111	123	153
Trade and other receivables	1,777	1,696	1,607	1,867
Income tax receivables	5	5	1	27
Cash and cash equivalents	1,213	1,286	990	823
Total current assets	**3,105**	**3,098**	**2,721**	**2,870**
Non-current assets and disposal groups held for sale	**34**	**28**	**224**	**57**
Total Assets	**23,583**	**22,413**	**22,387**	**22,737**
Group equity				
Share capital	344	344	344	377
Share premium	6,717	6,717	6,717	8,184
Other reserves	(342)	(361)	(127)	(709)
Perpetual capital securities	1,089	—	—	—
Retained earnings	(5,394)	(4,290)	(4,004)	(4,352)
Equity attributable to equity holders	**2,414**	**2,410**	**2,930**	**3,500**
Non-controlling interests	49	51	—	—
Total Group equity	**2,463**	**2,461**	**2,930**	**3,500**
Non-current liabilities				
Borrowings	12,487	12,369	11,641	11,359
Derivative and financial instruments	477	458	229	250
Deferred income tax liabilities	70	440	793	956
Provisions for retirement benefit obligations	1,702	314	441	608
Provision for other liabilities and charges	385	387	397	404
Other payables and deferred income	138	122	155	225
Total non-current liabilities	**15,259**	**14,090**	**13,656**	**13,802**
Current liabilities				
Trade and other payables	3,778	3,857	3,804	3,982
Borrowings	1,625	1,527	1,458	1,178
Derivative financial instruments	10	16	—	1
Income tax payables	290	270	218	152
Provision for other liabilities and charges	131	186	129	106
Total current liabilities	**5,834**	**5,856**	**5,609**	**5,419**
Liabilities directly associated with non-current assets and disposal groups classified as held for sale	**27**	**6**	**192**	**16**
Total Equity and Liabilities	**23,583**	**22,413**	**22,387**	**22,737**

Selected Condensed Consolidated Statement of Cash Flows

	Three months ended 31 March		Year ended 31 December		
	2013	**2012**	**2012**	**2011**	**2010**
	(unaudited)				
	(EUR in millions)				
Net cash flow provided by operating activities	581	398	3,007	4,003	3,808
Net cash flow from/(used in) investing activities	(1,908)	(476)	(2,133)	(1,986)	(2,149)
Net cash flow used in financing activities	1,398	337	(876)	(1,748)	(3,634)
Changes in cash and cash equivalents	**71**	**259**	**(2)**	**269**	**(1,975)**
Exchange rate differences	—	—	(1)	(1)	5
Net cash and cash equivalents at the end of the period	**1,018**	**1,209**	**947**	**950**	**682**
Cash and cash equivalents[(1)]	**1,213**	**1,267**	**1,286**	**990**	**823**

(1) Cash and cash equivalents includes bank overdrafts.

Non-IFRS Financial Information

This Prospectus includes certain financial measures that are not measures defined by IFRS. See "Important Information—Presentation of financial and other information". The tables below present these non-IFRS measures for KPN for the periods presented.

The reconciliation of KPN's operating profit to EBITDA, and the calculation of KPN's EBITDA margin, is as follows:

	Three months ended 31 March		Year ended 31 December		
	2013	**2012**	**2012**	**2011**	**2010**
	(EUR in millions, except percentages)				
Operating profit	365	592	1,820	2,549	3,250
Depreciation, amortization and impairments	629	539	2,708	2,589	2,226
EBITDA[(1)] (unaudited)	**994**	**1,131**	**4,528**	**5,138**	**5,476**
EBITDA margin[(2)] (unaudited)	34.1%	35.4%	35.6%	39.0%	40.9%

(1) KPN defines EBITDA as operating profit plus depreciation, amortization and impairments. KPN's use of EBITDA, calculated as presented in the table above, may not be comparable to similarly titled measures used by other companies. EBITDA is comprised of external revenues, other income and inter-division revenues between operating segments. KPN's definition of EBITDA should not be considered in isolation or as a substitute for analysis of KPN's results as reported under IFRS.

(2) KPN defines EBITDA margin as EBITDA as a proportion of KPN's total revenues and other income.

Non-IFRS Financial Information, continued

The following table presents KPN's consolidated revenues and other income, by operating segments and on a reported as well as an underlying basis, for the three months ended 31 March 2013 as compared to the three months ended 31 March 2012:

Revenues and other income	31 March 2013 Reported	Result M&A(1) (unaudited)	Other incidentals(2) (unaudited)	31 March 2013 Underlying(3) (unaudited)	31 March 2012 Reported	Regulation(4) (unaudited)	Result M&A(1) (unaudited)	Other incidentals(2) (unaudited)	31 March 2012 Underlying(3) (unaudited)
					(EUR in millions)				
Germany	760	—	—	760	794	(35)	—	—	759
Belgium	183	—	—	183	191	(11)	—	—	180
Rest of World	—	—	—	—	60	—	—	—	60
Other (including eliminations)	10	—	—	10	(25)	—	—	—	(25)
Mobile International	**953**	**—**	**—**	**953**	**1,020**	**(46)**	**—**	**—**	**974**
Consumer Mobile	393	—	7	386	427	(4)	—	—	423
Consumer Residential	501	19	13	469	458	—	—	—	458
Business	701	11	—	690	746	(3)	—	—	743
NetCo	603	14	—	589	664	(1)	—	31	632
Other (including eliminations)	(533)	—	—	(533)	(532)	—	—	—	(532)
Dutch Telco business	**1,665**	**44**	**20**	**1,601**	**1,763**	**(8)**	**—**	**31**	**1,724**
IT Solutions (Corporate Market / Getronics)	157	—	—	157	297	—	132	—	165
Other gains/losses, eliminations	(63)	—	—	(63)	(84)	—	—	—	(84)
The Netherlands	**1,759**	**44**	**20**	**1,695**	**1,976**	**(8)**	**132**	**31**	**1,805**
iBasis	**242**	**—**	**—**	**242**	**255**	**—**	**—**	**—**	**255**
Other activities	**21**	**—**	**—**	**21**	**19**	**—**	**—**	**—**	**19**
Intercompany revenues	**(64)**	**—**	**—**	**(64)**	**(79)**	**—**	**—**	**—**	**(79)**
Revenues and other income	**2,911**	**44**	**20**	**2,847**	**3,191**	**(54)**	**132**	**31**	**2,974**

(1) Reflects the impact of acquisitions and disposals by adjusting revenues (i) for the acquisitions in the period by adjusting the current period's revenues for the revenues of the acquired entity in the current period and (ii) for disposals in the period by adjusting the previous periods' revenue for the revenues of the disposed entity during the previous period.

(2) To the extent these relate to previous periods and impact revenues, incidentals are non-recurring items including primarily gains from disposal of subsidiaries or other assets (e.g., including mobile tower sales) as well as changes in accounting estimates (e.g., caused by a change in recognition of discounts, one off fees), and one-offs (e.g., release of provision/accruals when exceeding EUR 5 million).

(3) KPN defines underlying revenue as revenues adjusted for changes in the composition of the Group from acquisitions and disposals in the period, incidentals and the impact of regulatory changes to MTR tariffs and roaming charges.

(4) KPN determines the impact of regulation by taking into account the impact of reductions in MTR tariffs and roaming charges. The impact is presented by applying those reduced rates to the previous period, using previous period volumes, as if the new tariffs would have been applicable in the previous period.

The following table presents KPN's consolidated EBITDA, by operating segments and on a reported as well as an underlying basis, for the three months ended 31 March 2013 as compared to the three months ended 31 March 2012:

EBITDA[1]	31 March 2013 Reported	Result M&A[2]	Other incidentals[3]	Restructuring[4]	31 March 2013 Underlying[5]	31 March 2012 Reported	Regulation[6]	Result M&A[2]	Other incidentals[3]	Restructuring[4]	31 March 2012 Underlying[5]
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(EUR in millions)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Germany	195	—	—	5	190	303	(20)	—	—	—	283
Belgium	46	—	—	—	46	60	(7)	—	—	—	53
Rest of World	—	—	—	—	—	(5)	—	—	—	—	(5)
Other (including eliminations)	(3)	—	—	—	(3)	1	—	—	—	—	1
Mobile International	**238**	**—**	**—**	**5**	**233**	**359**	**(27)**	**—**	**—**	**—**	**332**
Consumer Mobile	141	—	7	(3)	137	94	(3)	—	—	—	91
Consumer Residential	93	(2)	13	(2)	84	106	—	—	—	(1)	107
Business	181	3	—	—	178	193	(3)	—	—	(11)	201
NetCo	342	1	17	(3)	327	387	—	—	40	—	347
Other (including eliminations)	(4)	—	—	(6)	2	(3)	—	—	—	(1)	(2)
Dutch Telco business	**753**	**2**	**37**	**(14)**	**728**	**777**	**(6)**	**—**	**40**	**(13)**	**744**
IT Solutions (Corporate Market / Getronics)	9	—	—	(5)	14	8	—	2	10	(3)	(1)
Other gains/losses, eliminations	—	—	—	—	—	—	—	—	—	—	—
The Netherlands	**762**	**2**	**37**	**(19)**	**742**	**785**	**(6)**	**2**	**50**	**(16)**	**743**
iBasis	**7**	**—**	**—**	**—**	**7**	**7**	**—**	**—**	**—**	**—**	**7**
Other activities	**(13)**	**—**	**—**	**(3)**	**(10)**	**(20)**	**—**	**—**	**—**	**(3)**	**(17)**
EBITDA	**994**	**2**	**37**	**(17)**	**972**	**1,131**	**(33)**	**2**	**50**	**(19)**	**1,065**

(1) EBITDA is comprised of external revenues, other income and inter-division revenues for each segment.

(2) Reflects the impact of acquisitions and disposals by adjusting EBITDA for (i) the acquisitions in the period by adjusting the current period's EBITDA for the EBITDA of the acquired entity in the current period and (ii) for disposals in the period by adjusting the previous periods' EBITDA for the EBITDA of the disposed entity during the previous period.

(3) To the extent these relate to previous periods and impact EBITDA, incidentals are non-recurring items including primarily gains from disposal of subsidiaries or other assets (e.g., including mobile tower sales) as well as changes in accounting estimates (e.g., caused by a change in recognition of discounts, one off fees), and one-offs (e.g., release of provision/accruals when exceeding EUR 5 million).

(4) Reflects adjustment for one-off operating expenses, mainly relating to redundancy expenses from KPN's FTE reduction program but also including costs associated with termination payments on existing rental agreements resulting from restructuring related to the FTE reduction program.

(5) KPN defines underlying EBITDA as EBITDA adjusted for changes in the composition of the Group from acquisitions and disposals in the period, incidentals and the impact of regulatory changes to MTR tariffs and roaming charges.

(6) KPN determines the impact of regulation by taking into account the impact of reductions in MTR tariffs and roaming charges. The impact is presented by applying those reduced rates to the previous period, using previous period volumes, as if the new tariffs would have been applicable in the previous period.

Non-IFRS Financial Information, continued

The following table presents KPN's consolidated revenues and other income, by operating segments and on a reported as well as an underlying basis, for the year ended 31 December 2012 as compared to the year ended 31 December 2011:

Revenues and other income	2012 Reported	Result M&A[1]	Other incidentals[2]	2012 Underlying[3]	2011 Reported	Regulation[4]	Result M&A[1]	Other incidentals[2]	2011 Underlying[3]
		(unaudited)	(unaudited)	(unaudited)	(EUR in millions)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Germany	3,404	—	119	3,285	3,243	(14)	—	—	3,229
Belgium	804	—	—	804	781	(37)	—	—	744
Rest of World	247	—	36	211	302	—	—	10	292
Other (including eliminations)	(84)	—	—	(84)	(118)	—	—	—	(118)
Mobile International	**4,371**	**—**	**155**	**4,216**	**4,208**	**(51)**	**—**	**10**	**4,147**
Consumer Mobile	1,707	—	7	1,700	1,900	(42)	—	—	1,858
Consumer Residential	1,852	15		1,837	1,903	—	—	11	1,892
Business	2,352	12		2,340	2,433	(24)	—	10	2,399
NetCo	2,621	39	96	2,486	2,780	(17)	—	119	2,644
Other (including eliminations)	(2,087)	—	—	(2,087)	(2,252)	—	—	—	(2,252)
Dutch Telco business	**6,445**	**66**	**103**	**6,276**	**6,764**	**(83)**	**—**	**140**	**6,541**
Corporate Market (Getronics)	1,405	—	2	1,403	1,811	—	362	5	1,444
Other gains/losses, eliminations	(318)	—	—	(318)	(316)	—	—	—	(316)
The Netherlands	**7,532**	**66**	**105**	**7,361**	**8,259**	**(83)**	**362**	**145**	**7,669**
iBasis	**1,035**	**—**	**—**	**1,035**	**977**	**—**	**—**	**—**	**977**
Other activities	**76**	**—**	**—**	**76**	**62**	**—**	**—**	**—**	**62**
Intercompany revenues	**(306)**	**—**	**—**	**(306)**	**(343)**	**—**	**—**	**—**	**(343)**
Revenues and other income	**12,708**	**66**	**260**	**12,382**	**13,163**	**(134)**	**362**	**155**	**12,512**

(1) Reflects the impact of acquisitions and disposals by adjusting revenues (i) for the acquisitions in the period by adjusting the current period's revenues for the revenues of the acquired entity in the current period and (ii) for disposals in the period by adjusting the previous periods' revenue for the revenues of the disposed entity during the previous period.

(2) To the extent these relate to previous periods and impact revenues, incidentals are non-recurring items including primarily gains from disposal of subsidiaries or other assets (e.g., including mobile tower sales) as well as changes in accounting estimates (e.g., caused by a change in recognition of discounts, one off fees), and one-offs (e.g., release of provision/accruals when exceeding EUR 5 million).

(3) KPN defines underlying revenue as revenues adjusted for changes in the composition of the Group from acquisitions and disposals in the period, incidentals and the impact of regulatory changes to MTR tariffs and roaming charges.

(4) KPN determines the impact of regulation by taking into account the impact of reductions in MTR tariffs and roaming charges. The impact is presented by applying those reduced rates to the previous period, using previous period volumes, as if the new tariffs would have been applicable in the previous period.

The following table presents KPN's consolidated EBITDA, by operating segments and on a reported as well as an underlying basis, for the year ended 31 December 2012 as compared to the year ended 31 December 2011:

EBITDA[1]	2012 Reported	Result M&A[2] (unaudited)	Other incidentals[3] (unaudited)	Restructuring[4] (unaudited)	2012 Underlying[5] (unaudited)	2011 Reported	Regulation[6] (unaudited)	Result M&A[2] (unaudited)	Other incidentals[3] (unaudited)	Restructuring[4] (unaudited)	2011 Underlying[5] (unaudited)
					(EUR in millions)						
Germany	1,290	—	119	(39)	1,210	1,354	(7)	—	—	—	1,347
Belgium	272	—			272	273	(22)	—	5	(2)	248
Rest of World	(25)	—	(2)	(2)	(21)	8	—	—	10	(3)	1
Other (including eliminations)	(1)	—	—	—	1	1	—	—	—	—	1
Mobile International	**1,536**	**—**	**117**	**(41)**	**1,460**	**1,636**	**(29)**	**—**	**15**	**(5)**	**1,597**
Consumer Mobile	510	—	7-	(2)	505	550	(17)	—	—	(1)	534
Consumer Residential	367	(3)	—	(27)	397	497	—	—	11	(4)	490
Business	758	4	—	(27)	781	786	(17)	—	10	(3)	762
NetCo	1,461	—	110	(42)	1,393	1,705	(1)	—	119	(9)	1,594
Other (including eliminations)	(18)	—	—	(3)	(15)	(17)	—	—	—	(3)	(14)
Dutch Telco business	**3,078**	**1**	**117**	**(101)**	**3,061**	**3,521**	**(35)**	**—**	**140**	**(20)**	**3,366**
Corporate Market (Getronics)	57	—	3	(13)	67	6	—	12	(15)	(96)	105
Other gains/losses, eliminations	—	—	—	—	—	1	—	—	—	—	1
The Netherlands	**3,135**	**1**	**120**	**(114)**	**3,128**	**3,528**	**(35)**	**12**	**125**	**(116)**	**3,472**
iBasis	**30**	**—**	**—**	**—**	**30**	**31**	**—**	**—**	**—**	**—**	**31**
Other activities	**(173)**	**—**	**—**	**(18)**	**(155)**	**(57)**	**—**	**—**	**10**	**(9)**	**(58)**
EBITDA	**4,528**	**1**	**237**	**(173)**	**4,463**	**5,138**	**(64)**	**12**	**150**	**(130)**	**5,042**

(1) EBITDA is comprised of external revenues, other income and inter-division revenues for each segment. See Note 34 to the 2012 and 2011 consolidated financial statements incorporated by reference herein.

(2) Reflects the impact of acquisitions and disposals by adjusting EBITDA for (i) the acquisitions in the period by adjusting the current period's EBITDA for the EBITDA of the acquired entity in the current period and (ii) for disposals in the period by adjusting the previous periods' EBITDA for the EBITDA of the disposed entity during the previous period.

(3) To the extent these relate to previous periods and impact EBITDA, incidentals are non-recurring items including primarily gains from disposal of subsidiaries or other assets (e.g., including mobile tower sales) as well as changes in accounting estimates (e.g., caused by a change in recognition of discounts, one off fees), and one-offs (e.g., release of provision/accruals when exceeding EUR 5 million).

(4) Reflects adjustment for one-off operating expenses, mainly relating to redundancy expenses from KPN's FTE reduction program but also including costs associated with termination payments on existing rental agreements resulting from restructuring related to the FTE reduction program.

(5) KPN defines underlying EBITDA as EBITDA adjusted for changes in the composition of the Group from acquisitions and disposals in the period, incidentals and the impact of regulatory changes to MTR tariffs and roaming charges.

(6) KPN determines the impact of regulation by taking into account the impact of reductions in MTR tariffs and roaming charges. The impact is presented by applying those reduced rates to the previous period, using previous period volumes, as if the new tariffs would have been applicable in the previous period.

Non-IFRS Financial Information, continued

The following table presents KPN's consolidated revenues and other income, by operating segments and on a reported as well as an underlying basis, for the year ended 31 December 2011 as compared to the year ended 31 December 2010:

Revenues and other income	2011 Reported	Result M&A[1]	Other incidentals[2]	2011 Underlying[3]	2010 Reported	Regulation[4]	Result M&A[1]	Other incidentals[2]	2010 Underlying[3]
		(unaudited)	(unaudited)	(unaudited)	(unaudited) (EUR in millions)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Germany	3,243	14	—	3,229	3,241	(226)	—	—	3,015
Belgium	781	—	—	781	785	(60)	10	4	711
Rest of World	302	—	10	292	241	—	—	—	241
Other (including eliminations)	(118)	—	—	(118)	(108)	—	—	—	(108)
Mobile International	**4,208**	**14**	**10**	**4,184**	**4,159**	**(286)**	**10**	**4**	**3,859**
Consumer Mobile	1,900	—	—	1,900	2,023	(101)	—	—	1,922
Consumer Residential	1,903	—	11	1,892	1,969	—	—	—	1,969
Business	2,433	47	1	2,385	2,516	(68)	—	16	2,432
NetCo	2,780	4	119	2,657	2,882	(44)	—	52	2,786
Other (including eliminations)	(2,252)	—	—	(2,252)	(2,372)	13	15	—	(2,374)
Dutch Telco business	**6,764**	**51**	**131**	**6,582**	**7,018**	**(200)**	**15**	**68**	**6,735**
Corporate Market (Getronics)	1,811	—	5	1,806	1,860	—	25	3	1,832
Other gains/losses, eliminations	(316)	—	—	(316)	(287)	—	—	8	(295)
The Netherlands	**8,259**	**51**	**136**	**8,072**	**8,591**	**(200)**	**40**	**79**	**8,272**
iBasis	**977**	**—**	**—**	**977**	**912**	**—**	**—**	**—**	**912**
Other activities	**62**	**(14)**	**—**	**76**	**81**	**—**	**—**	**—**	**81**
Intercompany revenues	**(343)**	**—**	**—**	**(343)**	**(345)**	**—**	**—**	**—**	**(345)**
Revenues and other income	**13,163**	**51**	**146**	**12,966**	**13,398**	**(486)**	**50**	**83**	**12,779**

(1) Reflects the impact of acquisitions and disposals by adjusting revenues (i) for the acquisitions in the period by adjusting the current period's revenues for the revenues of the acquired entity in the current period and (ii) for disposals in the period by adjusting the previous periods' revenue for the revenues of the disposed entity during the previous period.

(2) To the extent these relate to previous periods and impact revenues, incidentals are non-recurring items including primarily gains from disposal of subsidiaries or other assets (e.g., including mobile tower sales) as well as changes in accounting estimates (e.g., caused by a change in recognition of discounts, one off fees), and one-offs (e.g., release of provision/accruals when exceeding EUR 5 million).

(3) KPN defines underlying revenue as revenues adjusted for changes in the composition of the Group from acquisitions and disposals in the period, incidentals and the impact of regulatory changes to MTR tariffs and roaming charges.

(4) KPN determines the impact of regulation by taking into account the impact of reductions in MTR tariffs and roaming charges. The impact is presented by applying those reduced rates to the previous period, using previous period volumes, as if the new tariffs would have been applicable in the previous period.

The following table presents KPN's consolidated EBITDA, by operating segments and on a reported as well as an underlying basis, for the year ended 31 December 2011 as compared to the year ended 31 December 2010:

EBITDA[(1)]	2011 Reported	Result M&A[(2)]	Other incidentals[(3)]	Restructuring[(4)]	2011 Underlying[(5)]	2010 Reported	Regulation[(6)]	Result M&A[(2)]	Other incidentals[(3)]	Restructuring[(4)]	2010 Underlying[(5)]
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited) (EUR in millions)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Germany	1,354	—	—	—	1,354	1,373	(116)	—	8	(2)	1,251
Belgium	273	—	5	(2)	270	271	(35)	2	15	—	219
Rest of World	8	—	10	(3)	1	(22)	—	—	—	—	(22)
Other (including eliminations)	1	—	—	—	1	—	—	—	—	—	—
Mobile International	**1,636**	**—**	**15**	**(5)**	**1,626**	**1,622**	**(151)**	**2**	**23**	**(2)**	**1,448**
Consumer Mobile	550	—	—	(1)	551	659	(37)	—	—	(5)	627
Consumer Residential	497	—	11	(3)	489	471	—	—	—	6	465
Business	786	7	1	(3)	781	836	(13)	—	15	—	808
NetCo	1,705	2	119	(9)	1,593	1,751	(2)	—	52	1	1,696
Other (including eliminations)	(17)	—	—	(3)	(14)	(14)	—	—	—	—	(14)
Dutch Telco business	**3,521**	**9**	**131**	**(19)**	**3,400**	**3,703**	**(52)**	**—**	**67**	**2**	**3,582**
Corporate Market (Getronics)	6	—	(15)	(96)	117	158	—	5	8	(4)	149
Other gains/losses, eliminations	1	—	—	—	1	(2)	—	—	6	—	(8)
The Netherlands	**3,528**	**9**	**116**	**(115)**	**3,518**	**3,859**	**(52)**	**5**	**81**	**(2)**	**3,723**
iBasis	**31**	**—**	**—**	**—**	**31**	**32**	**—**	**—**	**—**	**—**	**32**
Other activities	**(57)**	**—**	**17**	**(10)**	**(64)**	**(37)**	**—**	**—**	**8**	**5**	**(50)**
EBITDA	**5,138**	**9**	**148**	**(130)**	**5,111**	**5,476**	**(203)**	**7**	**112**	**1**	**5,153**

(1) EBITDA is comprised of external revenues, other income and inter-division revenues for each segment. See Note 34 to the 2011 consolidated financial statements and Note 34 to the 2010 consolidated financial statements, each as incorporated by reference herein.

(2) Reflects the impact of acquisitions and disposals by adjusting EBITDA for (i) the acquisitions in the period by adjusting the current period's EBITDA for the EBITDA of the acquired entity in the current period and (ii) for disposals in the period by adjusting the previous periods' EBITDA for the EBITDA of the disposed entity during the previous period.

(3) To the extent these relate to previous periods and impact EBITDA, incidentals are non-recurring items including primarily gains from disposal of subsidiaries or other assets (e.g., including mobile tower sales) as well as changes in accounting estimates (e.g., caused by a change in recognition of discounts, one off fees), and one-offs (e.g., release of provision/accruals when exceeding EUR 5 million).

(4) Reflects adjustment for one-off operating expenses, mainly relating to redundancy expenses from KPN's FTE reduction program but also including costs associated with termination payments on existing rental agreements resulting from restructuring related to the FTE reduction program.

(5) KPN defines underlying EBITDA as EBITDA adjusted for changes in the composition of the Group from acquisitions and disposals in the period, incidentals and the impact of regulatory changes to MTR tariffs and roaming charges.

(6) KPN determines the impact of regulation by taking into account the impact of reductions in MTR tariffs and roaming charges. The impact is presented by applying those reduced rates to the previous period, using previous period volumes, as if the new tariffs would have been applicable in the previous period.

OPERATING AND FINANCIAL REVIEW

The following is a discussion and analysis of KPN's financial condition and results of operations based on KPN's consolidated statement of income, consolidated statement of financial position, consolidated statement of cash flows and certain other operational and financial data for the periods indicated. KPN's consolidated financial information presented as of and for the years ended 31 December 2012, 2011 and 2010 and as of and for the three months ended 31 March 2013 and 2012 set forth below were extracted without material adjustment from its audited consolidated financial statements for the years ended 31 December 2012, 2011, and 2010 and its unaudited consolidated interim financial statements as of and for the three months ended 31 March 2013 and 2012, respectively, prepared in accordance with IFRS and incorporated by reference. Operational data has been derived from management estimates, is not part of KPN's financial statements or financial reporting systems, and has not been audited.

Investors should read the following in conjunction with the rest of this Prospectus, including the "Summary—Summary Financial Information", "Capitalization and Indebtedness", "Use of Proceeds and Reasons for the Offering", "Selected Consolidated Financial Information" and the Consolidated Financial Statements, the notes thereto and the auditors' reports incorporated by reference. Investors should also review the information in the section "Important Information—Presentation of financial and other information" for further details on the consolidated financial and operating information included below.

This discussion and analysis contains forward-looking statements that are subject to known and unknown risks and uncertainties. KPN's actual results and the timing of events could differ materially from those expressed or implied by such forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Forward-looking statements" and "Risk Factors". KPN does not undertake any obligation to revise or publicly release the results of any revision to these forward-looking statements.

Overview

KPN is the leading telecommunications and ICT provider in the Netherlands, offering fixed and mobile telephony, fixed and mobile broadband internet and TV to retail customers. KPN is also a market leader in the Netherlands in ICT services, infrastructure and network related ICT solutions to business customers, including other telecommunications operators. In Germany and Belgium, KPN pursues a challenger strategy and offers mobile telephony products and services to retail customers through E-Plus and KPN Group Belgium, respectively. KPN also provides wholesale network services to third parties and operates an IP-based infrastructure for international wholesale customers through iBasis.

In the Netherlands, KPN operates fixed and mobile networks, and as the incumbent telecommunications provider is the only operator of fixed copper infrastructure with nationwide coverage in the Netherlands. KPN is also deploying in the Netherlands an FttH network through its joint venture, Reggefiber, and an FttO network, which it owns and operates directly, to further strengthen its fixed network strategy and support its retail and business offerings. In addition, KPN recently acquired 15 blocks of frequency licenses in the 800MHz, 900MHz, 1800MHz, 2.1GHz and 2.6GHz bands for a total of 120MHz of frequency licenses for 17 years in the spectrum auction in the Netherlands. This spectrum package enables KPN to continue its existing 2G and 3G services, and introduce new services, such as 4G, which is intended to support its market leading position in the Dutch market.

As of 31 March 2013, KPN served 37.1 million mobile customers and had 3.8 million fixed line voice connections, 2.9 million broadband internet connections and 1.8 million TV connections. With 24,647 full time employees working for the Group as of 31 March 2013, KPN reported full-year revenues and other income of EUR 12,708 million and EBITDA of EUR 4,528 million for the year ended 31 December 2012, and revenues and other income of EUR 2,911 million and EBITDA of EUR 994 million for the three months ended 31 March 2013.

Material factors affecting results of operations and financial performance

Economic conditions

Many European countries, including the Netherlands, Germany and Belgium, have experienced an economic slowdown, which has included a general contraction in consumer spending resulting from, among other factors, reduced consumer confidence, falling gross domestic product, rising unemployment rates and uncertainty in the macro-economic environment. According to the OECD, the macro-economic outlook in KPN's geographical markets remains relatively weak, with projected 2013 GDP growth of 0.2%, 0.6% and 0.5% in the Netherlands, Germany and Belgium, respectively. Weakness in the Dutch, German or Belgian economies, and in particular low GDP growth and increasing levels of unemployment, directly impact the spending patterns of both consumers, in terms of the products they subscribe for and their usage levels, and also of businesses which will postpone or cancel upgrades to their network usage during periods of economic uncertainty.

KPN operates in the telecommunications sector, for which underlying customer demand has proven to be less cyclical than other aspects of consumer spending during the ongoing global financial and economic crisis. In addition, the economies of the Netherlands and Germany, in particular, have also proven to be relatively resilient through the recent economic crisis, as compared to other European economies. However, both KPN's business and corporate customers are nevertheless significantly affected by weak general economic conditions and consumer spending. In the context of a weak macro-economic environment, the Dutch business telecommunications market has experienced declining demand for telecommunications services and weaker demand for ICT services as IT budgets among businesses remain under pressure. Business customers are increasingly focusing on flat fee packages and integrated solutions, as opposed to individual services. These trends have resulted in price pressure as contracts are often renewed at lower prices. Within IT Solutions (previously Corporate Market, and prior to that, Getronics), persistent continued adverse market conditions in the ICT market, including fierce price pressure, resulted in impairment of goodwill relating to Getronics in the amount of EUR 314 million in 2012, in addition to impairment of goodwill, tangible and other intangible assets relating to Getronics of EUR 298 million in 2011. Within Germany, further competitive pressure in the mobile market, resulting in a reduction of the long-term growth rate of the business, could result in an impairment of goodwill going forward.

The general macro-economic environment has also had an adverse impact on consumer spending, including on telecommunications services and products. KPN has observed that consumers often spend less on an incremental basis, such as by placing fewer calls, sending fewer SMS messages, replacing traditional voice and SMS traffic with free-to-use OTT applications, changing their tariff plans to prepaid from postpaid, migrating to SIM-only plans, or opting for flat rate or lower tariff price plans. In poor economic conditions, consumers have delayed and are likely to continue to delay the replacement of their existing handsets (thereby reducing KPN's mobile revenues and, correspondingly, its subscriber acquisition and retention costs), or be more likely to disconnect or cancel their services. Adverse economic conditions have thereby had a direct negative impact on KPN's number of wireless, TV and broadband customers as well as revenues, margins and ARPU in its segments with direct consumer exposure, specifically Consumer Mobile, Consumer Residential, Germany and Belgium. As a result of the impact on KPN's business and corporate customers of adverse economic conditions and lower consumer spending, KPN's Business and Corporate market segments have also been indirectly impacted, as has NetCo as a result of lower traffic volumes. In addition, KPN's business and corporate customers are also affected by general economic conditions and consumer spending, and the economic environment has prompted business customers to postpone or cancel upgrades to their network usage. An extended recession, or public perception of declining economic conditions, could continue to substantially decrease IT budgets among KPN's business customers, which would in turn adversely affect KPN's revenues in its Business and IT Solutions segments.

Generally, weak economic conditions may also continue to weigh on the growth prospects of the telecommunications market in the Netherlands, Germany and Belgium, and in particular on the level of services revenues, ARPU and number of subscribers and, in particular, on the volume, price level and ARPU of business subscribers.

Bundling of products and services

The fixed-line telephony and fixed and mobile broadband internet markets, in particular in the Netherlands but also to a lesser extent in Belgium, are characterized by a broadband internet market featuring high customer penetration rates, and a declining fixed-line telephony market as customers increasingly migrate their communications towards VoIP and mobile and data services. For these reasons, and due to growing customer demand, telecommunication service providers, including KPN, particularly in the Netherlands, Germany and Belgium, are focusing on bundled offerings of multiple products, which allow for differentiation based on quality and value of service provided, in addition to price and discounts. In addition, bundled offerings generally drive and support telephony and broadband internet products and reduce customer churn as compared with individually sold products and services. KPN believes that an integrated mobile and fixed service offering that provides quality and reliability superior to its competitors will enable it to sell additional as well as premium versions of existing services, such as bundled mobile and fixed services to retail customers, while also reducing churn because customers often prefer bundled products due to the convenience and cost savings that are available when acquiring fixed-line telephony, fixed and mobile broadband internet and television services from a single provider for one price.

KPN currently offers its retail customers in the Netherlands fixed-line telephony, fixed and mobile broadband internet and television on a stand-alone basis and in the form of dual-play or triple-play packages. KPN's product bundles typically offer customers a discount to the aggregate price compared to stand-alone products, which KPN believes makes the proposition attractive for customers. In January 2013, KPN introduced "KPN Compleet", a first step towards offering quadruple-play services. As a further step, KPN plans to introduce an integrated quadruple-play offering, with integrated billing, client management system and customer service. In Germany and Belgium, unlike many of its competitors, KPN generally does not offer extensive bundled offerings to customers, except in conjunction with its recent introduction of a triple play package in Belgium, and as a result, may be exposed to higher rates of churn than its competitors in those countries.

Within Consumer Residential, revenue generating units (**RGUs**) will increase in line with the proportion of subscribers who choose bundled products, and KPN expects that ARPU will also increase as the proportion of bundled products increases. KPN believes its IPTV offering in particular has driven and will continue to drive the take up of its product bundles, contributing to an increase in RGUs per customer in the Consumer Residential segment to 2.10 at 31 March 2013 as compared to 2.07 at 31 December 2012 and as compared to 1.92 at 31 December 2011. The growth in IPTV as well as other value-added services, such as video-on-demand, have also contributed to higher content costs, and KPN expects this trend to continue.

Going forward, KPN anticipates greater demand for bundled product offerings from its customers, and therefore plans to continue to attract customers by developing and marketing a range of potential bundled offerings. KPN believes customers with only a single product or service present significant opportunities to sell additional as well as premium versions of existing services, such as bundled mobile and fixed services in the Netherlands and, to a lesser extent, Belgium as a result of its recently introduced triple-play offering. KPN also believes that its ability to attract customers in such markets will depend on its ability to offer more attractive bundled offerings than its competitors, many of whom are pursuing similar strategies in a very competitive environment.

Pricing and competition

KPN operates in a very challenging environment in the telecommunications market in the Netherlands, Germany and Belgium and is subject to significant competition for all its products and services in the fixed-line and mobile telecommunications markets, along with ICT solutions for business customers. In light of this competition, overall prices for most products and services offered to customers in the telecommunications markets in the Netherlands, Belgium and Germany have steadily decreased over the years, especially in mobile voice and SMS markets. As a result, KPN faces a mobile market in which price pressure and threats to market share and ARPU have been increasing, resulting in declining total revenues in recent years as KPN has, in certain segments, reduced prices in order to defend its market share. The fixed-line telephony and fixed and mobile broadband internet markets in the Netherlands are characterized by a broadband internet market featuring high customer penetration rates with limited growth potential, and a declining fixed-line telephony market as customers increasingly migrate their communication patterns towards VoIP and mobile and data services.

Within KPN's mobile businesses in the Netherlands, Germany and Belgium, retail and business customers increasingly prefer mobile data access over traditional voice and SMS as a result of new technologies maturing and the introduction of new OTT applications such as Skype, Google Talk, FaceTime, WhatsApp and Facebook Messenger, which allow users to substitute mobile data for traditional voice and SMS communications, at times featuring better quality VOIP services compared to traditional networks. These applications are accessible via smartphones, tablets and computers, and allow their users to have access to potentially unlimited messaging and voice services over the internet, bypassing more expensive traditional voice and messaging services such as SMS which have historically been a source of significant revenues for fixed and mobile network operators, including KPN. Mobile internet availability has become more widespread as more devices are introduced which can access the internet via Wi-Fi connections, contributing further to the popularity of data-driven communications. The growing share of smartphones, tablets and computers in the geographies in which KPN operates also contributes to an increasing number of customers using OTT applications and internet data services in place of traditional voice or SMS communications. Within the Business segment, this trend is resulting in an increasing proportion of M2M traffic, which generates significantly lower margins than traditional voice or SMS.

As a result of the above, as use of voice and SMS has declined relative to other forms of communication, mobile data providers, including KPN, have had a difficult time earning sufficient revenues from the increased data volumes to offset the decline in revenues from traditional voice and SMS services. KPN charges lower rates for internet data usage as compared to per-minute or per SMS fees, and may also offer its services through flat fee packages which tend to generate lower ARPUs as compared to traditional per-minute or per-SMS tariffs. These trends towards data being used as a substitute for voice and SMS has thereby contributed to the decline in KPN's wireless service revenues in the Netherlands, and a slowdown of revenue growth in Mobile International, particularly in Germany and, to a lesser extent, in Belgium. See "Risk Factors—As a result of the increasing substitution of data services in place of traditional voice and SMS communications, KPN's traditional voice and SMS markets have been decreasing and are expected to continue to decrease due to increasing competition from alternative modes of telecommunication."

In response to the overall pricing environment, and in an effort to meet customer expectations, support its mobile ARPU and reduce customer churn, KPN regularly adjusts its tariff plans to tailor its offerings and pricing to existing and emerging trends in customer behavior. The range of tariff structures within KPN's mobile businesses, including tiered data tariffs and various postpaid options and prepaid bundled services, allow customers to opt for voice and SMS add-ons depending on their needs, giving them a flexibility which has negatively impacted ARPU levels as fewer customers pay for out-of-bundle volumes they will not use. In an effort to offset the decline in out-of-bundle spending, KPN has recently introduced flat fee propositions featuring higher subscription fees and lower volume-based prices, resulting in a higher proportion of committed ARPU. KPN may also respond to changing customer expectations by introducing new mobile propositions, which may or may not include a handset lease option.

Within Consumer Residential, KPN's revenues have been driven by price increases as well as by the number of IPTV subscribers as a proportion of total television subscribers. IPTV, which is an important driver behind take up of triple-play packages, also features higher ARPU than other TV products, and the growth in IPTV customers was one of the primary drivers of the increase in blended TV ARPU, which was EUR 14 for the three months ended 31 March 2013, EUR 13 for the year ended 31 December 2012 and EUR 11 for the year ended 31 December 2011. In 2012, KPN's Telfort and XS4All brands started to offer IPTV products in the Netherlands in addition to the KPN brand, expanding the potential for distribution of IPTV.

KPN's pricing policy across all its segments, and the prices it is able to charge for its services, are key drivers of ARPU in KPN's various operating segments. ARPU is driven by prices for KPN's services, traffic volume, subscriber mix, and revenues from access and interconnection fees for incoming calls and messages. During the period under review, ARPU within KPN's fixed line businesses has remained generally stable, whereas in its various mobile businesses (both Consumer Mobile and Business within the Netherlands, and also in Germany and Belgium), its ARPU has declined. The decline in KPN's mobile ARPUs has been largely a result of a decrease in voice ARPU (attributable to both decreasing MTRs and general price erosion on voice and SMS pricing), partly offset by an increase in mobile data volumes.

In light of the challenging market environment across all its operating segments, and the resulting competitive and pricing pressures, if KPN is to maintain and increase profitability it must also seek to substantially reduce its costs in line with the decline in revenues. In order to maintain its competitive position and defend its market share in its various segments in pursuit of KPN's strategy and in support of its outlook, KPN has also incurred substantial costs in the periods under review relating to investments in its networks, marketing efforts and brand-building, setting up new shops and generally enhancing its distribution capabilities and improving customer service, among other activities. Maintaining these costs at the same or higher level as previous years has resulted in KPN's operating profit margin declining from 24.2% in the year ended 31 December 2010 to 19.3% in the year ended 31 December 2011, 14.3% in the year ended 31 December 2012 and 12.5% in the three months ended 31 March 2013. For similar reasons, KPN's EBITDA margins have declined from 40.9% in the year ended 31 December 2010 to 39.0% in the year ended 31 December 2011, 35.6% in the year ended 31 December 2012 and 34.1% in the three months ended 31 March 2013.

Customer base

One of KPN's primary revenue drivers is its number of customers, which is important to its efforts to increase revenues, grow market share, and increase RGUs. Within its mobile businesses Consumer Mobile, Business, Germany and Belgium, KPN uses net adds to measure growth in its customer base, and within its fixed line telephony and broadband internet services within Consumer Residential and Business, KPN uses the number of access lines and subscribers. Although changes to the size of its customer base have varied across KPN's operating segments during the periods under review, a growing customer base generally contributes to growing revenues, and can offset negative revenue impacts from declining ARPUs. Within KPN's existing customer base, changes in the mix of customers also has had and will continue to have an impact on KPN's financial results. In particular, post-paid mobile customers tend to generate significantly higher ARPU, and experience lower rates of customer churn, as compared to pre-paid customers, in part because they are more likely to own smartphones and therefore be larger consumers of mobile data. Among post-paid customers, the increase in SIM-only plans has contributed to lower ARPU in Consumer Mobile as well as in Germany and Belgium. A higher proportion of SIM-only customers may also contribute to lower subscriber acquisition and retention costs due to the absence of handset expenses for these customers, though these decreased costs may be offset in part by higher expenses as other customers opt for more expensive smartphones. Across both its mobile and fixed line businesses in the Netherlands, the introduction of triple play bundles and eventually quadruple-play offerings are also expected to be increasingly important contributors to growth in KPN's customer base, as described above.

The rate of customer churn refers to the frequency with which KPN's customers disconnect from its services, generally in favor of competitors. KPN's churn rates are impacted by the attractiveness of its offers and pricing, the subscriber experience and perception of the brand, the perceived quality of its network (including its mobile network coverage) and the perceived quality of its services (including customer service and satisfaction levels), all as compared to its existing competitors and new entrants. Initiatives to address high churn rates may, and in the periods under review have, lead to increased costs, particularly subscriber acquisition and retention costs as KPN undertakes efforts to retain customers. In the periods under review, KPN's traditional voice, SMS and fixed line telephony products have experienced relatively high customer churn rates as compared to previous historical experience, whereas its bundled and data-focused products have experienced lower churn rates.

Regulation

KPN has been designated by regulators as having significant market power in certain markets in the Netherlands, Germany and Belgium. As a result, the applicable NRAs are required to impose obligations on KPN relating to, among other things, access and use of specific network facilities, non-discrimination, transparency or the level of tariffs at the regulated wholesale or retail markets. In the Netherlands, KPN has been designated by OPTA (the predecessor to the ACM) as having significant market power in various markets: the markets for voice call termination on its individual mobile and fixed networks, the markets for unbundled access to its copper, FttH and FttO networks, the market for high-quality wholesale broadband access (**WBA**) and wholesale leased lines, wholesale markets for fixed telephony and the retail markets for two or more simultaneous calls. In Germany and Belgium, KPN has been designated as having significant market power in the call termination market on its individual mobile networks. As a result of these designations in all three of its operating jurisdictions, KPN is subject to regulation with regard to significant aspects of its revenues and costs.

KPN receives revenues in the form of access and interconnection fees from other network operators for voice calls and messages terminated on KPN's networks, and is required to pay access and interconnection fees to other network operators for calls terminated on their networks, in each case both domestic and international. These access and interconnection fees are based on set termination rates for both fixed line calls (**FTRs**) and mobile calls and SMS (**MTRs**). In recent years, NRAs in the Netherlands, Germany and Belgium have taken action to significantly reduce these termination rates. In particular MTRs, which have been reduced in line with 2009 recommendations from the European Commission (as described in greater detail in "Regulation") have been reduced the most significantly. Decreasing MTRs has a dual effect on KPN's operations by decreasing the revenues received from other operators for calls and SMS on its network while also decreasing inter–connection costs, shown as part of its work contracted out and other expenses line item on its consolidated income statement, as its payments to other operators decrease. Because MTRs have historically been a significant component of both KPN's revenues (for calls or SMS that terminate on KPN's networks) and of KPN's access and interconnection expenses (for calls or SMS that terminate on the network of other network operators), the decrease in MTRs in particular has had and will continue to have a direct impact on KPN's revenues and other income and costs, and a consequent impact on KPN's profitability. The impact of declining MTRs on KPN's profitability has been particularly pronounced in Germany and Belgium, where KPN does not offer fixed-line telephony products which could benefit in part from declining MTRs.

MTRs are generally expected to continue to decrease going forward, albeit at a slower pace than historically experienced given the degree of decreases to date, particularly in Germany and Belgium. In the Netherlands, on 16 April 2013, the ACM published a draft decision regarding the regulation of MTR tariffs, which may result in further reductions to the termination fees KPN may charge other network operators for the termination of calls carried on its network, and decrease KPN's mobile revenues in the Netherlands. See "Risk Factors—KPN's revenues may decline as a result of decreases in fixed and mobile termination rates."

KPN also receives and pays roaming charges, which are fees charged by a host network for calls or SMS initiated on a network that is outside the subscriber's home country. Such roaming charges, are subject to increasingly stringent fee caps for voice, SMS and data tariffs in the wholesale and retail customer markets throughout the EU. See "Regulation—The EU regulatory framework for electronic communications—Roaming on mobile networks". As a result, the roaming charges KPN may charge its wholesale customers for voice, SMS and data roaming are subject to price caps and are expected to continue to decline. See "Risk Factors—KPN may be subject to increased costs or pressure on its revenues from changing regulation for international roaming charges." Because roaming charges have historically been a significant component of both KPN's revenues (for calls and SMS made by visitors to the Netherlands, Germany or Belgium using KPN's mobile network) and of KPN's access and interconnection expenses (for calls and SMS made by KPN's subscribers who are abroad and have to rely on other network operators for execution of their calls), the decrease in roaming charges has also had and will continue to have a direct impact on KPN's revenues and other income and costs, and a consequent impact on KPN's profitability.

The mandated decreases in MTRs and roaming charges, referred to throughout this section as the "regulatory impact" on revenues, have had and will continue to have a direct impact on KPN's revenues and other income and costs, and a consequent impact on KPN's profitability. This regulatory impact is calculated by taking into account the impact of reductions in MTR tariffs and roaming charges, and applying those reduced rates to the previous year, using previous year volumes, as if the new lower tariffs would have been applicable in the previous year. Regulatory changes to permissible MTR and roaming charges had an impact on revenues of EUR 54 million in the three months ended 31 March 2013, EUR 134 million in the year ended 31 December 2012 and EUR 486 million in the year ended 31 December 2011, and had an impact on EBITDA of EUR 33 million in the three months ended 31 March 2013, EUR 64 million in the year ended 31 December 2012 and EUR 203 million in the year ended 31 December 2011, in each case net of offsetting cost reduction benefits. The impact of declining MTRs on KPN's profitability has been particularly pronounced in Germany and Belgium, where KPN generally does not offer fixed-line telephony products as a significant portion of its business which could benefit from declining MTRs. Additional regulatory requirements or further tariff regulation could result in new obligations being imposed on network operators such as KPN, which could result in lower revenues or increased operational and administrative expenses.

Capital expenditures and investments in network

KPN's ability to provide fixed and mobile telephony, fixed and mobile broadband internet and TV to retail customers as well as telecommunications and ICT solutions to business customers depends in large part on its ability to provide attractive and competitive product offerings to its customers by upgrading and maintaining its fixed and mobile networks. Moreover, with the growing penetration of smartphones and the increasing demand for data services, upgrading and maintaining KPN's networks is key to the provision of services to its customers and to KPN's ability to implement its strategy. Perception of network quality and speed are important factors in KPN's ability to be able to attract and retain its customers, and therefore minimize churn by offering the best products and services to its customers.

In the Netherlands, as part of its strategy, KPN has invested heavily in network infrastructure, and plans to continue to do so. KPN will continue to invest in next generation access networks, as it believes that they are core assets to sustain market leadership in the future. In support of its mobile network in the Netherlands, in the fourth quarter of 2012, KPN won the right to acquire 15 blocks of frequency licenses which are valid for 17 years in the 800MHz, 900MHz, 1800MHz, 2.1GHz and 2.6GHz bands for a total of 120MHz of frequency licenses in the spectrum auction. The cost of the licenses amounted to EUR 1,352 million and was paid on 9 January 2013. This spectrum package will enable KPN to continue its existing 2G and 3G services, and introduce new services, such as 4G. Going forward, KPN expects to incur substantial additional depreciation and amortization charges over the next 17 years resulting from this investment in its spectrum, totaling EUR 74 million in 2013 and EUR 80 million in 2014. Within the Netherlands fixed line services market, KPN is in the process of upgrading its copper network and deploying a fiber optic network (FttH), through its joint venture with Reggefiber, for which KPN is likely to incur significant capital expenditures going forward. See "—Liquidity and capital resources—Off-balance sheet arrangements—Reggefiber" below. The improved quality of the broadband internet network will allow KPN to become a stronger player in areas such as TV where it is currently the number two player in the Dutch market, and where it has increased its market share over the last three years.

In Germany, E-Plus expects to continue its accelerated mobile broadband roll-out, as a means of improving its reputation for network quality and reducing customer churn. In particular, E-Plus is improving its IP-backhaul (an improved system for linking its core network to its network of base stations), dual-carrier and HSPA+ by mid-2013, and expects to begin deploying 4G in Germany in 2013 or 2014. These upgrades will improve the quality of E-Plus's network, expand its reach and improve mobile data transmission. This is intended to allow E-Plus to monetize the increasing preference in the retail customer market for mobile data over voice and SMS.

In Belgium, KPN will continue to accelerate its mobile broadband internet deployment, including its 4G network based on LTE technology, as a means of reducing churn by differentiating itself from competitors based on reputation for network speed and quality. KPN Group Belgium will roll out 4G in Belgium by the end of 2013, with the aim to have 4G available to the majority of the population in Belgium by the end of 2014.

The upgrade and maintenance of KPN's fixed and mobile networks has a direct impact on the level of capital expenditures and investments it incurs each year. See "—Liquidity and capital resources—Capital expenditures and investments" below.

Going forward, KPN expects that it may face frequency allocations (via auction or otherwise) in Germany as early as 2014, and in Belgium as early as later this year, which could result in KPN incurring significant and unplanned investments. See "Risk Factors—KPN may fail to obtain or renew its spectrum licenses in the jurisdictions in which it operates, and, in particular, KPN expects that it may participate in spectrum auctions in Germany and Belgium in the near future."

FTE reduction program

As part of KPN's strategy, in 2011 a FTE reduction program was announced to further lower the cost base in the Netherlands. The FTE reduction program was announced with the stated intention to reduce KPN's headcount by four to five thousand FTEs, which was approximately 20 – 25% of KPN's workforce in the Netherlands at that time. The FTE reduction program in the Netherlands is being implemented through a combination of redundancies, intended to delayer and simplify its organizational model, and outsourcing and off-shoring certain back-office activities, with the goal of maximizing efficiency while focusing on quality improvements within customer processes. In addition, in late 2012, E-Plus announced a restructuring program, including both an acceleration of FTE reductions and a reduction in the number of shops in highly penetrated regions. Changes to KPN's total FTEs resulting from acquisitions or disposals of subsidiary businesses, including Getronics International, are not counted towards KPN's FTE reduction totals.

Between the start of the FTE reduction program in the Netherlands in 2011 and 31 March 2013, a total of approximately three thousand FTEs have been reduced under the reduction program. These reductions resulted in a total of EUR 274 million in restructuring costs, including costs recognized for redundant facilities, being recorded as other operating expenses on KPN's consolidated income statement between 1 January 2011 and 31 March 2013. In 2012 alone, KPN reduced net FTEs in the Netherlands by approximately 1,550, which includes an increase of approximately 350 FTEs from the acquisitions of the five fiber service providers from Reggeborgh and Reggefiber, as well as Reggefiber Wholesale and RoutIT in 2012. In the three months ended 31 March 2013 alone, KPN reduced FTEs in the Netherlands by approximately 1,100 under the FTE reduction program.

KPN expects to finalize its FTE reduction program by the end of 2013, and as a result anticipates continuing charges to other operating expenses relating to these FTE reductions in 2013, partly offset by lower employee benefit expenses due to the accelerated FTE reduction program.

Description of key income statement line items

The primary elements of KPN's consolidated income statement are set out below:

Revenues and other income

Revenues are presented net of discounts, and include:

- From the Consumer Mobile, Germany and Belgium segments: (1) mobile service revenues (consisting of revenues from ingoing and outgoing voice calls, subscription fees, non-voice messaging including SMS, MMS and data services, mobile broadband wireless internet access through a laptop, tablet or dongle, and handset lease payments), visitor roaming revenues, access and interconnection fees paid to KPN and revenues from wholesale customers including MVNOs charged for their use of KPN's network, (2) equipment revenue, which is largely handset sales and, to a lesser extent, accessories (3) non-recurring charges such as activation and other fees, and (4) other mobile services revenues, which mainly include transit revenues (calls issued from another operator and which are destined to someone who is not KPN's subscriber) and income from administration and penalties.

- From the Consumer Residential segment: (1) broadband internet subscription revenue (DSL, FttH), and value-added services, such as security packages, (2) telephony revenue from subscription and (PSTN, ISDN) and usage fees (PSTN, ISDN, VoIP), (3) TV revenue representing subscription payments for KPN's various TV offerings and value added services such as Video on Demand, and (4) revenue from other sources, primarily comprising connection fees and other initial fees such as the sale of products. KPN reports revenue from its triple-play bundles within Consumer Residential as TV, broadband internet subscription revenue and telephony revenues, on a *pro rata* basis in proportion to the subscription fees of each product charged on a standalone basis. Quadruple play revenues will be based on packages per segment, with discounts split between the Consumer Mobile and Consumer Residential segments.
- From the Business segment: (1) revenues from voice (PSTN/ISDN/VoIP) and internet wireline services to business subscribers (2) wireless voice and data services including M2M services to business subscribers, and (3) fixed data services (traditional data services and Virtual Private Network services) provided both nationally and internationally supplied via fiber or high speed copper connections.
- From the NetCo segment: external revenues from wholesale line rental (**WLR**), WBA, main distribution frame and wholesale fiber (internal revenues from the Consumer Mobile, Consumer Residential, Business and IT Solutions segments are a significant source of NetCo's revenues, but are not presented or discussed in this Prospectus, which presents only external revenues on a consolidated basis).
- From the IT Solutions segment: revenues from workspace management, data center management, including infrastructure and capacity management, as well as connectivity services, consultancy services and other ICT services, secure managed devices, private Cloud and service aggregation services.
- From the iBasis segment: revenues from international voice traffic (VoIP) as well as mobile data and roaming services.

Other income principally comprises gains on the sale of property, plant and equipment, which includes proceeds of sale from sale and leaseback transactions, principally of mobile towers, and other gains, which mainly included the sale of subsidiaries.

Cost of materials

Cost of materials primarily include:

- costs associated with hardware procurement, such as SIM cards, end-user equipment, such as mobile phone handsets which are sold and related accessories;
- other material and logistics costs relating to the sale of other products, such as hardware (within IT Solutions and NetCo), telephones and routers, and materials used to connect subscribers to KPN's network that do not meet the criteria for capitalization; and
- inventory-related expenses, including write-downs (and reversals of write-downs).

The total amount of cost of materials recognized as an expense during the period is closely related to the recognition of revenue during a given period. KPN recognizes expenses in its consolidated income statement as they are incurred.

KPN's subscriber acquisition and retention costs are partly included within cost of materials, specifically with regard to handset costs. The cost of a handset, whether an individual sale or a multiple element sale with a subscription, is expensed as cost of materials when the handset is sold. For handsets which are leased out to customers and consequently not sold, KPN's costs are capitalized and depreciated over the expected life of the handset, taking into account its residual value.

Work contracted out and other expenses

Work contracted out and other expenses include:

- interconnection costs relating to costs incurred when connecting subscribers to other mobile networks;

- wages, sales commissions, social security, employees' termination benefits and costs for temporary workers;
- commissions or other fees paid to dealers;
- direct marketing and certain other advertising costs;
- cost related to content for TV or other products;
- customer service and administrative outsourcing;
- hardware and IT maintenance;
- equipment and premise lease expenses (including for towers in sale and lease back transactions); and
- energy costs.

KPN's subscriber acquisition and retention costs (SAC/SRC) are partly included within work contracted out and other expenses, specifically with regard to dealer fees, which are in some cases treated as reductions in revenues. Dealer fees come in various forms, including fees paid to dealers upon new customer acquisition, retention fees for maintaining customers, ARPU-based fees, and revenue share fees.

Employee benefits

Employee benefits principally comprise salaries and wages, including expenses associated with long-term incentive and short-term incentive programs, pension charges, social security contributions of full-time employees.

Depreciation, amortization and impairments

Depreciation, amortization and impairments relate to goodwill, intangible assets (including licensees) and property, plant and equipment, including software development costs and customer-driven equipment (such as IPTV set-top boxes, modems and handsets). Handset depreciation commenced in 2012, with the introduction of the handset lease proposition in the Netherlands. In Germany, a handset financial lease model was introduced in March 2012, which also resulted in handset depreciation at that time.

Other operating expenses

Other operating expenses primarily comprise restructuring provisions relating to FTE reduction and termination payments on existing rental agreements resulting from restructuring, as well as marketing and promotional expenditures, other cost of personnel, advisory fees paid, charges related to claims and litigation provisions, provisions for bad debts and losses on the sale of subsidiaries.

Financial income and expense

Financial income and expenses comprise interest expense associated with borrowings and income, and gains and losses associated with financial instruments used for hedging or other financial instruments, including changes in the carrying value of the Reggefiber Call/Put Arrangement.

Income taxes

Income taxes comprise current and deferred income tax expense or benefits, including corporate income tax and trade tax as well as withholding taxes. Within the Netherlands, a certain proportion of KPN's taxable profits are subject to tax under innovation tax facilities. These are facilities under Dutch corporate income tax law whereby profits attributable to innovation are taxed at an effective rate of 5%. KPN reached an agreement in 2011 with the Dutch tax authorities regarding the application of the innovation tax facilities, which had retroactive impact to 1 January 2007. Under the terms of this agreement, KPN received a one-off benefit from the Dutch tax authorities in the amount of EUR 118 million in 2011, mainly reflecting retroactive innovation tax benefits for the period 2007 to 2010. Going forward, KPN's effective tax rate in the Netherlands has been reduced from the statutory tax rate of 25% to, in KPN's estimate, approximately 20% in the years 2013-2015, in part as a result of application of the innovation tax facilities. This estimate excludes the effects of, amongst others, impairment of goodwill, tangible and other intangible assets, revaluations of deferred tax assets in Germany, or changes in the carrying value of the Reggefiber Call/Put Arrangement.

Consolidated results of operations

The following table presents the consolidated statement of income for KPN for the periods presented.

	Three months ended 31 March		Year ended 31 December		
	2013	2012	2012	2011	2010
	(unaudited)				
	(EUR in millions)				
Revenues	2,902	3,158	12,409	13,022	13,324
Other income	9	33	299	141	74
Total revenues and other income	**2,911**	**3,191**	**12,708**	**13,163**	**13,398**
Own work capitalized	(30)	(28)	(113)	(116)	(101)
Cost of materials	174	264	901	1,005	911
Work contracted out and other expenses	1,125	1,143	4,545	4,503	4,560
Employee benefits	436	505	1,911	1,874	1,932
Depreciation, amortization and impairments	629	539	2,708	2,589	2,226
Other operating expenses	212	176	936	759	620
Total operating expenses	**2,546**	**2,599**	**10,888**	**10,614**	**10,148**
Operating profit	**365**	**592**	**1,820**	**2,549**	**3,250**
Finance income	5	5	39	32	19
Finance costs	(190)	(186)	(732)	(690)	(860)
Other financial results	(2)	(15)	(151)	(96)	(75)
Financial income and expenses	**(187)**	**(196)**	**(844)**	**(754)**	**(916)**
Share of the loss of associates and joint ventures	(3)	(6)	(13)	(24)	(31)
Profit before income tax	**175**	**390**	**963**	**1,771**	**2,303**
Income taxes	(35)	(84)	(270)	(222)	(508)
Profit for the period	**140**	**306**	**693**	**1,549**	**1,795**
Profit attributable to non-controlling interests	2	—	2	—	3
Profit attributable to equity holders	138	306	691	1,549	1,792

The reconciliation of KPN's operating profit to EBITDA, and the calculation of KPN's EBITDA margin, is as follows:

	Three months ended 31 March		Year ended 31 December		
	2013	2012	2012	2011	2010
	(unaudited)				
	(EUR in millions, except percentages)				
Operating profit	365	592	1,820	2,549	3,250
Depreciation, amortization and impairments	629	539	2,708	2,589	2,226
EBITDA(1)	**994**	**1,131**	**4,528**	**5,138**	**5,476**
EBITDA margin(2)	34.1%	35.4%	35.6%	39.0%	40.9%

(1) KPN defines EBITDA as operating profit plus depreciation, amortization and impairments. KPN's use of EBITDA, calculated as presented in the table above, may not be comparable to similarly titled measures used by other companies. KPN's definition of EBITDA should not be considered in isolation or as a substitute for analysis of KPN's results as reported under IFRS.

(2) KPN defines EBITDA margin as EBITDA as a proportion of KPN's total revenues and other income.

Group level comparison of three months ended 31 March 2013 and 31 March 2012

Revenues and other income

Total revenues and other income decreased by EUR 280 million, or 8.8%, to EUR 2,911 million in the three months ended 31 March 2013 from EUR 3,191 million in the three months ended 31 March 2012. This decrease was due primarily to the sale of Getronics International in May 2012 as part of KPN's strategic decision to focus on core markets. The decrease was also due to declining revenues across all segments as a result of competitive markets, particularly in mobile, except for Consumer Residential, which experienced a EUR 43 million revenue increase.

The net negative impact of disposals on Group revenues was EUR 88 million in the three months ended 31 March 2013, due primarily to the sale of Getronics International but also due to loss of revenues in other disposed businesses**.** The negative impact of disposals on Group revenues in 2013 was partly offset by revenues from businesses acquired during 2012, in particular the acquisition of five fiber service providers from Reggeborgh and Reggefiber. The regulatory impact on revenues of changes to permissible MTR tariffs and roaming charges in the period ended 31 March 2013 was EUR 54 million.

Other income in the three months ended 31 March 2013 included a one-off gain of EUR 5 million from the sale of the Infrastructure Services & Projects BV business within the Business segment, compared to a gain of EUR 31 million within other income in the three months ended 31 March 2012 from the sale of mobile towers in the Netherlands.

In 2013 revenues and other income also included certain EUR 13 million incidentals related to a release of deferred income at Consumer Residential and a EUR 7 million release of accruals in Consumer Mobile.

Cost of materials

Cost of materials decreased by EUR 90 million, or 34.1%, to EUR 174 million in the three months ended 31 March 2013 from EUR 264 million in the three months ended 31 March 2012. This decrease was due primarily to the introduction of a handset leasing option in the Netherlands in March 2012, resulting in a reduction of cost of materials in 2013 as compared to the equivalent period in 2012 as the cost of handsets were recognized as capital expenditures. Of the decrease, a further EUR 26 million was due to the sale of Getronics International, and an additional EUR 19 million was due to lower hardware sales in the Business segment. Also contributing to the decrease in cost of materials was the release of an accrual within NetCo. The decrease in cost of materials was partly offset by a EUR 30 million increase in handset costs in the three months ended 31 March 2013 due to higher volume of handset sales, and in particular more expensive smartphones, in Germany.

Work contracted out and other expenses

Work contracted out and other expenses decreased by EUR 18 million, or 1.6%, to EUR 1,125 million in the three months ended 31 March 2013 from EUR 1,143 million in the three months ended 31 March 2012. This decrease was due primarily to the impact of the sale of Getronics International, which accounted for EUR 46 million of the reduction, and by EUR 25 million lower interconnection costs and dealer commissions, which decreased in proportion to diminished revenues. The decrease in overall work contracted out and other expenses was partly offset by higher levels of work contracted out within Consumer Residential of EUR 32 million in the three months ended 31 March 2013 due to higher content related expenses, higher marketing and distribution costs and higher connection fees resulting from growth in the IPTV customer base and the number of FttH activations. Within the Business segment, work contracted out also increased by EUR 13 million due to higher contract costs following outsourcing initiatives. Furthermore, work contracted out within NetCo increased by EUR 14 million in the three months ended 31 March 2013 as compared to the three months ended 31 March 2012 as a result of costs associated with ITNS (the active network operator purchased from Reggefiber in 2012), a larger FttH installed base and higher contract costs related to oursourcing of activities. NetCo also recorded a EUR 7 million release of an accrual within work contracted out.

Employee benefits

Employee benefits decreased by EUR 68 million, or 13.5%, to EUR 436 million in the three months ended 31 March 2013 from EUR 504 million in the three months ended 31 March 2012. This decrease was due primarily to a EUR 46 million reduction in salary and wage expenses from the sale of Getronics International and a EUR 14 million reduction in salary and wage expenses within the Netherlands, in particular within IT Solutions, NetCo and Business, from headcount reductions under the FTE reduction program. Partly offsetting the decrease in employee benefits were higher salaries and increased FTEs following the acquisitions of five fiber service providers from Reggeborgh and Reggefiber in 2012, as well as the acquisition of ITNS and RoutIT within Consumer Residential, NetCo and Business segments, respectively.

Depreciation, amortization and impairments

Depreciation, amortization and impairments increased by EUR 90 million, or 16.7%, to EUR 629 million in the three months ended 31 March 2013 from EUR 539 million in the three months ended 31 March 2012. This increase was due primarily to EUR 45 million in higher depreciation charges related to customer-driven investments in the Netherlands (particularly as a result of the start of the handset lease option from March 2012, as well as increases in IPTV set-top boxes and modems). In Germany, depreciation and amortization charges were EUR 32 million higher as a result of growth in handset leases and due to increased assets following a one-off reclassification of assets under construction (of which all related to prior periods) to property, plant and equipment in the three months ended 31 March 2013. Amortization increased in the three months ended 31 March 2013 as a result of the accelerated amortization of EUR 13 million of old licenses and the start of amortization of the new frequency licenses recently obtained in the Netherlands.

Other operating expenses

Other operating expenses increased by EUR 36 million, or 20.5%, to EUR 212 million in the three months ended 31 March 2013 from EUR 176 million in the three months ended 31 March 2012. This increase was due primarily to an increase in marketing costs to support postpaid growth in Germany, partly offset by lower marketing costs in the Netherlands. Restructuring charges related to the FTE reduction program amounted to EUR 17 million in the three months ended 31 March 2013, which is EUR 2 million lower than the three months ended 31 March 2012.

Net financial income and expenses

Net financial income and expenses decreased by EUR 9 million, or 4.6%, to EUR 187 million in the three months ended 31 March 2013 from EUR 196 million in the three months ended 31 March 2012. This decrease was due primarily to lower other financial results in the three months ended 31 March 2013, resulting from fair value movements on interest rate swaps for which no hedge accounting is applied.

Income taxes

Income taxes decreased by EUR 49 million, or 58.3%, to EUR 35 million in the three months ended 31 March 2013 from EUR 84 million in the three months ended 31 March 2012. This decrease was due primarily to lower profit before tax.

The effective income tax rate for the Group for the three months ended 31 March 2013 was 19.7%, compared to 21.2% in the three months ended 31 March 2012. KPN estimates the effective income tax rate for the Group will be approximately 20% in the years 2013-2015, excluding effects of, amongst others, impairment of goodwill, tangible and other intangible assets, revaluations of deferred tax assets in Germany and changes in the carrying value of the Reggefiber Call/Put Arrangement.

EBITDA

EBITDA decreased by EUR 137 million, or 12.1%, to EUR 994 million in the three months ended 31 March 2013 from EUR 1,131 million in the three months ended 31 March 2012. Of this decrease, EUR 63 million was due to higher levels of growth-related expenses in Germany, particularly from increased subscriber acquisition costs and marketing expenses to support growth in postpaid customers and in the volume of data services provided. Also contributing to the decrease in EBITDA was a regulatory impact of EUR 33 million and a net negative impact from incidentals of EUR 13 million. In the Netherlands, increased EBITDA at Consumer Mobile resulting from the introduction of a handset leasing option was offset by higher levels of work contracted out and other expenses within Consumer Residential, and by lower revenues within Business and NetCo. EBITDA margin in the Netherlands was 43.3% for the three months ended 31 March 2013, compared to 39.7% for the three months ended 31 March 2012.

Segment level comparison of three months ended 31 March 2013 and 31 March 2012

Revenues and other income

The following table presents KPN's external revenues and other income for the periods presented by its current reporting and operating segments.

	Three months ended 31 March 2013	Three months ended 31 March 2012
	(unaudited) (EUR in millions)	
Revenues		
Consumer Mobile	374	405
Consumer Residential	470	427
Business	659	706
NetCo	130	147
IT Solutions	108	243
The Netherlands	**1,741**	**1,928**
iBasis	**192**	**199**
Germany	754	773
Belgium	181	179
Rest of World	—	60
Other Mobile International	13	—
Mobile International	**948**	**1,012**
Other activities	21	19
Total revenues	**2,902**	**3,158**
Other income	9	33
Total revenues and other income	**2,911**	**3,191**

Consumer Mobile revenue decreased by EUR 31 million, or 8.3%, to EUR 374 million in the three months ended 31 March 2013 from EUR 405 million in the three months ended 31 March 2012. This decrease was due primarily to lower traffic volumes due to competitive market conditions and changing customer behavior, including lower usage of out-of-bundle voice and SMS, and a higher proportion of SIM-only customers, which has in turn led to declining ARPU. Also contributing to the revenue decrease was a EUR 4 million regulatory impact of changes to permissible MTR tariffs and roaming charges. As a result of the competitive market and the increasing share of SIM-only, retail postpaid ARPU declined to EUR 32 in the three months ended 31 March 2013, compared to EUR 34 in the three month ended 31 March 2012. Partly offsetting the decrease in revenue was a EUR 7 million release of accruals. In spite of the overall decrease in Consumer Mobile revenues, a higher proportion of Consumer Mobile's revenues were committed revenues, due to the introduction of new mobile propositions. The percentage of committed ARPU improved to approximately 70%, up 5% compared to the three months ended 31 March 2012.

Consumer Residential revenue increased by EUR 43 million, or 10.1%, to EUR 470 million in the three months ended 31 March 2013 from EUR 427 million in the three months ended 31 March 2012. This increase was due primarily to continued growth of the TV, FttH and broadband customer base, partly offset by the continuing decline of traditional voice services. The broadband customer base continued to grow organically for the third consecutive quarter, increasing by approximately 15 thousand in the three months ended 31 March 2013. KPN's estimated broadband market share remained stable at approximately 41% at 31 March 2013, compared to approximately 39% at March 31 2012. KPN's IPTV proposition supported the accelerating growth of IPTV net adds, which totaled approximately 116 thousand in the first three months ended 31 March 2013 in comparison with approximately 79 thousand net adds in the three month ended 31 March 2012. RGUs per customer continued to increase due to a growing number of triple play packages and ARPU per customer increased to EUR 42 in the three months ended 31 March 2013 compared to EUR 39 in the three months ended 31 March 2012.

Business revenue decreased by EUR 47 million, or 6.7%, to EUR 659 million in the three months ended 31 March 2013 from EUR 706 million in the three months ended 31 March 2012. This decrease was due primarily to continued difficult macroeconomic conditions resulting in price pressure in the business market, as well as a EUR 3 million regulatory impact of changes to permissible MTR tariffs and roaming charges. Other factors contributing to the revenue decrease were lower traffic, a continued decline in traditional wireline services and lower hardware sales. The negative impact of this decrease was partly offset by improved performance of the challenger brand Telfort, and higher revenues from certain industry sectors, particularly healthcare.

NetCo revenue decreased by EUR 17 million, or 11.6%, to EUR 130 million in the three months ended 31 March 2013 from EUR 147 million in the three months ended 31 March 2012. This decrease was driven by lower wholesale traffic revenues partly resulting from lower tariffs, partially offset by the acquisition of ITNS in May 2012.

IT Solutions revenue decreased by EUR 135 million, or 55.6%, to EUR 108 million in the three months ended 31 March 2013 from EUR 243 million in the three months ended 31 March 2012. This decrease was due primarily to the sale of Getronics International, part of IT Solutions (previously Corporate Market), in May 2012, and also resulted from continued price pressure due to competition and postponement of large investments by certain clients.

iBasis revenue decreased by EUR 7 million, or 3.5%, to EUR 192 million in the three months ended 31 March 2013 from EUR 199 million in the three months ended 31 March 2012. This decrease was due primarily to lower traffic volumes and unfavorable currency translation effects from US dollars into Euro.

Germany revenue decreased by EUR 19 million, or 2.5%, to EUR 754 million in the three months ended 31 March 2013 from EUR 773 million in the three months ended 31 March 2012. This decrease was due primarily to a EUR 35 million regulatory impact of changes to permissible MTR tariffs and roaming charges and persistent competition in the ethnic prepaid segment.

Belgium revenue increased by EUR 2 million, or 1.1%, to EUR 181 million in the three months ended 31 March 2013 from EUR 179 million in the three months ended 31 March 2012. This represented slower growth than in previous periods, as a result of increased competition in the Belgian mobile market. The implementation of the new telecommunications regulations, giving all consumers in Belgium the right to terminate their telecommunication contracts at no cost as from six months after the starting date of the contract, has resulted in increased customer churn. Belgium experienced lower postpaid ARPU of EUR 35 in the three months ended 31 March 2013, compared to EUR 40 in the three months ended 31 March 2012, which was affected by regulatory impact and increased competition.

EBITDA

The following table presents KPN's EBITDA and EBITDA margins for the periods presented by its current reporting and operating segments.

	Three months ended 31 March 2013		**Three months ended 31 March 2012**	
	(unaudited)			
	(EUR in millions)	**(%)**	**(EUR in millions)**	**(%)**
EBITDA[(1)] and EBITDA margin				
Consumer Mobile	141	35.9	94	22.0
Consumer Residential	93	18.6	106	23.1
Business	181	25.8	193	25.9
NetCo	342	56.7	387	58.3
IT Solutions	9	5.7	8	2.7
Other (including eliminations)	(4)	0.8	(3)	0.6
The Netherlands	**762**	**20.6**	**785**	**39.7**
iBasis	**7**	**2.9**	**7**	**2.7**
Germany	195	25.7	303	38.2
Belgium	46	25.1	60	31.4
Rest of World / Mobile International Other	(3)	(30.0)	(5)	(8.3)
Mobile International	**238**	**1.3**	**359**	**35.2**
Other activities	(13)	(61.9)	(20)	(105.3)
Total EBITDA	**994**		**1,131**	

(1) EBITDA in the table above is comprised of external revenues, other income and inter-division revenues for each segment.

Consumer Mobile EBITDA increased by EUR 47 million, or 50.0%, to EUR 141 million in the three months ended 31 March 2013 from EUR 94 million in the three months ended 31 March 2012. This increase was primarily the result of a lower cost of materials and lower work contracted out (in the form of lower access and interconnection fees) following the introduction of the handset lease propositions in the Netherlands in March 2012, as a result of which handset costs are capitalized and depreciated instead of expensed. Partly offsetting the higher EBITDA were higher costs relating to the expansion of the number of shops and certain customer service improvements. The Consumer Mobile segment's EBITDA margin increased to 35.9% in the three months ended 31 March 2013, compared to 22.0% in the three months ended 31 March 2012.

Consumer Residential EBITDA decreased by EUR 13 million, or 12.3%, to EUR 93 million in the three months ended 31 March 2013 from EUR 106 million in the three months ended 31 March 2012. This decrease was primarily as a result of increased distribution and marketing costs, higher content costs related to growth in the IPTV customer base and the number of FttH activations, and a continued decline in higher margin traditional voice services. Consequently, the Consumer Residential segment's EBITDA margin declined to 18.6%, compared to 23.1% in the three months ended 31 March 2012.

Business EBITDA decreased by EUR 12 million, or 6.2%, to EUR 181 million in the three months ended 31 March 2013 from EUR 193 million in the three months ended 31 March 2012. This decrease was due primarily to the decrease in revenue and higher contract costs following outsourcing initiatives, partly offset by lower personnel costs as a result of the FTE reduction program. The Business segment's EBITDA margin in the three months ended 31 March 2013 was 25.8%, compared to 25.9% in the three months ended 31 March 2012.

NetCo EBITDA decreased by EUR 45 million, or 11.6%, to EUR 342 million in the three months ended 31 March 2013 from EUR 387 million in the three months ended 31 March 2012. This decrease was primarily due to an incidental EBITDA benefit of EUR 31 million from the sale of mobile towers in the Netherlands in the three months ended 31 March 2012. NetCo EBITDA also decreased due to a result of lower revenues, leading to an EBITDA margin of 56.7% in the three months ended 31 March 2013 as compared to an EBITDA margin of 58.3% in the three months ended 31 March 2012.

IT Solutions EBITDA was stable at EUR 9 million in the three months ended 31 March 2013, compared to EUR 8 million in the three months ended 31 March 2012.

iBasis EBITDA was stable at EUR 7 million in the three months ended 31 March 2013, compared to EUR 7 million in the three months ended 31 March 2012.

Germany EBITDA decreased by EUR 108 million, or 35.6%, to EUR 195 million in the three months ended 31 March 2013 from EUR 303 million in the three months ended 31 March 2012. Of this decrease, EUR 63 million was a result of higher levels of growth-related expenses, particularly from increased subscriber acquisition costs and marketing expenses to support growth in postpaid customers and in the volume of data services provided, as well as to expand the presence of E-Plus in underpenetrated areas. Also contributing to the decline in EBITDA in Germany, was a EUR 20 million regulatory impact of changes to permissable MTR tariffs and roaming charges, as well as higher network costs related to the larger scale data network. As a result, Germany's EBITDA margin decreased to 25.7% in the first three months ended 31 March 2013 compared to 38.2% in the first three months ended 31 March 2012.

Belgium EBITDA decreased by EUR 14 million, or 23.3%, to EUR 46 million in the three months ended 31 March 2013 from EUR 60 million in the three months ended 31 March 2012. This decrease was due primarily to higher access and interconnection costs, higher costs related to the launch of fixed line services in Belgium and IT upgrade costs. As a result, Belgium's EBITDA margin decreased to 25.1% in the three months ended 31 March 2013, compared to 31.4% in the three months ended 31 march 2012.

Group level comparison of year ended 31 December 2012 and 31 December 2011

Revenues and other income

Total revenues and other income decreased by EUR 455 million, or 3.5%, to EUR 12,708 million in the year ended 31 December 2012 from EUR 13,163 million in the year ended 31 December 2011. This decrease was due primarily to the sale of Getronics International in May 2012, as well as declining revenues across all segments in the Netherlands, partly offset by Germany, Belgium and iBasis, each of which had increased revenues. A continued difficult market environment was the primary reason for the revenue decline in the Netherlands. All of KPN's segments in the Netherlands remained exposed to lower traffic volumes, especially Consumer Mobile. In Germany, revenue growth slowed in the fourth quarter as a result of increased price competition.

The net negative impact of disposals on Group revenues was EUR 296 million in 2012, due primarily to the sale of Getronics International but also due to loss of revenues in disposed businesses, particularly the disposals of KPN Spain in the Rest of World segment and the sale of SNT Inkasso in Germany. The negative impact of disposals on Group revenues in 2012 was partly offset by revenues from acquired businesses in 2012, in particular the acquisition of five fiber service providers from Reggeborgh and Reggefiber. The regulatory impact on revenues of changes to permissible MTR tariffs and roaming charges in the year ended 31 December 2012 was EUR 134 million.

The decrease in total revenues and other income was partly offset by other income being significantly higher in 2012, at EUR 299 million as compared to EUR 141 million in other income in 2011. Other income in 2012 of EUR 299 million primarily comprised one-off gains totaling EUR 259 million, most notably from a EUR 103 million gain on the sale of mobile towers in Germany and a EUR 96 million gain on the sale of mobile towers in NetCo in the Netherlands, the sale of KPN Spain in the Rest of World segment for a gain of EUR 36 million, the sale of SNT Inkasso in Germany for a gain of EUR 16 million, and the sale of Getronics International within Corporate Market for a gain of EUR 8 million. By comparison, other income in 2011 was EUR 141 million, and included the sale and leaseback of mobile towers in NetCo in the Netherlands of EUR 100 million, the sale of various buildings for EUR 22 million and the sale of KPN France for a gain of EUR 10 million.

Cost of materials

Cost of materials decreased by EUR 104 million, or 10.3%, to EUR 901 million in the year ended 31 December 2012 from EUR 1,005 million in the year ended 31 December 2011. This decrease was due primarily to the introduction of a handset leasing option in the Netherlands in March 2012, resulting in a reduction of cost of materials as the cost of handsets were instead recognized as capital expenditures. In addition, cost of materials also decreased due to the sale of Getronics International. The decrease was partly offset by EUR 45 million in higher cost of materials in the Business segment, due to higher hardware sales, as well as EUR 35 million in increased handset costs from selling more handsets, in particular more expensive smartphones, in Germany in the fourth quarter of 2012.

Work contracted out and other expenses

Work contracted out and other expenses increased by EUR 42 million, or 0.9%, to EUR 4,545 million in the year ended 31 December 2012 from EUR 4,503 million in the year ended 31 December 2011. This increase was due primarily to EUR 72 million in higher interconnection costs at iBasis as a result of higher revenues, EUR 72 million in higher interconnection costs and increased commercial activities in Germany. Furthermore, work contracted out at NetCo increased by EUR 70 million in 2012 as compared to 2011 as a result of costs associated with ITNS (the active network operator purchased from Reggefiber in 2012), a larger FttH installed base and higher operating lease payments related to the sale and leaseback of mobile towers. Consumer Residential also experienced higher content related expenses.

The increase in work contracted out and other expenses in 2012 was partly offset by a EUR 120 million impact of the sale of Getronics International, and by EUR 88 million lower interconnection costs, which decreased in proportion to diminished revenues and lower dealer commissions in Consumer Mobile.

Employee benefits

Employee benefits increased by EUR 37 million, or 2.0%, to EUR 1,911 million in the year ended 31 December 2012 from EUR 1,874 million in the year ended 31 December 2011. This increase was due primarily to a substantial increase in pension charges, from EUR 125 million in 2011 to EUR 226 million in 2012, resulting principally from EUR 73 million in higher actuarial losses relating to legacy UK and US pension funds and EUR 28 million partly from such losses in the Netherlands. See "—Recent accounting pronouncements—IAS19R" below.

The increase in employee benefits was partly offset by a decrease in salary and wage expenses from EUR 1,558 million in 2011 to EUR 1,478 million in 2011. The decrease in salary and wage expenses was largely due to a EUR 212 million reduction from the sale of Getronics International, and EUR 15 million from headcount reductions under the FTE reduction program at Corporate Market, partly offset by higher salaries and increased FTEs at NetCo, Residential and Business market, following the acquisitions of five fiber service providers from Reggeborgh and Reggefiber in 2012 as well as the acquisition of ITNS, and RoutIT. Furthermore, salary and wage expenses also increased due to growth in total FTEs in Germany and the absence of incentive scheme releases in 2012 which had lowered employee benefit costs in 2011.

Depreciation, amortization and impairments

Depreciation, amortization and impairments increased by EUR 119 million, or 4.6%, to EUR 2,708 million in the year ended 31 December 2012 from EUR 2,589 million in the year ended 31 December 2011. This increase was due primarily to a one-off EUR 74 million depreciation charge in Germany relating to a re-categorization of assets from assets under construction (of which most related to prior periods) to property, plant and equipment as well as to higher depreciation from handsets leased to customers in Germany of EUR 25 million. Depreciation, amortization and impairments also included impairment of goodwill relating to Getronics within Corporate Market, amounting to EUR 314 million in 2012, as a result of persistent continued adverse market conditions in the ICT market, including fierce price pressure. This was slightly higher than the impairment charges related to Getronics within Corporate Market in 2011, which totaled EUR 298 million in impairment of tangible assets, goodwill and other intangible assets. In addition, in the Netherlands depreciation charges increased starting in March 2012 as a result of customer driven investments (particularly as a result of the start of the handset lease option as well as IPTV set-top boxes and modems) totaling EUR 64 million, partly offset by EUR 40 million lower depreciation resulting from the extension of the economic life of fiber assets. The sale of Getronics International upon disposal also resulted in EUR 45 million decrease in depreciation charges in 2012.

Other operating expenses

Other operating expenses increased by EUR 177 million, or 23.3%, to EUR 936 million in the year ended 31 December 2012 from EUR 759 million in the year ended 31 December 2011. This increase was due primarily to a EUR 43 million increase in restructuring charges related to the FTE reduction program, which amounted to EUR 173 million in 2012 compared to EUR 130 million in 2011. The increase in other operating expenses was also due to marketing costs which were EUR 91 million higher in 2012, particularly relating to E-Plus and Consumer Mobile, relating to, among other things, launches of new propositions. Furthermore, other operating expenses in 2012 included EUR 27 million provision related to Ortel and a EUR 11 million loss on disposal of Ortel Switzerland and Ortel Spain.

Net financial income and expenses

Net financial income and expenses increased by EUR 90 million, or 11.9%, to an expense of EUR 844 million in the year ended 31 December 2012 from an expense of EUR 754 million in the year ended 31 December 2011. This increase in net financial expenses was due primarily to a EUR 45 million increase in the charge under other financial results relating to adjustment of the value of the Reggefiber Call/Put Arrangement, which was driven by the fact that the increase in Reggefiber's enterprise value did not equal the movement in the guaranteed value of Reggefiber that is embedded in the options. Net financial expenses were also higher in 2012 as a result of EUR 40 million in fair value movements on interest rate swaps for which no hedge accounting is applied and EUR 31 million of higher accrued bond interest. Partly offsetting the increase in financial expenses in 2012 was the impact of ineffectiveness of US dollar fair value hedges, which resulted in an expense of EUR 36 million in 2011 compared to zero in 2012.

Income taxes

Income taxes increased by EUR 48 million, or 21.6%, to EUR 270 million in the year ended 31 December 2012 from EUR 222 million in the year ended 31 December 2011. This increase was due primarily to lower benefit from innovation tax facilities in 2012 as compared to 2011. Innovation tax facilities are facilities under Dutch corporate income tax law whereby profits attributable to innovation are taxed at an effective rate of 5%. The agreement, which KPN reached with Dutch tax authorities in 2011, had retroactive effect from 1 January 2007. Under the terms of this agreement, KPN received a one-off benefit from the Dutch tax authorities in the amount of EUR 118 million in 2011, mainly reflecting retroactive innovation tax benefits for the period 2007 to 2010.

The effective income tax rate for the Group for the year ended 31 December 2012 was 27.6%, compared to 12.4% in the year ended 31 December 2011 (or 19.7% when adjusted to exclude the one-off benefits in 2011 of innovation tax from 2007-2010). KPN expects the effective income tax rate for the Group to be approximately 20% in the years 2013 – 2015. The higher effective tax rate in 2012 compared to the expected 20% going forward is mainly due to the non-deductible goodwill impairment of Corporate Market in 2012, revaluation of the Reggefiber Call/Put Arrangement and pension expenses in 2012 for the legacy UK and US pension funds, partly offset by an increase in the deferred tax asset position at E-Plus related to prior years.

EBITDA

EBITDA decreased by EUR 610 million, or 11.9 %, to EUR 4,528 million in the year ended 31 December 2012 from EUR 5,138 million in the year ended 31 December 2011. The decrease was due to lower revenue in the Netherlands, a continued decline in high margin traditional services and higher FttH activation costs in the Consumer Residential segment. EBITDA also declined in part due to a negative impact from restructuring of EUR 173 million in 2012, compared to EUR 130 million in 2011, and a regulatory impact of EUR 64 million in 2012. Furthermore, pension costs were EUR 101 million higher in 2012, of which EUR 73 million related to actuarial losses at the Getronics UK and US pension funds and EUR 28 million related to the Netherlands.

Partly offsetting the decline in EBITDA was a net positive impact of EUR 99 million, mainly related to sale of mobile towers in the Netherlands and Germany.

Segment level comparison of year ended 31 December 2012 and 31 December 2011

Revenues and other income

The following table presents KPN's external revenues and other income for the periods presented by its current reporting and operating segments.

	Year ended 31 December	
	2012	**2011**
	(EUR in millions)	
Revenues		
Consumer Mobile	1,611	1,770
Consumer Residential	1,730	1,774
Business	2,253	2,321
NetCo	582	577
Corporate Market[(1)]	1,185	1,606
The Netherlands	**7,361**	**8,047**
iBasis	**820**	**750**
Germany	3,173	3,147
Belgium	768	722
Rest of World	214	292
Mobile International	**4,155**	**4,161**
Other activities	73	64
Total revenues	**12,409**	**13,022**
Other income	299	141
Total revenues and other income	**12,708**	**13,163**

(1) As of 1 January 2013, KPN transferred certain elements of its Corporate Market operating segment in the Netherlands to its Business operating segment and renamed Corporate Market as IT Solutions.

Consumer Mobile revenue decreased by EUR 159 million, or 9.0%, to EUR 1,611 million in the year ended 31 December 2012 from EUR 1,770 million in the year ended 31 December 2011. This decrease was due primarily to a EUR 42 million regulatory impact, as well as to competitive market conditions and changing customer behavior, including fewer customers paying for out-of-bundle voice, SMS or data volume, resulting in lower traffic volumes, which has in turn led to declining ARPU. The decrease in Consumer Mobile's revenue was partly offset by higher committed revenues, resulting from the introduction of new mobile propositions. The percentage of committed ARPU improved to approximately 67% in the fourth quarter of 2012, up approximately 5% compared to the fourth quarter of 2011, due to a higher share of retail postpaid customers who are now on the new flat fee tariff package.

Consumer Residential revenue decreased by EUR 44 million, or 2.5%, to EUR 1,730 million in the year ended 31 December 2012 from EUR 1,774 million in the year ended 31 December 2011. This decrease was due primarily to continued decline of traditional voice services, as traditional voice access lines declined to 1.1 million as of 31 December 2012 from 1.4 million as of 31 December 2011. The decrease in Consumer Residential's revenue was partly offset by higher FttH revenues as the number of FttH activations increased, and also due to higher IPTV sales, in part due to increasing sales of triple-play packages. In addition, broadband internet customers increased in the fourth quarter of 2012, and 2012 was the first time since 2008 that KPN had a net line gain instead of a net line loss. Triple-play subscriptions increased from approximately 658 thousand at 31 December 2011 to approximately 979 thousand at 31 December 2012.

Business revenue decreased by EUR 68 million, or 2.9%, to EUR 2,253 million in the year ended 31 December 2012 from EUR 2,321 million in the year ended 31 December 2011. This decrease was due primarily to a EUR 24 million regulatory impact, as well as to a continued decline in traditional services, lower traffic and price pressure. Traditional wireline services within the Business segment showed a decline in both access lines and traffic volumes, leading to a 1.6% decline in revenues in 2012, partly offset by the introduction of flat fee propositions featuring higher subscription fees and lower volume based prices. Despite growth in its wireless customer base, from 2.1 million as of 31 December 2011 to 2.3 million as of 31 December 2012, the Business segment's service revenues declined by 1.0% in 2012, from EUR 1,012 million in 2011 to EUR 996 million in 2012. ARPU within the Business segment was lower in 2012, at EUR 37 as compared to EUR 42 in 2011, caused by regulatory impact, declining traffic, the higher proportion of M2M traffic and trend towards the substitution of voice for data. Partly offsetting the decline in Business revenue in 2012 was the improved performance of the challenger brand Telfort to Business in 2012.

NetCo revenue increased by EUR 5 million, or 0.9%, to EUR 582 million in the year ended 31 December 2012 from EUR 577 million in the year ended 31 December 2011. NetCo's wholesale revenue remained fairly stable in 2012 compared to 2011, as a result of the number of wholesale lines in 2012 compared to 2011 remaining largely unchanged.

Corporate Market revenue decreased by EUR 421 million, or 26.2%, to EUR 1,185 million in the year ended 31 December 2012 from EUR 1,606 million in the year ended 31 December 2011. This decrease was due primarily to the sale of Getronics International, part of Corporate Market, as of 1 May 2012, and also resulted from continued price pressure due to overcapacity in the market and postponement of large investments by clients.

iBasis revenue increased by EUR 70 million, or 9.3%, to EUR 820 million in the year ended 31 December 2012 from EUR 750 million in the year ended 31 December 2011. Notwithstanding pressure on per-minute prices, the average revenues per minute earned by iBasis for traffic, as expressed in Euros, increased in 2012, mainly due to favorable currency translation effects from US dollars into Euro. This increase was due also attributable to minutes of customer traffic increasing to 26.2 billion minutes in 2012, an increase of 2.3% compared to 2011.

Germany revenue increased by EUR 26 million, or 0.8%, to EUR 3,173 million in the year ended 31 December 2012 from EUR 3,147 million in the year ended 31 December 2011. This increase was due primarily to continued growth of customers at the MEIN BASE proposition, new propositions and the focus on data in the postpaid segment. Although service revenue growth was significantly higher in the first half of 2012, service revenue growth slowed in the second half of 2012 as a result of increased price competition and customers increasingly opting for cheaper tariff plans, leading to lower postpaid ARPU of EUR 21 in 2012 compared to EUR 23 in 2011. Revenue in Germany was also affected by a negative EUR 14 million regulatory impact.

Belgium revenue increased by EUR 46 million, or 6.4%, to EUR 768 million in the year ended 31 December 2012 from EUR 722 million in the year ended 31 December 2011. This increase was due primarily to improved service revenue driven by business-to-business, wholesale and data sales as market share and ARPU increased. The increase in revenue in Belgium in 2012 was partly offset by regulatory impact of EUR 37 million.

Rest of World revenue decreased by EUR 78 million, or 26.7%, to EUR 214 million in the year ended 31 December 2012 from EUR 292 million in the year ended 31 December 2011. This decrease was due primarily to intense competition, particularly for products aimed at ethnic communities in the various countries where Ortel products were sold, and the 2011 disposal of KPN France, which accounted for EUR 14 million in revenue in 2011.

EBITDA

The following table presents KPN's EBITDA and EBITDA margins for the periods presented by its current reporting and operating segments.

	Year ended 31 December 2012		Year ended 31 December 2011	
	(EUR in millions)	(%)	(EUR in millions)	(%)
EBITDA[1] and EBITDA margin				
Consumer Mobile	510	29.9	550	28.9
Consumer Residential	367	19.8	497	26.1
Business	758	32.2	786	32.3
NetCo	1,461	55.7	1,705	61.3
Corporate Market[2]	57	3.6	6	0.3
Other (including eliminations)	(18)	1.2	(16)	0.5
The Netherlands	**3,135**	**41.5**	**3,528**	**42.7**
iBasis	**30**	**2.9**	**31**	**3.2**
Germany	1,290	37.9	1,354	41.8
Belgium	272	33.8	273	35.0
Rest of World	(25)	(10.1)	8	2.6
Mobile International	**1,536**	**35.1**	**1,636**	**38.9**
Other activities	(173)	(226.3)	(57)	(91.9)
Total EBITDA	**4,528**		**5,138**	

(1) EBITDA on a segment basis in the table above is comprised of external revenues, other income and inter-division revenues for each segment. See Note 34 to the 2012 and 2011 consolidated financial statements incorporated by reference herein.

(2) As of 1 January 2013, KPN transferred certain elements of its Corporate Market operating segment in the Netherlands to its Business operating segment and renamed Corporate Market as IT Solutions.

Consumer Mobile EBITDA decreased by EUR 40 million, or 7.3%, to EUR 510 million in the year ended 31 December 2012 from EUR 550 million in the year ended 31 December 2011. The decrease was primarily due to a EUR 37 million regulatory impact, as well as to cost reductions not being sufficient to mitigate the impact from changing customer behavior and price pressure due to competition. Consumer Mobile's EBITDA margin increased in 2012 to 29.9%, compared to 28.9% in 2011. The higher EBITDA margin was the result of a lower cost of materials and lower work contracted out (in the form of lower dealer commissions related to handset costs) following the introduction of the handset lease propositions in the Netherlands, whereby the costs are capitalized and depreciated instead of expensed. Partly offsetting the higher EBITDA margins were higher costs relating to promotion of new propositions, the expansion of the number of shops and certain customer service improvements.

Consumer Residential EBITDA decreased by EUR 130 million, or 26.2%, to EUR 367 million in the year ended 31 December 2012 from EUR 497 million in the year ended 31 December 2011. The decrease was primarily due to higher marketing and sales costs driven by growth in the number of FttH activations, higher content costs and a continued decline in higher margin traditional services, resulting in an EBITDA margin decline to 19.8% in 2012 as compared to 26.1% in 2011. EBITDA in 2012 was also EUR 23 million negatively impacted by higher restructuring charges from the FTE reduction plan compared to 2011. Also contributing to the decrease, in 2011 EBITDA had been positively impacted by a change in accounting related to connection fees, which was not repeated in 2012.

Business EBITDA decreased by EUR 28 million, or 3.6%, to EUR 758 million in the year ended 31 December 2012 from EUR 786 million in the year ended 31 December 2011. The decrease was primarily due to the negative impact of EUR 24 million in higher restructuring charges from the FTE reduction plan in 2012 compared to 2011. Furthermore, the decrease was also due to lower revenues and other income in light of continued migration from traditional to IP based services, with lower prices and margins. Business EBITDA margin remained stable at 32.2% in 2012 compared to 32.3% in 2011.

NetCo EBITDA decreased by EUR 244 million, or 14.3%, to EUR 1,461 million in the year ended 31 December 2012 from EUR 1,705 million in the year ended 31 December 2011. The decrease was primarily due to lower revenues driven by trends discussed previously in the Consumer and Business segments in the Netherlands. Furthermore, expenses increased following the acquisition of ITNS, the active network operator purchased from Reggefiber in 2012, as well as higher costs related to increased FttH activations and higher rental costs for mobile tower sites. Furthermore, EBITDA was EUR 33 million negatively impacted by higher restructuring charges from the FTE reduction plan in 2012 compared to 2011. These additional expenses resulted in NetCo's EBITDA margin declining to 55.7% in 2012 compared to 61.3% in 2011.

Corporate Market EBITDA increased by EUR 51 million, or 850%, to EUR 57 million in the year ended 31 December 2012 from EUR 6 million in the year ended 31 December 2011. The increase was primarily due to restructuring costs in 2012 which were EUR 83 million lower than in 2011, due to substantially greater FTE reduction impact in 2011. The increase in EBITDA in 2012 was also due to the fact that a book loss of EUR 30 million related to the revaluing of assets to the lower of cost or market value of Getronics International was recorded in 2011, and due to lower personnel costs in 2012 due to the accelerated FTE reduction program. The increase in EBITDA was partly offset by lower revenues and continuous pressure on margins in 2012.

iBasis EBITDA decreased by EUR 1 million, or 3.3%, to EUR 30 million in the year ended 31 December 2012 from EUR 31 million in the year ended 31 December 2011. The decrease was primarily due to increased price and margin pressure in the international voice market.

Germany EBITDA decreased by EUR 64 million, or 4.7%, to EUR 1,290 million in the year ended 31 December 2012 from EUR 1,354 million in the year ended 31 December 2011. The decrease was primarily due to higher commercial investments to support the introduction of new customer propositions, increased marketing expenditures and increased subscriber acquisition costs to support the growth in postpaid net adds. The decrease in EBITDA was notwithstanding the positive impact from the sale of mobile towers in 2012 of EUR 103 million. Increased expenses in 2012 also included operating lease charges related to the handsets. Also contributing to the decrease, EUR 39 million was recorded related to restructuring charges from the FTE reduction plan in 2012, compared to no such charges in 2011. As a result, Germany's EBITDA margin decreased from 41.8% in 2011 to 37.9% in 2012.

Belgium EBITDA was largely stable, declining by EUR 1 million, or 0.4%, to EUR 272 million in the year ended 31 December 2012 from EUR 273 million in the year ended 31 December 2011. The decrease was primarily due to a regulatory impact of EUR 22 million, offset by growth in service revenue. In line with the higher service revenue, access and interconnection costs and subscriber acquisition costs increased in 2012. The Belgium EBITDA margin during 2012 therefore decreased to 33.8% as compared to 35.0% in 2011.

Rest of World EBITDA decreased by EUR 33 million to negative EUR 25 million in the year ended 31 December 2012 from EUR 8 million in the year ended 31 December 2011. The decrease was primarily due to the increased competition in the ethnic markets, resulting in significant price pressure and negative EBITDA margins at Ortel. In addition, in 2012 various one off expenses were recorded, these included a restructuring charge from the FTE reduction plan, as well as a loss on disposal of Ortel Switzerland and Ortel Spain and various other provisions. Also contributing to the decrease, was the 2011 disposal of KPN France gain on sale for EBITDA of EUR 10 million in 2011. The decrease in EBITDA was partly offset by the EUR 36 million gain on the sale of KPN Spain.

Comparison of year ended 31 December 2011 and 31 December 2010

Revenues and other income

Total revenues and other income decreased by EUR 235 million, or 1.8%, to EUR 13,163 million in the year ended 31 December 2011 from EUR 13,398 million in the year ended 31 December 2010. This decrease was due primarily to a decline in all segments within the Netherlands, partly offset by improved results in Rest of World and iBasis. The regulatory impact on revenues of changes to permissible MTR tariffs and roaming charges in the year ended 31 December 2011 was EUR 486 million.

Other income in 2011 of EUR 141 million primarily comprised one-off gains, most notably on the sale of mobile towers in NetCo in the Netherlands of EUR 100 million, the sale of various buildings for EUR 22 million and the sale of KPN France for a gain of EUR 10 million. Other income in 2010 of EUR 74 million, by comparison, mainly related to the sale of mobile towers in NetCo in the Netherlands of EUR 37 million.

Cost of materials

Cost of materials increased by EUR 94 million, or 10.3%, to EUR 1,005 million in the year ended 31 December 2011 from EUR 911 million in the year ended 31 December 2010. This increase was due primarily to EUR 47 million higher cost of materials at Consumer Mobile and a EUR 41 million higher cost of materials at Business Market, due in both cases to increased hardware sales.

Work contracted out and other expenses

Work contracted out and other expenses decreased by EUR 57 million, or 1.3%, to EUR 4,503 million in the year ended 31 December 2011 from EUR 4,560 million in the year ended 31 December 2010. This decrease was due primarily to lower access and interconnection costs and dealer fees at Consumer Mobile for handset costs (which were EUR 105 million lower in 2011), lower mobile and fixed access and interconnection costs in the Business segment (which were EUR 34 million lower in 2011), both of which resulted in lower access and interconnection costs at NetCo (which were EUR 53 million lower in 2011). IT costs also declined EUR 10 million along with a further EUR 10 million decline in network organization expenses in 2011. Partly offsetting the above decreases were increased access and interconnection costs within iBasis of EUR 106 million and within Mobile International of EUR 33 million, as well as higher FttH activation costs within Consumer Residential of EUR 16 million.

Employee benefits

Employee benefits decreased by EUR 58 million, or 3.0%, to EUR 1,874 million in the year ended 31 December 2011 from EUR 1,932 million in the year ended 31 December 2010. This decrease was due primarily to lower salary and wage expenses at Corporate Market resulting from restructuring under the FTE reduction program as well as the revaluation in the cost of management incentive schemes in 2011 in view of KPN's performance, resulting in EUR 32 million of the decrease as compared to 2010. These decrease in employee benefits was partly offset by increased employee benefits at E Plus resulting from headcount growth.

Depreciation, amortization and impairments

Depreciation, amortization and impairments increased by EUR 363 million, or 16.3%, to EUR 2,589 million in the year ended 31 December 2011 from EUR 2,226 million in the year ended 31 December 2010. This increase was due primarily to the impairment of Corporate Market (Getronics) of EUR 154 million relating to goodwill, EUR 116 million relating to property, plant and equipment and EUR 28 million relating to intangible assets for the year ended 31 December 2011. Also contributing to higher depreciation, amortization and impairments, in 2011 the amortization of spectrum licenses and software increased by EUR 79 million compared to 2010. Furthermore, depreciation in the Consumer Residential segment was also higher in 2011, as a result of increased customer driven investments (particularly IPTV set-top boxes and modems). Partly offsetting the increase in 2011, the amortization of software in 2010 included a one-off write off of a platform no longer in use, and consequently amortization of software was correspondingly lower in 2011.

Other operating expenses

Other operating expenses increased by EUR 139 million, or 22.4%, to EUR 759 million in the year ended 31 December 2011 from EUR 620 million in the year ended 31 December 2010. This increase was due primarily to EUR 130 million of restructuring costs, primarily related to EUR 96 million in Corporate Market (Getronics) and an additional EUR 20 million across the Dutch Telco business, primarily related to FTE reductions, as well as the book loss of EUR 30 million in 2011 related to the held for sale classification of Getronics International caused by the revaluation of its assets at a lower market price. These additional costs were partly offset by lower marketing expenditures in 2011 compared to 2010.

Net financial income and expenses

Net financial income and expenses decreased by EUR 162 million, or 17.7%, to an expense of EUR 754 million in the year ended 31 December 2011 from an expense of EUR 916 million in the year ended 31 December 2010. This decrease was due primarily to the costs related to KPN's tender offer and new issuance in September 2010, in which KPN repurchased EUR 1,340 million of its 2011, 2012 and 2013 Eurobonds with the proceeds from a new EUR 1,000 million Eurobond. This tender offer accounted for EUR 97 million of the decrease in financial expenses in 2011. Interest expenses also decreased significantly due to lower average gross debt in 2011 as compared to 2010. Partly offsetting the decrease in financial expenses, in the year ended

31 December 2011, KPN recorded a EUR 55 million, compared to EUR 46 million in 2010, charge under other financial results relating to adjustment of value of its Reggefiber Call/Put Arrangement, resulting from the fact that the increase in the business enterprise value did not equal the guaranteed return on invested capital embedded in the options and the adjustment for the time value of money.

Income taxes

Income taxes decreased by EUR 286 million, or 56.3%, to EUR 222 million in the year ended 31 December 2011 from EUR 508 million in the year ended 31 December 2010. This decrease was due primarily to a one-off benefit of EUR 118 million related to application of the innovation tax facilities under the agreement with the Dutch tax authorities reached in 2011 with regard to the years 2007 to 2010, lower profit before tax and the reassessment of the valuation of the deferred tax asset in E-Plus, which led to an increase the value of the deferred tax asset, as reflected in income taxes on the income statement in 2011.

The effective tax rate for the Group in the year ended 31 December 2011, corrected for the one-off innovation tax benefit for the years 2007 to 2010, amounted to 18.9%, compared to 21.8% in the year ended 31 December 2010.

EBITDA

EBITDA decreased by EUR 338 million, or 6.2%, to EUR 5,138 million in the year ended 31 December 2011 from EUR 5,476 million in the year ended 31 December 2010. EBITDA was negatively affected by regulatory impact of EUR 203 million, a negative impact from restructuring of EUR 130 million mainly at Corporate Market (Getronics) and a loss of EUR 30 million resulting from the reclassification of Getronics International to held for sale. Partly offsetting the decrease in EBITDA was a book gain of EUR 100 million from the sale of mobile towers in NetCo in the Netherlands and a net positive impact of EUR 36 million, relating to releases of provisions, mainly employee benefit related (specifically Long Term Incentive bonus accruals).

Segment level comparison of year ended 31 December 2011 and 31 December 2010

Revenues and other income

The following table presents KPN's external revenues and other income for the periods presented by the reporting and operating segments that were in place until 31 December 2011. See "Important Information—Presentation of financial and other information". The discussion which follows is conducted on the basis of KPN's current reporting and operating segments.

	Year ended 31 December	
	2011	**2010**
	(EUR in millions)	
Revenues		
Consumer	3,601	3,775
Business	2,163	2,189
Wholesale and Operations	579	627
iBasis	750	719
Corporate Market[(1)]	1,705	1,796
The Netherlands	**8,797**	**9,106**
Germany	3,144	3,151
Belgium	722	725
Rest of World	295	261
Mobile International	**4,161**	**4,137**
Other income	141	74
Total revenues and other income	**13,163**	**13,398**

(1) As of 1 January 2013, KPN transferred certain elements of its Corporate Market operating segment in the Netherlands to its Business operating segment and renamed Corporate Market as IT Solutions.

The following table presents KPN's revenues and other income for the periods presented by its current reporting and operating segments.

	Year ended 31 December	
	2011	2010
	(EUR in millions)	
Revenues		
Consumer Mobile	1,770	1,896
Consumer Residential	1,774	1,814
Business	2,321	2,386
NetCo	577	626
Corporate Market	1,606	1,690
Other (including eliminations)	(1)	1
The Netherlands	**8,047**	**8,413**
iBasis	**750**	**719**
Germany	3,147	3,151
Belgium	722	725
Rest of World	292	235
Mobile International	**4,161**	**4,111**
Other activities	64	81
Other income	141	74
Total revenues and other income	**13,163**	**13,398**

Consumer Mobile revenue decreased by EUR 126 million, or 6.6%, to EUR 1,770 million in the year ended 31 December 2011 from EUR 1,896 million in the year ended 31 December 2010. This decrease was due primarily to changing customer behavior as data usage continued to rise due to the increased usage of communication apps. Both outgoing SMS and voice minutes per customer decreased, as did prepaid revenues, and as a result, blended ARPU decreased 5.0% to EUR 19. KPN's wireless retail customer base also declined to 5.5 million as at 31 December 2011, compared to 5.6 million in the year ended 31 December 2010, and its wireless wholesale customer base declined to 2.2 million as at 31 December 2011, compared to 2.4 million in the year ended 31 December 2010. Mobile wholesale revenues were also adversely affected by increased competition in certain ethnic communities and the loss of customers from certain MVNOs migrating to other networks, largely offset by sustained growth at other MVNOs such as Simyo.

Consumer Residential revenue decreased by EUR 40 million, or 2.2%, to EUR 1,774 million in the year ended 31 December 2011 from EUR 1,814 million in the year ended 31 December 2010. This decrease was due primarily to declining voice revenues. KPN's broadband market share remained under pressure from customer churn in the single- and dual-play market in the areas served by KPN's copper network, due to competition on speed from cable providers. The decrease in Consumer Residential revenues was partly offset by successful growth in the triple-play segment and FttH areas and the strong growth in IPTV, resulting in a 22.0% increase in TV ARPU during 2011. As a result of this growth, full-year net line loss for the year ended 31 December 2011 was in line with the year ended 31 December 2010 mainly due to increased FttH activations.

Business revenue decreased by EUR 65 million, or 2.7%, to EUR 2,321 million in the year ended 31 December 2011 from EUR 2,386 million in the year ended 31 December 2010. This decrease was primarily due to pressure on traditional wireline services, competition for wireless voice services and regulatory impact of EUR 68 million, partially offset by an increase in mobile data customer base and usage. As a result, ARPU decreased to EUR 42 for the year ended 31 December 2011 as compared to EUR 46 for the year ended 31 December 2010. Partly offsetting decreased revenues in the Business segment was the acquisition of Atlantic Telecom, which earned revenue in 2011 of EUR 50 million.

NetCo revenue decreased by EUR 49 million, or 7.8%, to EUR 577 million in the year ended 31 December 2011 from EUR 626 million in the year ended 31 December 2010. This decrease was due primarily to a negative regulatory impact of EUR 44 million and a decline in wholesale revenues due to the purchase of Atlantic Telecom (which resulted in revenues from Atlantic Telecom being accounted for as internal revenues for 2011, and therefore not presented in total consolidated revenues). The decrease was partly offset by an increase in wholesale lines (fiber and MDF access/WBA).

Corporate Market revenue decreased by EUR 84 million, or 5.0%, to EUR 1,606 million in the year ended 31 December 2011 from EUR 1,690 million in the year ended 31 December 2010. This decrease was primarily due to challenging market conditions, price pressure and clients postponing investments primarily in the Netherlands.

iBasis revenue increased by EUR 31 million, or 4.3%, to EUR 750 million in the year ended 31 December 2011 from EUR 719 million in the year ended 31 December 2010. This increase was due primarily to growth in minutes of customer traffic as minutes sold increased 6.2% from 25.6 billion in the year ended 31 December 2011 as compared to 24.1 billion the year ended 31 December 2010. This increase in revenue was partly offset by unfavorable currency effects resulting from iBasis US dollar revenues as translated into Euros, given the weakening of the US dollar.

Germany revenue decreased by EUR 4 million, or 0.1%, to EUR 3,147 million in the year ended 31 December 2011 from EUR 3,151 million in the year ended 31 December 2010. This decrease was due primarily to regulatory impact of EUR 226 million, largely offset by service revenue growth, driven by the Mein BASE proposition and growth in pre-paid customers driven by wholesale partnerships. E-Plus's postpaid net adds increased approximately 424 thousand and prepaid net adds increased 1.9 million in the year ended 31 December 2011 as compared to the year ended 31 December 2010, or 41% and 64%, respectively.

Belgium revenue decreased by EUR 3 million, or 0.4%, to EUR 722 million in the year ended 31 December 2011 from EUR 725 million in the year ended 31 December 2010. This decrease was due primarily to regulatory impact of EUR 60 million, and to the divestment of the B2B and Carrier businesses in 2010. Largely offsetting the decrease in revenue was higher service revenues, the good performance of the simplified BASE proposition, take-up of flat-fee data bundles and an increased number of shops.

Rest of World revenue increased by EUR 57 million, or 24.3%, to EUR 292 million in the year ended 31 December 2011 from EUR 235 million in the year ended 31 December 2010. This increase was due primarily to growth by Ortel Mobile in new markets and gain from the sale of KPN France.

EBITDA

The following table presents KPN's EBITDA and EBITDA margins for the periods presented by its current reporting and operating segments.

	Year ended 31 December 2011		Year ended 31 December 2010	
	(EUR in millions)	(%)	(EUR in millions)	(%)
EBITDA[1] and EBITDA margin				
Consumer Mobile	550	28.9	659	32.6
Consumer Residential	497	26.1	471	23.9
Business	786	32.3	836	33.2
NetCo	1,705	61.3	1,751	60.8
Corporate Market[2]	6	0.3	158	8.5
Other (including eliminations)	(16)	0.5	(16)	1.3
The Netherlands	**3,528**	**42.7**	**3,859**	**44.9**
iBasis	**31**	**3.2**	**32**	**3.5**
Germany	1,354	41.8	1,373	42.4
Belgium	273	35.0	271	34.5
Rest of World	8	2.6	(22)	(9.1)
Mobile International	**1,636**	**38.9**	**1,622**	**39.0**
Other activities	(57)	16.6	(37)	10.7
Total EBITDA	**5,138**		**5,476**	

(1) EBITDA on a segment basis in the table above is comprised of external revenues, other income and inter-division revenues for each segment. See Note 34 to the 2011 consolidated financial statements and Note 34 to the 2010 consolidated financial statements, each as incorporated by reference herein.

(2) As of 1 January 2013, KPN transferred certain elements of its Corporate Market operating segment in the Netherlands to its Business operating segment and renamed Corporate Market as IT Solutions.

Consumer Mobile EBITDA decreased by EUR 109 million, or 16.5%, to EUR 550 million in the year ended 31 December 2011 from EUR 659 million in the year ended 31 December 2010. The EBITDA margin decreased from 32.6% to 28.9%. The decrease in EBITDA was primarily due to regulatory impact of EUR 37 million, as well as changing customer behavior and cost pressure following higher cost of material and dealer commissions due to increased smart phone sales, which was slightly offset by cost reduction efforts.

Consumer Residential EBITDA increased by EUR 26 million, or 5.5%, to EUR 497 million in the year ended 31 December 2011 from EUR 471 million in the year ended 31 December 2010. The EBITDA margin increased from 23.9% to 26.1%. The increase in EBITDA was primarily due a focus on cost reduction, and was also positively impacted by a change in accounting related to connection fees.

Business EBITDA decreased by EUR 50 million, or 6.0%, to EUR 786 million in the year ended 31 December 2011 from EUR 836 million in the year ended 31 December 2010. The EBITDA margin decreased slightly from 33.2% to 32.3%. The decrease in EBITDA was primarily due to regulatory impact of EUR 13 million, and increased customer acquisition costs as a result of increased smartphone sales in 2011. Furthermore, in 2010 EBITDA was positively impacted by EUR 13 million from the sale of certain assets, which was not repeated in 2011.

NetCo EBITDA decreased by EUR 46 million, or 2.6%, to EUR 1,705 million in the year ended 31 December 2011 from EUR 1,751 million in the year ended 31 December 2010. However, the EBITDA margin improved slightly from 60.8% to 61.3%. The decrease in EBITDA was primarily due to declining traffic volumes, higher costs relating to FttH activations and higher rental payments for mobile tower sites, which was partly offset by cost reductions (driven by the decline in FTEs and operational efficiency improvements), and the sale of mobile towers and real estate in 2011 for EUR 120 million, as compared to EUR 37 million from such sales in 2010. Furthermore in 2010, EBITDA was positively impacted by a release of deferred connection fees, which was not repeated in 2011.

Corporate Market EBITDA decreased by EUR 152 million, or 96.2%, to EUR 6 million in the year ended 31 December 2011 from EUR 158 million in the year ended 31 December 2010. The EBITDA margin decreased from 8.5% to 0.3%. The decrease in EBITDA was due to lower revenues and pressure on margins as a result of difficult market conditions. In 2011 EBITDA included restructuring costs amounting to EUR 96 million. Furthermore EBITDA in 2011 was negatively impacted in the amount of EUR 30 million by measurement of the assets and liabilities of Getronics International classified as held for sale at the lower of the carrying amount and the fair value.

iBasis EBITDA remained fairly stable at EUR 31 million in the year ended 31 December 2011 compared to EUR 32 million in the year ended 31 December 2010. The EBITDA margin declined slightly from 3.5% to 3.2%. The slight decrease in EBITDA was primarily due to increased pricing and margin pressure in the international voice market, which was largely offset by reduced operating expenditures.

Germany EBITDA decreased by EUR 19 million, or 1.4%, to EUR 1,354 million in the year ended 31 December 2011 from EUR 1,373 million in the year ended 31 December 2010. EBITDA margin remained strong at 41.8% compared to 42.4% due to targeted marketing activities and cost efficiencies combined with investments in customer growth. The decrease in EBITDA was primarily due to regulatory impact of EUR 116 million, which was largely offset by strong postpaid net add growth, as well as growth in prepaid net adds. Furthermore in 2010, EBITDA was positively impacted by the release of onerous rental provisions of EUR 8 million which were not repeated in 2011.

Belgium EBITDA increased by EUR 2 million, or 0.7%, to EUR 273 million in the year ended 31 December 2011 from EUR 271 million in the year ended 31 December 2010. The EBITDA margin also remained stable 35.0% compared to 34.5%. The increase in EBITDA was primarily due to increased net adds and a focus on cost reduction, which was largely offset by regulatory impact of EUR 35 million.

Rest of World EBITDA increased by EUR 30 million to EUR 8 million in the year ended 31 December 2011 from negative EUR 22 million in the year ended 31 December 2010. This increase was primarily due to improved profitability of KPN Spain as well as the sale of KPN France, which offset the investments in growth by Ortel Mobile in its new markets.

Liquidity and capital resources

KPN's business has required, and will continue to require, liquidity to fund capital expenditures, investment requirements (including in relation to spectrum licenses, investments in networks and in support of its strategy) and to meet its debt service requirements. KPN finances its operations through cash flow from operations and a combination of unsecured bonds, financial leases and, from time to time, borrowings under revolving credit facilities -as well as proceeds from the issuance of capital securities and equity capital.

KPN maintains cash and cash equivalents to fund the day-to-day requirements of its business. KPN holds cash primarily in Euro.

KPN's ability to generate cash from its operations will depend on its future operating performance, which is in turn dependent on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond its control.

As of 31 March 2013, KPN had EUR 1,018 million in net cash and cash equivalents (including EUR 4 million cash classified as held for sale and net of EUR 199 million of bank overdrafts related to cash-pooling arrangements), and had senior bonds outstanding with nominal values of EUR 9,320 million of Euro-denominated senior bonds, GBP 1,775 million of sterling-denominated senior bonds (swapped to EUR 2,057 million nominal value) and USD 1,000 million of US dollar-denominated senior bonds (swapped to EUR 756 million nominal value). The Euro- and sterling-denominated senior bonds were issued under KPN's Global Medium Term Note program. In addition, as of 31 March 2013 KPN had a private placement (*Namenschuldverschreibung*) outstanding with a nominal value of EUR 50 million.

On 14 March 2013, KPN issued EUR 1,100 million of Euro-denominated perpetual capital securities (the **EUR Capital Securities**) and GBP 400 million of pound sterling-denominated long-dated capital securities (swapped to EUR 460 million nominal value) (the **GBP Capital Securities**), and on 28 March 2013, KPN issued USD 600 million of US dollar-denominated long-dated capital securities (swapped to EUR 465 million nominal value) (the **USD Capital Securities**). The EUR Capital Securities and the GBP Capital Securities were used in part to repay amounts which had been drawn under the Credit Facility to partially fund the EUR 1,352 million payment for spectrum in the Netherlands in January 2013. See "General Information—Material contracts—Capital Securities".

Apart from EUR 50 million of privately placed bonds, all of KPN's bonds (including the Capital Securities) are listed on Euronext Amsterdam.

In addition to its bonds and Capital Securities, as of 31 March 2013, KPN had available an unsecured multi-currency syndicated revolving credit facility (the **Credit Facility**) of up to EUR 2.0 billion, which was undrawn as of 31 March 2013, and four uncommitted overdraft facilities for EUR 50 million each, which were undrawn as of 31 March 2013. As of the date of this Prospectus, the Credit Facility was undrawn.

KPN has exercised its first of two options to extend the Credit Facility for one year, and as a result, the Credit Facility terminates on 6 July 2017. The Credit facility may be further extended an additional year, subject to lenders consent. The overdraft facilities may be cancelled at any time and do not have a specified maturity date.

See "General Information—Material contracts—Syndicated revolving credit agreement, standby liquidity facility and uncommitted overdraft facilities".

KPN manages cash and liquidity on a group level via its centralized Treasury department. Most of the cash balances are available on a group level using cash pooling and zero-balancing cash management structures. Excess cash at subsidiaries that are not part of the cash pooling structures is transferred to group Treasury on a quarterly basis. Cash balances held outside such cash pooling arrangements fluctuate from time to time. As of 31 March 2013, cash balances held in KPN's subsidiaries and outside such cash pooling arrangements amounted to EUR 290 million.

Overview of indebtedness

KPN's historic Net Debt to Adjusted EBITDA ratio is presented below:

	As of 31 March	As of and for the year ended 31 December		
	2013	2012	2011	2010
	(EUR in millions, except ratios)			
Net Debt[1]	12,477	12,033	11,728	11,775
Adjusted EBITDA[2]	4,398	4,403	5,127	5,401
Net Debt/ Adjusted EBITDA ratio	2.8x	2.7x	2.3x	2.2x

(1) KPN defines Net Debt, which is used solely for the purpose of calculating its Net Debt/Adjusted EBITDA ratio, as the nominal value of interest bearing financial liabilities excluding derivatives, representing the repayment obligations in Euro, and taking into account 50% of the nominal value of the Capital Securities, less net cash and cash equivalents (including cash classified as held for sale, net of bank overdrafts). The following table reconciles total borrowings (carrying values, excluding derivatives) to Net Debt for the periods indicated.

	As of 31 March	As of 31 December		
	2013	2012	2011	2010
	(EUR in millions)			
Total borrowings[a] (carrying values, excluding derivatives)	13,912	13,553	13,023	12,379
Reclassification of EUR Capital Securities	1,100	—	—	—
Difference between carrying value and nominal value	(504)	(573)	(345)	78
Total borrowings (nominal values)	**14,508**	**12,980**	**12,678**	**12,457**
Equity credit Capital Securities (50% of nominal)	(1,013)	—	—	—
Adjusted gross debt (nominal values)	**13,495**	**12,980**	**12,678**	**12,457**
Net cash and cash equivalents (including cash classified as held for sale, net of overdrafts)	1,018	947	950	682
Net Debt	**12,477**	**12,033**	**11,728**	**11,775**

(a) Total Borrowings are presented excluding bank overdrafts of EUR 199 million as of 31 March 2013, EUR 343 million as of 31 December 2012, EUR 76 million as of 31 December 2011 and EUR 158 million as of 31 December 2010. These overdraft balances are reflected in net cash and cash equivalents.

(2) KPN defines Adjusted EBITDA, which is used solely for the purpose of calculating its Net Debt/Adjusted EBITDA ratio, as Group 12 month rolling total EBITDA excluding book gains, release of pension provisions and restructuring costs, when over an aggregate of EUR 20 million. The following table reconciles EBITDA to Adjusted EBITDA for the periods indicated.

	Twelve months ended 31 March	Year ended 31 December		
	2013	2012	2011	2010
	(EUR in millions)			
EBITDA	4,501	4,528	5,138	5,476
Restructuring costs	172	173	130	1
Other Income	(275)	(298)	(141)	(74)
Adjusted EBITDA	**4,398**	**4,403**	**5,127**	**5,401**

KPN's actual Net Debt to Adjusted EBITDA ratio as of 31 December 2012 did not include the impact from the Dutch spectrum auction (payment for which was made in January 2013). When including the impact from the spectrum auction payment of EUR 1,352 million (payment for which was made in January 2013), KPN's Net Debt to Adjusted EBITDA would have been approximately 0.3x higher than the actual ratio, or 3.0x. In addition to the impact from the Dutch spectrum auction, if the impact of Reggefiber consolidation was also applied to KPN's actual Net Debt to Adjusted EBITDA ratio as of 31 December 2012, it would have been approximately 0.5x higher (in total) than the actual ratio, or 3.2x. This Reggefiber consolidation impact takes into account the maximum payments under the Call/Put Arrangement, the impact of the redemption of the Reggeborgh shareholder loans and the consolidation of Reggefiber's bank loans as of 31 December 2012 onto KPN's consolidated balance sheet, and does not take into account the cost of the Put Option.

KPN's actual Net Debt to Adjusted EBITDA ratio as of 31 March 2013 did not include the impact of Reggefiber consolidation, which if applied to KPN's actual Net Debt to Adjusted EBITDA ratio as of 31 March 2013, would have been approximately 0.2x higher (in total) than the actual ratio, or 3.0x. This Reggefiber consolidation impact takes into account the maximum payments under the Call/Put Arrangement, the impact of the redemption of the Reggeborgh shareholder loans and the consolidation of Reggefiber's bank loans as of 31 March 2013 onto KPN's consolidated balance sheet, and does not take into account the cost of the Put Option.

Outstanding indebtedness

As of 31 March 2013, KPN's total non-current and current debt, which represents the combined book value of the Group's debt, was EUR 14,112 million. This consisted of EUR 12,633 million of senior bonds (by carrying value), EUR 467 million of GBP Capital Securities (by carrying value), EUR 465 million of USD Capital Securities (by carrying value), EUR 298 million of financial lease obligations, EUR 50 million of other debt and EUR 199 million of bank overdraft facilities under cash pool arrangements. This does not include EUR 1,100 million of Euro Capital Securities, which under IFRS are accounted for as equity.

An overview of KPN's outstanding bonds as of 31 March 2013 is presented in the table below:

	Currency	Remaining nominal value (EUR in millions)	IFRS carrying value (EUR in millions)	Coupon[(1)]	Maturity
EUR 850 million maturing Sep-13	EUR	545	545	6.250%	16-Sep-13
EUR 750 million maturing Feb-14	EUR	750	749	6.250%	04-Feb-14
EUR 650 million maturing May-14	EUR	650	648	4.750%	29-May-14
EUR 1,000 million maturing Jun-15	EUR	1,000	998	4.000%	22-Jun-15
EUR 925 million maturing Jan-16	EUR	925	924	6.500%	15-Jan-16
GBP 275 million maturing Mar-16	GBP	328	324	4.887%	18-Mar-16
EUR 1,000 million maturing Jan-17	EUR	1,000	998	4.750%	17-Jan-17
EUR 750 million maturing Feb-19	EUR	750	743	7.500%	04-Feb-19
GBP 250 million maturing May-19	GBP	290	290	5.123%	29-May-19
EUR 1,000 million maturing Sep-20	EUR	1,000	1,063	2.741%	21-Sep-20
EUR 750 million maturing Feb-21	EUR	750	745	3.250%	01-Feb-21
EUR 500 million maturing Oct-21	EUR	500	539	3.297%	04-Oct-21
EUR 750 million maturing Mar-22	EUR	750	747	4.250%	01-Mar-22
EUR 700 million maturing Sep-24	EUR	700	751	4.347%	30-Sep-24
GBP 400 million maturing Nov-26	GBP	467	469	5.022%	18-Nov-26
GBP 850 million maturing Sep-29	GBP	972	993	5.975%	17-Sep-29
USD 1,000 million maturing Oct-30	USD	756	1,107	8.557%	01-Oct-30
Total senior bonds outstanding		**12,133**	**12,633**		
EUR 1,100 million EUR Capital Securities	EUR	1,100	—	6.125%	Perpetual
GBP 400 million GBP Capital Securities	GBP	460	467	6.777%	14-Mar-73
USD 600 million USD Capital Securities	USD	465	465	6.344%	28-Mar-73
Total Capital Securities outstanding		**2,025**	**932**		

(1) Coupon represents either the contractual coupon (for Euro fixed rate tranches) or the synthetic fixed rate for 2013 resulting from interest rate swaps and cross-currency swaps.

In addition, in July 2011, KPN entered into the EUR 2.0 billion Credit Facility with a tenor of five years, plus two one-year extension options, to replace its previous EUR 1.5 billion revolving credit facility, which extended the maturity profile of the revolving credit facility from August 2013 to July 2016. The Credit Facility was originally provided by a group of fourteen original lenders. On 22 June 2012, the maturity date of the Credit Facility was extended by one year to 6 July 2017 by exercising the first of two one-year extension options. KPN has a second extension option which can be exercised as of May 2013, subject to lender consent. Interest under the Credit Facility is the aggregate of LIBOR, or in relation to drawings in Euro, EURIBOR, and the applicable margin. The margin is determined according to a credit ratings grid based on the average of KPN's two highest credit ratings, which currently corresponds to 0.65% per annum.

Neither the Credit Facility, nor the notes issued under KPN's Global Medium Term Note program, nor the Capital Securities contain any financial covenants. However, the Credit Facility and Global Medium Term Note program do include a restriction prohibiting KPN from entering into any amalgamation, demerger, merger, corporate restructuring or reorganization, unless prior written consent has been given by a majority of the lenders or bondholders or the resulting company assumes all of the rights and obligations with respect to the loans or bonds. Notes issued under KPN's Global Medium Term Note program after 1 January 2006 contain change of control clauses, which may require KPN to redeem such outstanding bonds early, in the event that (i) certain changes of control occur and (ii) within a period of 90 days from the change of control event a rating downgrade occurs in respect of that change of control. The Capital Securities also contain change of control clauses which would result in a step-up in the coupon payable under the Capital Securities if, in the event that (i) certain changes of control occur and (ii) within a period of 90 days from the change of control event a rating downgrade occurs, KPN does not redeem the Capital Securities at their outstanding principal amount following the change of control event.

As of 31 March 2013, the average coupon of KPN's outstanding senior bonds was 5.1%. When including the Capital Securities, as well as the outstanding senior bonds, the average coupon was 5.3%. KPN's total net finance costs for the three months ended 31 March 2013 were EUR 187 million, and for the year ended 31 December 2012 were EUR 844 million, compared to EUR 754 million in the year ended 31 December 2011 and EUR 916 million in the year ended 31 December 2010.

Maturity analysis

The table below provides a maturity analysis of KPN's financial liabilities on borrowings based on the remaining contractual maturities as of 31 March 2013.

Maturity analysis on borrowings
(EUR in millions)

	2013	2014	2015	2016	2017	2018	2019 and subsequent years	Total
Bonds and loans[1]	546	1,400	1,000	1,250	1,000	—	7,055	12,251
Interest on bonds and loans[1]	371	622	545	505	426	378	2,290	5,137
Financial lease obligations	99	92	28	10	9	12	48	298
Other debt[2]	201[3]	161[4]	—	—	—	647[5]	—	1,009
Derivatives inflow (incl. interest)	(235)	(303)	(301)	(624)	(280)	(280)	(5,517)	(7,540)
Derivatives outflow (incl. interest)	205	261	248	571	226	226	5,238	6,975
Trade and other payables and accrued expenses	2,714	—	—	—	—	—	—	2,714
Total	**3,901**	**2,233**	**1,520**	**1,712**	**1,381**	**983**	**9,114**	**20,844**

(1) Does not include principal or interest payments on the Credit Facility or uncommitted bank overdraft facilities, none of which were drawn at 31 March 2013. Interest payments on the Capital Securities are not included, because these are not contractual obligations (in total EUR 65 million per year until the first call date). Redemptions for the GBP Capital Securities and the USD Capital Securities are not included because of their duration (EUR 942 million redemption in 2073). As of 31 March 2013, the average maturity of KPN's senior bonds was 7.1 years.

(2) Other includes repayments on bank overdraft facilities and the maximum cash payouts under the Reggefiber Call/Put Arrangement. The timing of any such payments with regard to the Call/Put Arrangement as shown above is indicative only, as the actual timing of exercise of the call or put options are uncertain. See "—Off-balance sheet arrangements—Reggefiber".

(3) Primarily represents repayments on bank overdraft facilities, used by KPN for working capital management under cash pooling arrangements, which were outstanding as of 31 March 2013.

(4) Represents the maximum amount payable by KPN upon either party exercising its option under the Call/Put Arrangement for KPN to acquire an additional 9% stake in Reggefiber, which is not expected before the second half of 2014.

(5) Represents KPN's estimate of the earliest date it would be required to pay for Reggeborgh's Put Option to sell its remaining 40% stake of Reggefiber to KPN. The EUR 647 million amount is the amount KPN will be required to pay if this is greater than the market value of the 40% stake at the exercise date. See "General Information—Material contracts—Reggefiber joint venture". Upon consolidation, KPN would be required to add Reggefiber's shareholder loans from Reggeborgh, requiring an additional payment by KPN. As of 31 December 2012, the amount of the Reggefiber's shareholder loans from Reggeborgh was EUR 183 million, and this could be significantly higher at the time of consolidation.

Credit rating

Following the results of the Dutch spectrum auction, KPN was downgraded by Fitch from BBB to BBB- with a stable outlook on 17 December 2012. Following the announcement of KPN's preliminary 2012 results, on 5 February 2013, Moody's confirmed KPN's Baa2 senior unsecured rating on 6 February 2013, with a negative outlook. On 8 February 2013, S&P downgraded KPN's long- and short-term ratings to BBB-/A-3 from BBB/A-2, with a stable outlook. Fitch, Moody's and S&P are established in the European Community and, as of the date of this Prospectus, are registered as credit rating agencies in accordance with the Regulation (EC) no 1060/2009 of the European Parliament and of the Council of 16 September 2009 on Credit Rating Agencies.

Working capital

KPN, including all of its subsidiaries and consolidated joint ventures, believes that its working capital is sufficient for the present requirements of KPN, including all of its subsidiaries and consolidated joint ventures, that is, for at least 12 months following the date of this Prospectus.

Cash flows

The following table summarizes the principal components of KPN's consolidated cash flows for the periods presented.

	Three months ended 31 March		Year ended 31 December		
	2013	2012	2012	2011	2010
	(unaudited)				
	(EUR in millions)				
Net cash flow provided by operating activities	581	398	3,007	4,003	3,808
Net cash flow from/(used in) investing activities	(1,908)	(476)	(2,133)	(1,986)	(2,149)
Net cash flow from/(used in) in financing activities	1,398	337	(876)	(1,748)	(3,634)
Changes in cash and cash equivalents	**71**	**259**	**(2)**	**269**	**(1,975)**
Exchange rate differences	—	—	(1)	(1)	5
Net cash and cash equivalents at the end of the period	**1,018**	**1,209**	**947**	**950**	**682**
Cash and cash equivalents[(1)]	**1,213**	**1,267**	**1,286**	**990**	**823**

(1) Cash and cash equivalents includes bank overdrafts.

Net cash flow provided by operating activities

Net cash flow provided by operating activities consists of EBITDA, as adjusted for the cash impact of share-based compensation, other income, change in provisions (excluding deferred taxes), change in working capital, received dividends from associates and joint ventures, taxes paid and interest paid.

Net cash flow provided by operating activities increased by EUR 183 million, or 46.0%, to EUR 581 million in the three months ended 31 March 2013 from EUR 398 million in the three months ended 31 March 2012, mainly due to a positive change in working capital of EUR 27 million in the three months ended 31 March 2013 compared to a negative change in working capital of EUR 270 million in the three months ended 31 March 2012, mainly due to prepayments on certain working capital items made in the three months ended 31 December 2012. Also contributing to higher net cash flow provided by operating activities were EUR 31 million lower income taxes, partly offset by EUR 137 million lower EBITDA and EUR 47 million higher net interest paid in the three months ended 31 March 2013.

Net cash flow provided by operating activities decreased by EUR 996 million, or 25%, to EUR 3,007 million in the year ended 31 December 2012 from EUR 4,003 million in the year ended 31 December 2011. This decrease was primarily the result of lower EBITDA, higher tax payments as result of one-off innovation tax facilities in 2011, which related to prior years, and a higher negative change in working capital as compared to 2011.

Net cash flow provided by operating activities increased by EUR 195 million, or 5.1%, to EUR 4,003 million in the year ended 31 December 2011 from EUR 3,808 million in the year ended 31 December 2010. This increase was primarily the result of receipt of payments in respect of the settlement of innovation tax liabilities in the Netherlands in 2011, less negative change in provisions (mainly due to higher additions to the restructuring provisions in respect of future FTE reductions) and lower interest payments due to a lower total indebtedness level in 2011 and a final bond coupon payment in 2010. The increase in net cash flow provided by operating activities in 2011 was partly offset by lower EBITDA.

Net cash from/(used in) investing activities

Net cash flow used in investing activities consists of acquisitions and disposals of subsidiaries, associates and joint ventures, investments in intangible assets (excluding software), disposals of intangibles, investments and disposals in property, plant & equipment and software, disposals of real estate and other changes and disposals. See "—Capital expenditures and investments" below.

Net cash flow used in investing activities increased by EUR 1,432 million to an outflow of EUR 1,908 million in the three months ended 31 March 2013 from an outflow of EUR 476 million in the three months ended 31 March 2012 due primarily due to EUR 1,352 million paid for the Netherlands spectrum payment in January 2013, as well as the introduction of the handset lease option and the start of the 4G network rollout in the Netherlands during the three months ended 31 March 2013.

Net cash flow used in investing activities increased by EUR 147 million, or 7.4%, to an outflow of EUR 2,133 million in the year ended 31 December 2012 compared to an outflow of EUR 1,986 million in the year ended 31 December 2011. This increase was primarily the result of the acquisition of Reggefiber Wholesale and five fiber service providers from Reggefiber and Reggeborgh for EUR 173 million. The increase in Net cash flow used in investing activities in 2012 was also partly due to EUR 99 million in payments related to the acquisition of 10% of Reggefiber shares, partly offset by cash inflow from the sale of mobile towers in Germany of EUR 401 million and in NetCo of EUR 112 million in the Netherlands. Also contributing to the increase in net cash flow used in investing activities in 2012, Consumer Mobile in the Netherlands began to offer handset lease options to customers in March 2012, resulting in handsets being capitalized for the year ended 31 December 2012, rather than accounting for them as an expense as had been the case for the year ended 31 December 2011. Partly offsetting the increase in net cash flow used in investing activities in 2012, KPN disposed of SNT Inkasso in Germany for EUR 22 million, KPN Spain for EUR 24 million, and various other disposals including Getronics International for EUR 36 million.

Net cash flow used in investing activities decreased by EUR 163 million, or 7.6%, to an outflow of EUR 1,986 million in the year ended 31 December 2011 compared to an outflow of EUR 2,149 million in the year ended 31 December 2010. This decrease was the result of acquisition of licenses for additional spectrum in Germany in 2010 of EUR 284 million, and lower cash payments for the acquisition of subsidiaries, associates and joint ventures in 2011 of EUR 83 million, partly offset by higher capital expenditures in 2011 due to accelerated high speed data network roll-out in Germany and Belgium and, in the Netherlands, due to continued upgrades of KPN's mobile and fixed networks of EUR 140 million, increased costs for customer-driven equipment (such as IPTV set-top boxes and modems) and expansion of the distribution footprint through new stores.

Net cash flow used in financing activities

Net cash flow from financing activities mainly consists of share repurchases, share repurchases for option plans, dividends paid, exercised options, proceeds from borrowings, repayments from borrowings and settlement of derivatives, other changes in interest-bearing current liabilities and repayments of financial lease obligations.

Net cash flow used in financing activities increased by EUR 1,061 million to EUR 1,398 million in the three months ended 31 March 2013 from EUR 337 million in the three months ended 31 March 2012 due to EUR 2.0 billion from the issuance of the Capital Securities, partly offset by repayment at maturity of a senior bond in March 2013 with an outstanding amount EUR 540 million.

Net cash flow used in financing activities decreased by EUR 872 million, or 50%, to an outflow of EUR 876 million in the year ended 31 December 2012 compared to an outflow of EUR 1,784 million in the year ended 31 December 2011. This decrease in outflow was primarily the result of ending the share repurchase program in 2012 and a lower dividend payment in 2012, partly offset by decreased proceeds from borrowings as a result of lower levels of borrowing on the Credit Facility.

Net cash flow used in financing activities decreased by EUR 1,886 million, or 52%, to an outflow of EUR 1,748 million in the year ended 31 December 2011 compared to an outflow of EUR 3,634 million in the year ended 31 December 2010. This decrease was primarily the result of a tender offer in which KPN repurchased EUR 1,347 million of Eurobonds during 2010, while the outflow in 2011 was partly offset by drawings under the Credit Facility.

Free Cash Flow

KPN defines Free Cash Flow as cash flow from operating activities plus proceeds from real estate, minus capital expenditures (being expenditures on property, plant and equipment, and software), excluding tax recapture payments from E-Plus.

The following table reconciles KPN's cash flow from operations to its free cash flow for the periods presented:

	Three months ended 31 March		Year ended 31 December		
	2013	**2012**	**2012**	**2011**	**2010**
	(unaudited)				
	(EUR in millions)				
Cash flow from operations	581	398	3,007	4,003	3,808
Capital expenditures (PP&E and software)	(535)	(460)	(2,209)	(2,047)	(1,809)
Proceeds from real estate disposals	2	37	519	156	84
Tax recapture payments from E-Plus[(1)]	37	62	335	337	345
Free cash flow	**85**	**37**	**1,652**	**2,449**	**2,428**

(1) Tax recapture payments from E-Plus consists of cash tax payments to the tax authorities in the Netherlands relating to deductions for past losses from E-Plus. These tax recapture payments are expected to complete during 2013.

KPN's free cash flows are generally subject to a certain level of seasonal variation in any given financial year. KPN's free cash flows are generally higher in the last six months of the year, as a result of higher capital expenditure outflows during the first half of the year due to a tendency to finalize projects before year end and then pay for them in the following year as well as a focus on improving working capital at year-end.

Free cash flow increased by EUR 48 million, or 129.7%, to EUR 85 million in the three months ended 31 March 2013 from EUR 37 million in the three months ended 31 March 2012 due to higher cash flow from operations as a result of a positive change in working capital of EUR 27 million in the three months ended 31 March 2013 compared to a negative change in working capital of EUR 270 million in the three months ended 31 March 2012, mainly due to prepayments on certain working capital items made in the three months ended 31 December 2012. Partly offsetting this increase in free cash flow was EUR 137 million lower EBITDA, EUR 75 million higher capital expenditures and a EUR 35 million decrease in proceeds from the sale of real estate (primarily from the sale of mobile towers) as compared to the three months ended 31 March 2012.

Free cash flow decreased by EUR 797 million, or 32.5%, to EUR 1,652 million in the year ended 31 December 2012 from EUR 2,449 million in the year ended 31 December 2011. The primary reason for the decline in free cash flow in 2012 was the EUR 610 million reduction in EBITDA. Also contributing to the decline were EUR 255 million in higher tax payments in 2012, due largely to the fact that 2012 included only EUR 26 million related to innovation tax benefits, compared to EUR 316 million in 2011, which also included tax receipts from other tax facilities. The remainder of the decrease in free cash flow in 2012 resulted from capital expenditures which were EUR 162 million higher in 2012 and a higher negative change in working capital as compared to 2011 resulting from reduced levels of current liabilities at the end of 2012. The decrease in free cash flow was partly offset by EUR 363 million in higher proceeds related to disposals of real estate (specifically from the sale of mobile towers in Germany and in NetCo in the Netherlands) and a less negative change in provisions (mainly due to higher additions to restructuring and pension provisions as opposed to restructuring and payments made in 2012 compared to 2011).

Free cash flow increased by EUR 21 million, or 0.9%, to EUR 2,449 million in the year ended 31 December 2011 from EUR 2,428 million in the year ended 31 December 2010. Free cash flow in 2011 included a one-off benefit of EUR 316 million related to an agreement reached between KPN and the Dutch tax authorities with regard to the application of innovation tax facilities, primarily for the period from 2007 – 2010, and which also included tax receipts from other tax facilities. Free cash flow in 2011 also included EUR 156 million related to disposals of real estate (specifically from the sale of mobile towers in NetCo in the Netherlands). Largely offsetting these contributions to free cash flow in 2011 were lower EBITDA in 2011, which was EUR 338 million lower than in 2010, and higher capital expenditures of EUR 238 million in 2011.

Capital expenditures and investments

The following table shows each of KPN's historical capital expenditures (defined as being cash expenditures on property, plant and equipment, and software) and KPN's historical investments in intangible assets, excluding software, for the periods presented.

	Three months ended 31 March		Year ended 31 December		
	2013	**2012**	**2012**	**2011**	**2010**
	(unaudited)				
	(EUR in millions)				
Capital expenditures	535	460	2,209	2,047	1,809
Investments in intangible assets (excluding software)	1,352	16	54	27	337

KPN's historical capital expenditure has related primarily to the purchase of property and equipment, including expansion of its fixed-line (copper and fiber) and mobile networks (2G, 3G and initial rollout of 4G, maintenance of its existing networks and infrastructure and investments in end-user equipment. KPN's capital expenditures and investments have been primarily driven by its network innovation strategy, including investments in its FttH and VDSL-based network for wireline services, new equipment for its core mobile network and spectrum auction prices. KPN's roll-out of its FttH is being executed through its joint venture, Reggefiber Group B.V. See "Business Overview—NetCo". KPN considers certain of its capital expenditures to be "customer driven", including capitalization of handsets, the cost of IPTV set-top boxes for TV customers, and other equipment required for activation of FttH and copper broadband connections.

KPN's historical investments have related primarily to purchase of intangible assets such as the acquisition of new and extension of existing spectrum licenses. In the fourth quarter of 2012, KPN won the right to acquire 15 blocks of frequency licenses for EUR 1,352 million in the Dutch spectrum auction. Payment for the frequency licenses took place in January 2013 and is not included in the 2012 investments. Investments in spectrum are classified as intangible assets, which excludes expenditures for software and does not include investments in financial assets.

KPN will continue to invest in its services and infrastructure in order to maintain and strengthen its competitive position in line with its strategy. In the near term, KPN expects capital expenditures in 2013 to be below EUR 2.3 billion, and total planned capital expenditures for the period 2013-2015 to be below EUR 7 billion. See "Risk Factors—KPN operates in a capital-intensive business and may not have sufficient liquidity to fund its capital expenditures and investments over the longer term (that is, over a period of more than 12 months from the date of this Prospectus)." Projected capital expenditures for 2013 and for the period 2013-2015 do not include the payment of EUR 1,352 million for frequencies in the Dutch spectrum auction paid in January 2013, or the costs of any other potential frequency auction in Germany or Belgium. With regard to Reggefiber, projected capital expenditures for the period 2013-2015 includes estimated Reggefiber capital expenditures upon consolidation of Reggefiber, which is not expected before the second half of 2014, but does not include any projected costs to KPN of the Reggefiber Call/Put Arrangement permitting either KPN to acquire, or Reggeborgh to require KPN to acquire, an additional 9% stake in Reggefiber, or Reggeborgh's subsequent right to put the remainder of Reggefiber to KPN. See "Risk Factors—KPN's deployment of FttH is dependent upon its joint venture, Reggefiber, and increasing KPN's ownership in the joint venture through the Call/Put Arrangement would require KPN to fully consolidate Reggefiber's assets and liabilities on KPN's consolidated balance sheet."

Three months ended 31 March 2013

Capital expenditures increased to EUR 535 million in the three months ended 31 March 2013, compared to EUR 460 million in the three months ended 31 March 2012. The increase was primarily due to the introduction of the handset lease option and the start of the 4G rollout, in the Netherlands in the three months ended 31 March 2013.

Since the end of the three months ended 31 March 2013, there has been no significant additional capital expenditures, other than planned capital expenditures.

Investments in intangible assets increased to EUR 1,352 million in the three months ended 31 March 2013, compared to EUR 16 million in the three months ended 31 March 2012. The increase was due to the EUR 1,352 million payment for spectrum auction in the Netherlands in January 2013.

Year ended 31 December 2012

Capital expenditures increased to EUR 2,209 million, for the year ended 31 December 2012, compared to EUR 2,047 million in the year ended 31 December 2011. The increase was primarily the result of customer-driven expenditures in the Netherlands, in particular to capitalization of handsets as a result of the new handset lease option which began to be offered to customers in March 2012, whereas in 2011 handset costs in the Netherlands were accounted for as cost of materials on the consolidated income statement. Increased customer-driven capital expenditures in 2012 also included IPTV set-top boxes for TV customers. Higher mobile network-related capital expenditures also contributed to the increase, in preparation for LTE and modernization in the Netherlands, accelerated mobile broadband roll out in Germany and Belgium, and IT expenditures in Germany as part of a multi-year project to replace the IT platform in E-Plus. The increase was partly offset by procurement savings and lower handset costs.

Year ended 31 December 2011

Capital expenditures increased to EUR 2,047 million, for the year ended 31 December 2011, compared to EUR 1,809 million in the year ended 31 December 2010. This increase was primarily due to accelerated high speed data network roll-out in Germany and Belgium and increased capital expenditures in the Netherlands. In the Netherlands, the increase was due to continued upgrades of the mobile and fixed networks, investments in the wireline propositions, increased spend on customer premises equipment and expansion of the distribution footprint.

Investments in intangible assets decreased to EUR 27 million in the year ended 31 December 2011, compared to EUR 337 million in the year ended 31 December 2010. The decrease was due to the acquisition of licenses for additional spectrum in Germany in 2010 which did not recur in 2011.

Off-balance sheet arrangements

KPN has not entered into and is not a party to any off-balance sheet arrangements. KPN has certain long-term financial commitments, as set out below under "Contractual obligations and commercial commitments", and also has certain arrangements in place which may have a future impact on its total liabilities, as discussed below.

Reggefiber

In November 2012, upon achieving one million homes connected to the Reggefiber FttH network, the first call option under the amended Reggefiber joint venture arrangements vested, and KPN exercised its call option to acquire an additional 10% of the shares in Reggefiber, increasing its share to 51%. As of 31 March 2013, the book value of KPN's 51% share in Reggefiber amounted to EUR 293 million, including EUR 131 million of goodwill, which was unchanged from the amount of goodwill included as of 31 December 2012.

Under the terms of the joint venture agreement with Reggeborgh, KPN is party to the Call/Put Arrangement, which grants KPN a call option to purchase an additional 9% stake in Reggefiber from Reggeborgh, and grants Reggeborgh an option to put an additional 9% stake to KPN, of which both options will vest on the earlier of 1 January 2014 or upon achievement of 1.5 million homes connected, and can be exercised thereafter, subject to regulatory approval by the ACM. See "General Information—Material contracts—Reggefiber joint venture." If either party exercised its option under the Call/Put Arrangement, KPN would be required to pay between EUR 116 to EUR 161 million to acquire an additional 9% stake in Reggefiber, depending on the reduction of average per home FttH activation capital expenditure at the time of payment as compared to prior periods.

Upon acquiring this additional 9% stake in Reggefiber, KPN's stake in Reggefiber would increase to 60%, prompting full control and therefore consolidation of Reggefiber's assets and liabilities on KPN's consolidated balance sheet. This consolidation would result in KPN adding to its consolidated balance sheet Reggefiber's bank loans, which totaled EUR 376 million as of 31 December 2012 (net of Reggefiber's cash and cash equivalents), as well as require KPN to redeem Reggefiber's shareholder loans from Reggeborgh, requiring an additional payment by KPN at the time of consolidation. As of 31 December 2012, the amount of the Reggefiber's shareholder loans from Reggeborgh was EUR 183 million, and this could be significantly higher at the time of consolidation. The consolidation of Reggefiber's liabilities, or the requirement that KPN borrow funds to redeem Reggefiber's shareholder loans from Reggeborgh, could result in substantial additional leverage, raise KPN's Net Debt/Adjusted EBITDA ratio and have a negative impact on KPN's credit rating. Reggefiber's total liabilities could be substantially higher at the date of any future consolidation, in light of Reggefiber's negative operating cash flows.

The Call/Put Arrangement is valued at fair value as a derivative financial instrument on KPN's consolidated balance sheet, recorded as a liability. The amount of this liability was EUR 278 million as of 31 March 2013, which is unchanged from 31 December 2012. Any change in the fair value of the Call/Put Arrangement during a given period—for example, as a result of the business performance of Reggefiber in terms of the number of homes connected or its price structure, the approval of the ACM for the exercise of both the call and put options, or various other factors including prevailing discount rates—is recorded in KPN's consolidated statement of income as a gain or loss under other financial results. KPN did not record any change in the fair value of the Call/Put Arrangement in the three months ended 31 March 2013, compared to a EUR 100 million charge for the year ended 31 December 2012.

In addition, the joint venture agreement provides that, upon KPN having reached the 60% ownership threshold, Reggeborgh will immediately be able to exercise the Put Option. The Put Option will be effective for seven years from the date KPN reaches the 60% ownership threshold. The price KPN will be required to pay for the remaining 40% stake of Reggefiber, upon Reggeborgh's exercise of the Put Option, will be the market value of those shares during the entire seven years. However, during the period commencing three and a half years after the date on which the Call/Put Arrangement has been exercised by either party, and ending five years after the Call/Put Arrangement has been exercised, Reggeborgh also has the option to require KPN to pay it a fixed amount of EUR 647 million for the remaining 40%.

Asset retirement obligations

KPN currently records a provision for its future obligations to dismantle and remove certain elements of its network, and to restore the sites on which equipment is located. As of 31 March 2013, KPN had recorded a provision of EUR 304 million against such estimated future obligations, mainly related to KPN's remaining towers in Germany as well as in the Netherlands and Belgium.

Defined benefit obligations

In 2009, KPN and the KPN pension funds in the Netherlands reached an agreement regarding maintenance of a 105% coverage ratio of the assets to liabilities of KPN's defined benefit plans in the Netherlands. As a result of this agreement, KPN agreed to make additional payments to its pension funds in the Netherlands up to a maximum of EUR 390 million until 31 December 2013. At the end of each quarter, the coverage ratio is determined. If the ratio is below 105% on that date, a recovery payment of EUR 19 million needs to be paid by KPN to the funds on the first day of the second following quarter. In 2012, KPN made a payment EUR 100 million related to pension recovery payments, of which EUR 19 million was due in the first quarter of 2013 but was prepaid in 2012.

Based on the 31 December 2012 average coverage ratio of 104%, KPN made a payment of EUR 19 million on 1 April 2013 in respect of the fourth quarter of 2012. As of 31 March 2013, the average coverage ratio of KPN's pension funds in the Netherlands was 107%, just above the minimum requirement of 105%, as compared to 104% as of 31 December 2012, 101% as of 31 December 2011. Based on the coverage ratio as of 31 March 2013, no pension recovery payment is required in the third quarter of 2013.

Contractual obligations and commercial commitments

The following table summarizes KPN's contractual obligations and commercial commitments as of 31 March 2013, excluding those contractual obligations as set forth above under "—Liquidity and capital resources—Overview of indebtedness". The information presented in this table reflects management's estimates of the contractual payment streams of KPN's current obligations, which may differ significantly from the actual payments made under these obligations.

	Payments due by period			
	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
		(EUR in millions)		
Capital and purchase commitments(1)	2,099	287	28	2,414
Rental and operational lease contracts(2)	477	988	873	2,338
Guarantees(3)	77	195	61	333
Other	11	—	2	13
Total	**2,664**	**1,470**	**964**	**5,098**

(1) Capital and purchase commitments consist mainly of purchase orders relating to mobile handsets and other equipment and materials.

(2) Rental and operational lease contracts consist of payment obligations for buildings, site rentals, mobile towers and mobile handsets in Germany.

(3) Guarantees consist of financial obligations of subsidiary companies under certain contracts guaranteed by KPN, including certain guarantees provided to Reggefiber.

Outlook and financial framework

In the context of a challenging market environment, KPN has revised its outlook and financial framework in light of:

- The Netherlands expected to stabilize towards 2014;
- A Net Debt to Adjusted EBITDA ratio target of between 2.0-2.5x at the end of 2013;
- Next phase of KPN's German strategy expected to lead to service revenue growth combined with lower EBITDA margin, especially in 2013;
- Capital expenditures in 2013 expected to be below EUR 2.3 billion, and total planned capital expenditures for the period 2013-2015 expected to be below EUR 7 billion. See "Liquidity and capital resources—Capital expenditures and investments" above; and
- On 23 April 2013, KPN announced that it will pay no dividend for the financial years 2013 and 2014. Subject to its operational performance and financial position, KPN expects to resume dividend payments thereafter.

The foregoing expectations are not forecasts or projections, but are merely objectives that result from KPN's pursuit of its strategy. As a result, KPN is not making any estimates or forecasts with respect to revenues, profits or cash flows. The outlook presented above consists of forward-looking statements and is based on data, assumptions and estimates that KPN considers reasonable as of the date of the Prospectus. The underlying data, assumptions and estimates used by KPN in establishing its outlook and financial framework may change as a result of uncertainties related to its economic, financial, competitive or regulatory environment. KPN can provide no assurances that its objectives can be met or its strategy implemented, and the occurrence of certain risks described in the "Risk Factors" in this Prospectus may also have an impact on KPN's activities and its ability to perform in line with its outlook.

Critical accounting policies

KPN's preparation of its financial statements requires its Board of Management to make assumptions, undertake estimates and exercise judgment that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the fiscal period. All assumptions, expectations and forecasts used as a basis for certain estimates within KPN's financial statements represent good-faith assessments of its future performance for which its management believes there is a reasonable basis. Estimates and judgments used in the determination of reported results are continuously evaluated.

Assumptions, estimates and judgments are based on historical experience and on various other factors that the Board of Management believes to be reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions. KPN has discussed the development and selection of these critical accounting policies and estimates with its independent auditors and the following assumptions, estimates and judgments are considered important to understand KPN's financial position. KPN's significant accounting policies are set out in the notes to its consolidated financial statements incorporated by reference.

Deferred tax assets for loss carry forwards

KPN recognizes deferred tax assets for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future cash flows and taxable profits together with future tax planning strategies. Deferred tax assets are recognized only when, according to management estimates, their realization is considered probable.

As of 31 March 2013, KPN's operations in Germany maintained a deferred tax asset of EUR 1,737 million. KPN's ability to use these deferred tax assets, and the carrying value of these assets, are dependent upon having future taxable income in Germany during the periods in which KPN is permitted to use its tax loss carry-forwards. See "Risk Factors—KPN has significant deferred tax assets which may not be recoverable."

Value of cash generating units for goodwill impairment

KPN determines whether goodwill needs to be impaired at least on an annual basis. This requires an estimation of the "value in use" or "fair value less cost to sell" of the cash-generating units to which the goodwill is allocated. Estimating the valuation of these cash-generating units requires management to make an estimate of the expected future cash flows from the cash-generating units, as well as EBITDA margins, capital expenditures and long-term growth, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. KPN takes into account market participants for its fair value less cost to sell valuation.

Tangible asset impairment

When impairment of fixed assets is identified, a value adjustment is recognized and charged to the income statement for the period as depreciation, amortization and impairments. The determination of the need to recognize an impairment loss requires KPN to make estimates and judgments regarding, among other topics, the causes of the possible impairment and the time and the expected amount thereof. Likewise, factors such as technological obsolescence, the suspension of certain services and other changes in circumstances that create the need to assess possible impairment are taken into account.

Depreciation rates for copper and fiber networks

The accounting treatment of investment in property, plant and equipment, in particular the value of KPN's copper and fiber networks, means that estimates must be made to determine their useful lives for the purposes of depreciation or amortization. The determination of useful lives requires estimates regarding expected technological evolution and alternative uses of the assets. Assumptions regarding the technological environment and its future development imply a significant degree of judgment, as the time and the nature of future technological changes are difficult to predict. As of 1 January 2012, the depreciation period for fiber networks was extended from 20 to 30 years, resulting in EUR 40 million lower depreciation in the year ended 31 December 2012 as compared to 2011.

Value of the Reggefiber Call/Put Arrangement

KPN values its Reggefiber Call/Put Arrangement at fair value as a derivative financial instrument of EUR 278 million as of 31 March 2013, which is unchanged from 31 December 2012, which is recorded as a liability on KPN's consolidated balance sheet. The fair value of financial instruments such as the Reggefiber Call/Put Arrangement that are not traded in an active market is determined by using valuation techniques which require KPN to make certain assumptions and judgments regarding the business performance of Reggefiber in terms of the number of homes connected and its price structure, the approval of the ACM for the exercise of both the call and put options, or various other factors including discount rates. Any significant change in these assumptions and judgments would result in revised valuation of this derivative financial instrument, which would be reflected in KPN's consolidated income statement under other financial results. If, for example, Reggefiber's FttH network had experienced a 5% lower expected penetration rate (in terms of the number of homes connected to the network) in 2012, the value of KPN's derivative liability relating to the Call/Put Arrangement, and the resulting charge to the income statement under other financial results, would have been approximately EUR 62 million higher as of and for the year ended 31 December 2012.

Retirement benefit obligations and periodic pension costs

The calculation of provisions for retirement benefit obligations, along with the related net periodic benefit costs for the periods presented, requires KPN to estimate, among other things, expected return on assets, expected salary increases, future benefit levels and appropriate discount rates. Due to the long-term nature of these plans, such estimates are subject to considerable uncertainties and may require adjustments in future periods, which can affect future liabilities and expenses.

Retirement obligations for cables

KPN may be required in the future to remove certain installed cables at the request of individual landlords in the Netherlands, if those cables are determined to have been idle for a continuous period of 10 years. Although KPN currently records a provision for its future obligations to dismantle and remove certain other elements of its network, such as technical buildings, towers, and rooftop equipment. KPN has determined no such provision is appropriate for installed fiber cables, given that the date when such cables may be deemed idle is uncertain. In KPN's judgment, it has not been able to make a reliable estimate of the impact of such obligations, and no provisions have been made in accordance with IFRS.

Recent accounting pronouncements

IAS19R

In June 2011, IAS 19 'Employee benefits' was amended (IAS19R) and became effective on 1 January 2013. The impact on KPN's financial statements will be as follows:

- elimination of the corridor approach, in which actuarial gains and losses for plans with active participants are not reflected on the Consolidated Statement of Income or Consolidated Statement of Financial Position, but instead are amortized over the remaining service years, and recognition of all actuarial gains and losses in Other Comprehensive Income as they occur;
- immediate recognition of all past service costs, and
- replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

The amount of cash contributions to be paid to the pension funds will not be impacted due to the above-mentioned changes in accounting for pensions, nor the investment policies of these funds as these are determined independently of KPN. KPN has no bank or financial covenants which will be impacted by these new accounting policies nor will they have an impact on KPN's ability to meet its financial obligations.

Consolidated balance sheet impact

IAS 19R will be applied in KPN's interim 2013 financial statements, with a restatement of comparative 2012 numbers. As of 1 January 2013, all unrecognized cumulative actuarial losses and past service costs were recognized at once, which reduced equity attributable to equity holders by EUR 1,127 million (net of tax). The comparative restatement impact of IAS19R on KPN's shareholders' equity as of 1 January 2012 would have been a reduction of EUR 657 million (net of tax).

Also from 1 January 2013, under IAS 19R, the pension provision in KPN's consolidated balance sheet is determined by the funded status (defined benefit obligation less the fair value of plan assets) of the pension plans. KPN's pension provision in its consolidated balance sheet therefore increased by EUR 1,380 million and its deferred tax assets increased by EUR 253 million.

In 2012, actuarial losses of EUR 672 million were incurred (totaling EUR 542 million net of tax) which under IAS 19R were recognized immediately in equity attributable to equity holders as of 1 January 2013.

Consolidated income statement impact

Pension costs (excluding net interest cost) in 2012 would have been approximately EUR 111 million lower as a result of the application of IAS 19R, mainly due the elimination of amortization of actuarial gains and losses through the income statement (EUR 91 million) and the replacement of interest cost and expected return on plan assets (a EUR 20 million expense) by a net interest cost amount which will be presented as other financial results. This net interest cost under IAS 19R relating to the pension provision amounted to EUR 36 million in 2012.

In addition to the change in IAS19R, KPN has decided to present the net interest cost related to the pension liability and plan assets as other financial results as of 1 January 2013.

Consolidated impact on other comprehensive income and total comprehensive income

The effect on KPN's other comprehensive income and total comprehensive income in 2012 would have been a decrease of EUR 470 million.

Qualitative and quantitative disclosure about market risk

KPN is exposed to various market risks, including interest rate, credit, liquidity and foreign exchange rate risks associated with KPN's underlying assets, liabilities, forecast transactions and firm commitments. KPN's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial position and performance. KPN's Treasury is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate, credit, liquidity and foreign exchange rate risks.

Furthermore, KPN is exposed to liquidity risks relating to its credit risks and market risks or a weakening of its business or financial market disturbances.

The following sections discuss KPN's significant exposures to market risk. The following discussions do not address other risks that KPN faces in the normal course of business, including country risk and legal risk.

Interest rate risk

KPN manages its net exposure to interest rate risk through the proportion of fixed rate financial debt and variable rate financial debt in its total financial debt portfolio. To manage this mix, KPN may enter into interest rate swap agreements, in which it exchanges periodic payments based on a notional amount and agreed upon fixed and variable interest rates and into forward contracts, in which it exchanges fixed amounts of foreign currency and fixed amounts of Euro.

Financial liabilities issued at floating rates expose KPN to cash-flow interest rate risk, while financial liabilities issued at fixed rates expose KPN to fair value interest rate risk. To manage the exposure to changes in interest rates and to lower the overall costs of financing, KPN generally uses interest rate swaps to exchange the interest rate exposure on a portion of the indebtedness from a floating interest rate to a fixed interest rate or from a fixed interest rate to a floating interest rate, as applicable.

As a result of its combination of its fixed rate indebtedness and its interest rate swaps, KPN had all of its short- and medium term borrowings at fixed interest rates as of 31 March 2013.

Credit risk

Credit risk is the risk of financial loss arising from counterparty's inability to repay or service debt in accordance with the contractual terms. Credit risk includes both the direct risk of default and the risk of a deterioration of creditworthiness, as well as concentration risks. KPN considers that it has a limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (including a large number of retail customers, and a broad range of business customers). The maximum value of KPN's credit risk on these financial assets is equal to their recognized net book value.

KPN considers managing commercial credit risk as crucial to its risk management policy. KPN believes it has appropriate credit policies, procedures and authorization guidelines in place to manage and monitor credit risk.

KPN seeks to minimize credit risk through a preventative credit check process that ensures that all customers requesting new products and services or changes to existing services are reliable and solvent. Credit management is focused on mobile services as the credit risk is considered to be the highest within this part of KPN's business. Before accepting new customers, KPN requests third party credit management reports. In addition, KPN keeps track of the payment performance of customers. If customers fail to meet set criteria, any payment issues have to be solved before a new transaction with this customer will be entered into. KPN also seeks to minimize credit risk by preferring contracts that provide for the use of automatic payment methods with the aim of reducing the underlying credit risk. This control is carried out at the time of customer acceptance through the use of internal and external information.

KPN additionally exercises timely pre- and post-subscriber acquisition measures for the purpose of credit collection such as the following:

- attribution of a rating to new customers through the credit check (to anticipate default payment, different measures may be implemented: deposits or advanced payments can be required to customers, limitation to prepaid offers, etc.);
- encouraging use of direct debit for its customers in the Netherlands;
- sending reminders to customer;
- employing measures for the collection of overdue receivables, separated by strategy, portfolio and customer profiles (penalties, reconnection letter with an option for a new contract, sell overdue receivables to collection agencies etc.); and
- measuring and monitoring debt collection status through KPN's internal reporting tools.

The following table provides the aging analysis of past due trade receivables for the periods presented.

	Three months ended 31 March	Year ended 31 December		
	2013	2012	2011	2010
	(EUR in millions)			
Past due 0 – 30 days	181	156	171	188
Past due 31 – 60 days	40	42	35	49
Past due 61 – 90 days	33	30	39	35
Past due 91 – 180 days	112	125	104	82
Past due 181 – 270 days	13	8	13	20
Past due 271 – 360 days	9	8	8	13
Past due more than one year	33	32	58	27
Total past due trade receivables(1)	**421**	**401**	**428**	**414**

(1) Total past due trade receivables are presented net of provisions. For additional information regarding provisioning at year end, see Note 15 to the 2012 and 2011 consolidated financial statements incorporated by reference herein.

Credit risk relating to cash and cash equivalents, derivative financial instruments and financial deposits and money market funds arises from the risk that the counterparty becomes insolvent and, accordingly, is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency. To mitigate this risk, wherever possible KPN conducts transactions and deposits funds with investment-grade rated financial institutions and monitors and limits the concentration of its transactions with any single party. Where KPN has entered into foreign currency derivatives, all trades have been conducted with KPN Treasury.

Liquidity risk

KPN's liquidity risk arises mostly in connection with cash flows generated and used in financing activities, and particularly by servicing debt, in terms of both interest and capital, and from all of KPN's payment obligations that result from its business activities. KPN's liquidity management policy involves minimizing the available cash on a daily basis, with an annual review of reimbursement capacity within the Group. In general, KPN manages its liquidity risk by monitoring its cash flow and rolling liquidity reserve forecast in order to ensure that its has sufficient committed facilities to meet its liquidity needs.

In addition, part of KPN's derivatives portfolio contains reset clauses at pre-agreed dates, in order to mitigate counterparty exposure during the life of the swap. These reset clauses may result in early Euro settlement obligations in cash with the swap counterparty for part of the outstanding notional amount of the swap. This could lead to significant cash outflows or inflows before maturity, with an impact on KPN's liquidity. In order to mitigate any liquidity risks, the reset clauses of these derivatives are spread over different points in time. The derivatives that have reset clauses had a net liability of EUR 106 million as of 31 March 2013, but this cannot be used as reliable indicator for actual future cash inflows or outflows.

Foreign exchange risk

KPN's financial reporting currency is the Euro. KPN prepares its financial statements, including those of its subsidiaries, in Euro and therefore its consolidated financial statements are not exposed to foreign exchange translation risks. However, KPN is exposed to foreign exchange transaction risks in certain respects.

As KPN operates primarily in the Netherlands, Germany and Belgium, its foreign exchange transaction risks are limited and only arise in relation to KPN's business relationships with suppliers or business partners in countries that use currencies other than the Euro. The primary foreign currencies that KPN uses are the US dollar and pound sterling. In order to limit exchange risks from transactions with suppliers and business partners in countries that use currencies other than the Euro, KPN uses forward contracts to reduce the impact of currency fluctuations on such transactions. In addition, KPN funds its business in part through capital market debt instruments denominated in Euros, pounds sterling and US dollars. KPN uses derivative instruments to hedge the currency risks on these debt instruments.

The contract value of KPN's foreign currency contracts at 31 March 2013, and 31 December 2012, 2011 and 2010 amounted to EUR 82 million, EUR 72 million, EUR 62 million and EUR 44 million, respectively. At the 31 March 2013, and 31 December 2012, 2011 and 2010 derivative financial instrument liability amounted to EUR 283 million, EUR 241 million, EUR 57 million and EUR 234 million, respectively.

BUSINESS OVERVIEW

Overview

KPN is the leading telecommunications and ICT provider in the Netherlands, offering fixed and mobile telephony, fixed and mobile broadband internet and TV to retail customers. KPN is also a market leader in the Netherlands in ICT services, infrastructure and network related ICT solutions to business customers, including other telecommunications operators. In Germany and Belgium, KPN pursues a challenger strategy and offers mobile telephony products and services to retail customers through E-Plus and KPN Group Belgium, respectively. KPN also provides wholesale network services to third parties and operates an IP-based infrastructure for international wholesale customers through iBasis.

KPN markets a large portfolio of quality products to meet the needs of different customer groups that are differentiated by price, product and service. KPN believes this allows customers to select the brand and tariff plans that suits them best. For example, customers in the Netherlands can choose from, among others, KPN's high quality KPN brand, its Hi brand (which is a sub-brand of KPN, focused on the youth segment), its no-frills Telfort brand and its premium XS4ALL brand. In the Netherlands, Germany and Belgium, KPN also offers mobile telephony services online through its Simyo brand, and markets to various distinct communities through its own brands and a variety of MVNOs and branded resellers. BASE is KPN's principal mobile telephony brand in Belgium and Germany. KPN offers business customers a wide range of ICT services, whether they are a locally based small or medium enterprise business or a multinational corporation. KPN offers these services to the Dutch and international business community through the KPN, Telfort and XS4ALL brands. In addition, KPN offers telecommunication infrastructure and wholesale services to MVNOs, branded resellers (mobile) and ISPs (fixed line). Wholesale customers such as JIM mobile, Allo RTL, Aldi-Talk, Albert Heijn and Lebara pay for access to KPN's mobile networks in the Netherlands, Germany and Belgium and Tele2, T-Mobile and Vodafone pay to use its fixed networks in the Netherlands in order to provide services to their customers.

In the Netherlands, KPN operates fixed and mobile networks, and as the incumbent telecommunications provider is the only operator of fixed copper infrastructure with nationwide coverage in the Netherlands. KPN is also deploying in the Netherlands an FttH network through its joint venture, Reggefiber, and an FttO network, which it owns and operates directly, to further strengthen its fixed network strategy and support its retail and business offerings. In addition, KPN recently acquired 15 blocks of frequency licenses in the 800MHz, 900MHz, 1800MHz, 2.1GHz and 2.6GHz bands for a total of 120MHz of frequency licenses for 17 years in the spectrum auction in the Netherlands. This spectrum package enables KPN to continue its existing 2G and 3G services, and introduce new services, such as 4G, which is intended to support its market leading position in the Dutch market.

As of 31 March 2013, KPN served 37.1 million mobile customers and had 3.8 million fixed line voice connections, 2.9 million broadband internet connections and 1.8 million TV connections. With 24,647 full time employees working for the Group as of 31 March 2013, KPN reported full-year revenues and other income of EUR 12,708 million and EBITDA of EUR 4,528 million for the year ended 31 December 2012, and revenues and other income of EUR 2,911 million and EBITDA of EUR 994 million for the three months ended 31 March 2013.

Competitive strengths

KPN believes that it has a number of key strengths that position it favorably in the European telecom landscape. They include:

Operating in some of the strongest regions in Europe from a macroeconomic perspective

In the three months ended 31 March 2013, KPN earned 92% of its revenues and 100% of its EBITDA, compared to 92% of KPN's revenues and substantially all of its EBITDA in 2012, from its operations in the Netherlands where it is the incumbent telecom operator; Germany, where it is the third largest mobile operator by subscribers; and Belgium, where it is the third largest mobile operator by subscribers. In Germany, KPN also is the market leader in regions such as North Rhine-Westphalia and Berlin which, together with the Netherlands and Belgium, are among the strongest regions in Europe, from a macroeconomic perspective.

The comparative economic strength of the regions in which KPN operates is illustrated by 2012 GDP per capita figures of USD 45,942 in the Netherlands, USD 41,168 in Germany and USD 43,175 in Belgium. These are 26%, 13% and 18%, respectively, above the Euro area average of USD 36,348 in the same year (*Source: IMF estimates*). KPN believes high per capita incomes both underpin the absolute level of demand for telecoms services and also result in consumer demand for these services being less sensitive to volatility in economic conditions when compared to other Euro areas. The markets for KPN's services are also supported by relatively low unemployment rates of 6.0% in the Netherlands, 5.3% in Germany and 7.4% in Belgium, which are well below the Euro area average of 11.9% (*Source: Eurostat January 2013*).

The comparatively favorable economic performance of the Netherlands and Germany and the medium term prospects for these economies are supported by relatively healthy public finances. The Netherlands had a debt-to-GDP ratio of 68% in the second quarter of 2012, as compared to a Euro area average of 90%. Germany's debt to GDP ratio at 83% in the same period was also below the regional average and is on a stable trajectory given a relatively low public sector deficit and continued economic resilience (*Source: Eurostat October 2012*). Both countries have an AAA credit rating.

Integrated network telecommunications provider with a leading position in the domestic Dutch telecoms market

KPN operates as the incumbent integrated telecoms provider in the Netherlands, with a long-term leading position in both the fixed line and mobile segments of the market. As of 31 March 2013, based on data provided by Telecompaper, KPN estimates its mobile market share in the Netherlands was approximately 45% by service revenues in its combined retail and business mobile markets, approximately 41% by number of subscribers in the fixed-line broadband internet market and approximately 24% by number of subscribers in the TV market.

KPN is increasing its efforts to invest in its businesses to reinforce its market leadership position. In the fixed-line business KPN has seen a turnaround in its broadband internet customer base, with positive net adds in the fourth quarter of 2012 for the first time since 2005. It has also seen strong growth in share in TV market share, up 8% from 16% as of 31 March 2011), driven primarily by strong organic growth and the acquisition of five fiber service providers and an active network operator from Reggeborgh and Reggefiber in 2012.

KPN believes that its ability to maintain a leading position in the Dutch telecoms market, in the face of competitive pressure, reflects the underlying strength of its customer proposition and the strength of its multiple well-respected brands (including KPN, Hi, Telfort, XS4ALL and Simyo) which cater to a broad set of market segments.

KPN's focus on customer service has translated into improving overall customer satisfaction in the Netherlands as evidenced by surveys prepared for KPN by external research providers showing a good performance and upward trajectory on customer satisfaction metrics such as Net Promoter Scores.

Successful challenger strategy that has enabled strong growth and profitability in the German and Belgian mobile businesses

KPN has successfully employed a challenger strategy in the German and Belgian mobile markets to achieve a significant increase in market share over the last decade. Revenues of E-Plus in Germany increased at a CAGR of 1.6% from 2007 to 2012, from EUR 2,933 million to EUR 3,173 million. EBITDA in Germany increased from EUR 1,113 million in 2007 to EUR 1,290 million in 2012. In Belgium, revenues grew at a CAGR of 5.5% from 2007 to 2012, from EUR 587 million to EUR 768 million. EBITDA in Belgium increased from EUR 230 million in 2007 to EUR 272 million in 2012.

KPN has developed a solid market share position as the number three player in both the German and the Belgian mobile market (by number of subscribers), serving a combined total of over 27 million customers in these regions as of 31 March 2013.

A central part of the challenger strategy has been KPN's focus on segments of the market where it sees the strongest opportunities to differentiate itself from its competitors. This has involved targeting particular geographic regions and market segments through the use of a multi-brand strategy to develop marketing propositions targeted for particular groups. Within its target segments, KPN believes that it often holds a leading position. For instance, KPN believes that it holds the largest share in the prepaid segment across Germany and that it is the leading provider in the postpaid market in several regions, such as Berlin and Cologne in Germany and Brussels in Belgium.

KPN's challenger strategy has also focused on maintaining cost discipline, including concentrating on segments of the market where opportunities for deploying marketing spend and capital expenditure have appeared to be less costly than in other regions or market segments. This has helped to deliver attractive margins historically.

High quality network infrastructure, well positioned to serve evolving market needs

KPN has a strong network infrastructure and has plans to further develop its networks to be among the best placed players to meet the growing demand for data services.

In the Netherlands, KPN believes it already has the most balanced spectrum allocation and the highest quality mobile infrastructure. KPN's positioning in this respect has been enhanced by the acquisition of spectrum in the Dutch spectrum auction in December 2012. KPN intends to consolidate its leadership position further by being the first in the market to deploy a 4G network to handle higher data capacity and speeds. KPN has already begun the roll-out of its 4G network, which is expected to cover 50% of the Dutch population by mid 2013 and to provide nationwide coverage in the second half of 2014.

Within the Dutch broadband internet market, KPN is in the process of upgrading its copper network and deploying a fiber optic network (FttH), through its joint venture with Reggefiber. At 31 March 2013, KPN's co-owned FttH network covered approximately 19% of Dutch households and, in combination with its upgraded VDSL network, gave approximately 70% of Dutch households the ability to receive broadband internet access with speed of at least 40Mbps. KPN believes that the improved quality of the broadband internet network will allow it to become a stronger player in areas such as TV where it is currently the number two player in the Dutch market, and where it has significantly increased its market share over the last three years.

In Germany and Belgium, KPN is also investing significantly in its network to support the next phase of development of its mobile business. It is continuing to expand its HSPA+ network in Germany and plans to start its roll out of 4G in Belgium by the end of 2013, with the aim to have 4G available to the majority of the population in Belgium by the end of 2014. KPN believes that this will underpin its strategy of growing revenues in data and expanding its presence in regions within these markets where KPN has lower market share.

Positioned to benefit from the roll-out of new service propositions

KPN is continuing to adjust its customer offerings and believes it is well positioned to create service propositions that will take advantage of key trends in the market.

In the Dutch market, as the only player owning both fixed-line and mobile networks, KPN believes that it is uniquely positioned to benefit from the trend towards fixed-mobile convergence, whereby a single provider offers multiple services in a package allowing cross-selling of services to the existing customer base. In January 2013, KPN introduced "KPN Compleet", a first step towards offering quadruple-play products combining mobile, fixed-line, broadband internet and TV for its customers in the Netherlands. KPN believes customers acquiring multiple services in a single package tend to have lower churn, and KPN expects its planned roll-out of quadruple-play services will positively impact its customer retention cost.

In addition, the roll-out of KPN's FttH network will allow it to offer differentiated internet and TV services. These are expected to increasingly take advantage of superior features of the FttH network (as compared to cable) including its ability to handle simultaneous uploading and downloading and to support greater interactivity, as well as its ability to support high data transfer speeds even when the overall level of local data traffic in a neighborhood is at its peak.

In mobile operations, in the Netherlands and internationally, the development of 4G networks will allow KPN to offer more competitive data services. In addition, KPN will continue to develop its multi-brand strategy by offering new and improved overall customer propositions tailored for individual customer segments.

Experienced management team

KPN's management has considerable expertise in the telecommunications sector, including extensive experience developed within KPN itself.

KPN believes that the experience of its management has enabled it to develop products and services that have broad customer appeal, while managing its operations with a strong focus on cost discipline and profitability.

KPN's CEO, Eelco Blok has 30 years of experience at KPN or its predecessor companies, having joined in 1983. He has served on the Board of Management for a total of seven years and has had roles within many of its individual business units prior to becoming CEO. At various points he has held responsibility for the Fixed division, for the Business Market, Wholesale & Operations and Getronics division, and for Mobile International and iBasis.

KPN's CFO, Eric Hageman, has more than eight years of experience in executive finance positions and group management positions. He is a member of the Board of Management, formerly acted as CFO of Mobile International, has been the CEO of KPN Group Belgium, and has played an important role in the development of the Group's strategic plan. He joined KPN in 2005.

Thorsten Dirks, CEO of KPN Mobile International, is a member of the Board of Management. He has worked in the telecom industry since graduating from university and has extensive sector expertise including 17 years of experience at E-Plus. He was appointed a member of the Board of Management of E-Plus in 2001, becoming Chairman in 2007, and has served as CEO of KPN Mobile International since 2011.

Joost Farwerck, Managing Director Netherlands, is also a member of the Board of Management. He has over 18 years of experience at KPN, including managing the Wholesale division and heading Network Operations.

Strategy

KPN's strategy is based on three fundamental elements:

Strengthening KPN's leading market positions in the Netherlands by further transforming it into an integrated access provider

KPN intends to reinforce its position in the Dutch market by offering a full range of fixed and mobile services that deliver the best connectivity to its customers, independent of location and device, in the most intuitive and customer-friendly way. KPN's strategy is to develop high-value fixed and mobile offerings, including through bundled pricing packages, which it believes will provide enhanced choice and convenience for retail and business customers, thereby improving customer loyalty, reducing churn and limiting margin erosion.

In its Consumer Mobile segment, KPN aims to maintain its leading market position. It is the first operator in the Netherlands to have launched 4G services. 4G enables it to offer fast connectivity for mobile data services. KPN seeks to offer differentiated propositions to its customers, and has started the roll-out of its "KPN Compleet" package as a first step to providing a fully integrated quadruple-play offering, involving a converged package of mobile, fixed line, broadband internet and TV services.

In its Consumer Residential segment, KPN's goal is to achieve an appropriate balance between profitability and market share. KPN believes that it has made significant progress in improving its TV and content proposition, and aims to continue to expand its product portfolio and packages with innovative, value-added services, in particular through enhanced TV functionality, improved user interfaces, interactivity, connectivity through multiple devices and better content. KPN will also continue to implement a regional approach to sales and marketing, as it seeks to improve its delivery and customer support. The Consumer Residential segment has also started the roll-out of its "KPN Compleet" package, as described above.

In KPN's Business segment, its goal is to maintain its market leadership. It intends to further develop and simplify its integrated offerings, combining high quality fixed and mobile access services with value-added services for businesses such as workspace services (i.e., services to assist customers to work at any location), cloud services and online backup services. KPN will also continue to develop specific products and services for key sectors such as healthcare, local government, financial services and education. KPN will also continue to develop its challenger brands such as Telfort, which target specific segments within the business market.

KPN has invested heavily in its network infrastructure in the Netherlands, and plans to continue to do so, in order to offer the best products and services to its customers. KPN is continuously improving the speed and quality of its fixed and mobile networks. For example, it has ongoing programs to increase the broadband internet speeds of its fixed access lines. At 31 March 2013, KPN offered approximately 70% of Dutch households broadband internet access with speed of at least 40Mbps. KPN will continue to invest in next generation access networks, as it believes that they are core assets to sustain market leadership in the future. In fixed line services, KPN plans to continue with upgrades of its copper network and expects to expand its FttH footprint through its Reggefiber joint venture; in mobile, KPN started the roll-out of the next generation 4G mobile technology across the Netherlands in January 2013, and expects to have covered approximately 50% of the Dutch population by mid-2013 and to offer nationwide coverage in the second half of 2014.

KPN will remain focused on providing best in class customer service. It is seeking to improve customer satisfaction metrics (e.g., Net Promoter Scores) in order to drive loyalty and reduce churn of the existing customer base. As it rolls-out its converged offerings, KPN believes that integrating client management and other customer service elements across all elements of the offerings will increase customer convenience and lead to higher customer satisfaction.

Growing in Germany and Belgium by executing on the next phase of KPN's challenger strategy

KPN believes that it has considerable opportunities to grow its German and Belgian operations. At the core of its strategy in these markets is the accelerated roll-out of mobile broadband internet services, with a continued focus on investing in mobile broadband backhaul and HSPA+ network roll-out as a priority in Germany. In addition, KPN will start to roll out 4G in Belgium by the end of 2013, with the aim to have 4G available to the majority of the population in Belgium by the end of in 2014, and also expects to begin deploying 4G in Germany in either 2013 or 2014 in line with customer demand.

In Germany, KPN's data-centric challenger strategy is built around the following: increasing the revenues generated by mobile data by fostering data usage enabled by investments in network quality; expanding its position in the postpaid market where it believes there will be a greater demand for mobile data than in the prepaid market; expanding in those German regions where it believes it has lower market share; increasing its addressable market by expanding the relevance of its brands to a greater number of customer segments in the market; and further investing in online sales channels across all its brands.

In Belgium, KPN positions itself as a mobile-centric challenger, complementing its mobile offering with fixed services. It will seek to differentiate its mobile data services on speed by accelerating the roll-out of high-speed dual carrier HSPA+ and 4G, and on content by increased tariff options and content services, such as Spotify. In addition, KPN seeks to expand its mobile services in those Belgian regions where it believes it has low market share. KPN will also challenge the fixed-line telecommunications market where it sees opportunity to provide fixed-mobile services.

Simplifying its organizational structure and product and brand portfolio to further optimize its cost structure

As KPN seeks to become a fully integrated access provider in the Netherlands, it will aim to progress its implementation of a lean operating model. Its focus is not only on simplifying its organizational structure and processes, but also on developing a clear portfolio of services offered to its retail and business customers.

In its German and Belgian businesses, KPN plans to continue to develop its lean and low cost operating model. Across all its segments, KPN is seeking to optimize its brand portfolio, and simplify its service portfolio, processes and organizational structure. KPN also intends to increase its use of online sales channels and to optimize its network and IT cost structures through enhanced outsourcing partnerships with leading vendors.

History

KPN traces its history back to 1852 when the Dutch government began constructing and operating telegraph lines. Koninklijke PTT Nederland N.V. (**PTT**) was formed after combining postal services in 1886 and telephone service in 1897, and remained government operated until its privatization in 1989.

In 1998, PTT's postal, logistics, and express mail services were separated from its telecommunications activities. The separation and sale of PTT's mail, express and logistics business operations to TNT Post Group was completed in 1998, and PTT's name was changed to Koninklijke KPN N.V.

Since 1990, KPN has increased its role as an ISP in the Netherlands, including with the acquisition of XS4ALL in 1998, making it the country's largest ISP. KPN also acquired E-Plus and KPN Group Belgium, mobile network operators in Germany and Belgium in 2000 and 2002, respectively. KPN purchased Telfort, a Dutch mobile network operator in 2005, Nozema, a Dutch broadcast services company, in 2006, and Tiscali, SpA's Dutch operations in 2007. Also in 2007, KPN acquired Tele2/Versatel, a Belgian voice, broadband internet and data service provider, and Getronics, a worldwide ICT services company based in the Netherlands. In addition, between 2007 and 2009 KPN purchased iBasis, a provider of wholesale international IP telephony services. In 2010, KPN acquired the remaining shares in Ortel Mobile, after making an initial investment in 2008.

In 2008, KPN invested in a 41% stake in the Reggefiber joint venture, which specializes in construction and operation of FttH networks. In 2012, KPN increased its stake in Reggefiber to 51% to strengthen its commitment to FttH and also acquired five fiber service providers and an active network operator from Reggeborgh and Reggefiber.

KPN's Chief Executive Officer, Eelco Blok, was appointed in April 2011. In November 2011, Thorsten Dirks was appointed to the Board of Management, and is also Chairman of the Board of Management of E-Plus. Eric Hageman was appointed Chief Financial Officer for KPN in September 2012 after acting as interim Chief Financial Officer since January 2012. On 8 February 2013, the Supervisory Board announced its intention to appoint Joost Farwerck to KPN's Board of Management and he was appointed at the annual General Meeting on 10 April 2013.

In connection with KPN's strategy of focusing on its core markets and brands, KPN announced the divestment of KPN France in 2011 and KPN Spain in 2012. This eliminated its Rest of World mobile segment and, along with its sale of Getronics International in May 2012, enabled KPN to focus on its core markets.

In June 2012, América Móvil increased its share ownership in KPN, which is now approximately 29.52%. Its stated reason for this was to diversify geographically with its first significant investment in the European market. See "Major Shareholders and Related Party Transactions". In addition, in February 2013, América Móvil signed a shareholder commitment letter (the **Shareholder Commitment Letter**) and relationship agreement setting out the long-term relationship between KPN and América Móvil and in which América Móvil agreed to support the Rights Offering. América Móvil's vote in favor of the Rights Offering was subject to, among other things, the appointment of two individuals (Carlos José García Moreno Elizondo and Oscar Von Hauske Solís), designated by América Móvil, to KPN's Supervisory Board at the Annual General Meeting on 10 April 2013. See "General Information—Material contracts—Shareholder Commitment Letter and relationship agreement".

Operations

KPN historically divided its business into two groups: The Netherlands and Mobile International. On 1 January 2012, KPN implemented a new structure, which included splitting its previous Consumer segment within The Netherlands into two new segments, Consumer Mobile (mobile telephony and mobile internet) and Consumer Residential (broadband internet, TV and fixed telephony) and moving iBasis out of The Netherlands segment. In addition, KPN combined the Dutch IT Operations (IT NL) and Wholesale & Operations segments into the NetCo segment and split the activities associated with Telfort (which were previously included in the Consumer segment) among Consumer Mobile, Consumer Residential and Business.

As a result, KPN currently divides its business operations into The Netherlands, Mobile International and iBasis. The Netherlands comprises the Consumer Residential, Consumer Mobile, Business, NetCo and Corporate Market segments. Mobile International is divided between the Germany and Belgium segments.

The Netherlands

Consumer Mobile

Consumer Mobile provides retail and wholesale customers in the Netherlands mobile telecommunications services, offering postpaid and prepaid products targeted at multiple market segments through multiple brands. KPN supports its Consumer Mobile offering with its high quality mobile network. KPN's 4G proposition became commercially available from 4 February 2013, making it the first provider of 4G in the Netherlands.

As of 31 March 2013, KPN served approximately 7.4 million mobile services customers (3.5 million postpaid and 3.9 prepaid), of whom 5.3 million were KPN's direct customers and 2.1 million were customers who had access to KPN's network via its mobile wholesale partners and other distributors targeting various market segments.

In order to continue to develop its high-quality mobile network, KPN has begun to roll out its 4G network through KPN's NetCo segment. 4G provides significantly higher speeds that are up to ten times higher than are currently available on a 2G network based on GSM and a 3G network based on UMTS/HSPA+ technology. In the fourth quarter of 2012, KPN participated in the spectrum auction in the Netherlands to acquire 15 blocks of frequency licenses in the 800MHz, 900MHz, 1800MHz, 2.1GHz and 2.6GHz bands, for a total of 120MHz, which enables KPN to continue its existing 2G and 3G services, and introduce new services, such as 4G. See "—Infrastructure & Network—Mobile Infrastructure—The Netherlands". As a result of this auction, KPN paid EUR 1,352 million in January 2013.

For the three months ended 31 March 2013, Consumer Mobile generated EUR 393 million in revenue and other income, or 13.5% of total Group revenue and other income, and EUR 141 million of EBITDA, or 14.2% of total Group EBITDA, and, for the year ended 31 December 2012, EUR 1,707 million in revenue and other income, or 13.4% of total Group revenue and other income, and EUR 510 million of EBITDA, or 11.3% of total Group EBITDA.

The table below summarizes Consumer Mobile's change in certain of its key operating metrics, including: service revenues, wireless retail and wholesale customers and ARPU wireless blended during the period under review.

	For the three months ended and as of 31 March		For the year ended and as of 31 December		
	2013	2012	2012	2011	2010
			(unaudited)		
Service revenues (EUR million)[1]	368	388	1,556	1,726	1,984
Period-on-period change (%)	(4.9)		(9.8)	(13.0)	
Wireless retail customers (thousands)[2]	5,261	5,346	5,177	5,450	5,599
Period-on-period (%)	(1.6)		(5.1)	(2.7)	
Wireless wholesale customers (thousands)[3]	2,148	2,237	2,402	2,213	2,434
Period-on-period (%)	(4.0)		8.5	(9.1)	
ARPU wireless blended (EUR)[4]	17	17	17	19	20
Period-on-period (%)	—		(10.5)	(5.0)	

(1) Service revenues for the Consumer Mobile segment include retail and wholesale subscription fees from voice, SMS/MMS and mobile data, handset lease and insurance; revenues from incoming voice, SMS/MMS and mobile data; revenues from outgoing voice, SMS/MMS and mobile data; and revenues from roaming and net content, minus service discounts for the specified period. As of 1 January 2012, Telfort Zakelijk moved from Consumer Mobile retail to Business mobile. 2011 service revenues for Consumer Mobile has been adjusted for the impact of these moves, which resulted in a decrease of EUR 51 million. 2010 service revenues for Consumer Mobile has not been restated for these moves.

(2) Wireless retail customers for the Consumer Mobile segment is the total number of subscribers (postpaid and prepaid) other than those of wholesale customers connected to KPN's mobile network as of the end of the specified period. As of 1 January 2012, Simyo moved from Consumer Mobile wholesale to Consumer Mobile retail and Telfort Zakelijk moved from Consumer Mobile retail to Business mobile. 2011 wireless retail subscribers for Consumer Mobile has been adjusted for the impact of these moves, which resulted in an increase in approximately 116 thousand customers. 2010 wireless retail subscribers for Consumer Mobile has not been restated for these moves.

(3) Wireless wholesale customers for the Consumer Mobile segment is the total number of subscribers (postpaid and prepaid) based on the number of activated SIM cards purchased by KPN's wholesale customers, with the exception of full MVNOs (wholesale customers that have their own IT systems as well as certain other network elements), as of the end of the specified period. As of 1 January 2012, Simyo moved from Consumer Mobile wholesale to Consumer Mobile retail. 2011 wireless wholesale customers for Consumer Mobile has been adjusted for the impact of these moves, which resulted in a decrease of approximately 265 thousand customers. 2010 wireless wholesale customers for Consumer Mobile has not been restated for these moves.

(4) ARPU wireless blended for the Consumer Mobile segment is the average service revenues per month per subscriber. ARPU wireless blended for the Consumer Mobile segment is calculated as the service revenues for the specified period divided by the sum of the month-end average subscriber base (postpaid and prepaid retail and wholesale end-user subscribers) for months of that period. As of 1 January 2012, Telfort Zakelijk moved from Consumer Mobile retail to Business Mobile. 2011 ARPU for Consumer Mobile has been adjusted for the impact of these moves, which resulted in a decrease of EUR 1. 2010 ARPU has not been restated for these moves.

Products and services

Consumer Mobile provides mobile data, voice and SMS services throughout the Netherlands on a postpaid basis, in which customers are generally billed monthly according to their use of services and portfolio in the prior month, and on a prepaid basis, in which customers purchase credit for use of services in advance. KPN's customers can choose between a large variety of tariff plans providing for different base fees and prices per service unit, in addition to different flat fee and capped packages for mobile data, voice, SMS and value added services. For example, in response to the rise in mobile data usage and the increasing use of messaging applications, KPN introduced new mobile subscriptions offering a combination of voice minutes, SMS and mobile data with speeds of up to 14.4Mbps, each combination differentiated by volume, data speed and access to its Wi-Fi hotspots. Consumer Mobile also provides data usage applications for the KPN and Hi brands that enable customers to monitor their data usage.

In January 2013, KPN introduced "KPN Compleet", a first step towards offering quadruple-play services. KPN's existing triple-play and mobile customers, with subscriptions that started before 1 January 2013, can benefit from certain value added services, such as 45 additional TV channels, free unlimited calls between the family members and doubling of voice, SMS and data allowances within a mobile subscription. As a next step towards fixed-mobile convergence, KPN intends to make "KPN Compleet" accessible for all its fixed and mobile customers in the Netherlands. As a further step, KPN plans to introduce a fully integrated quadruple-play offering, with integrated client management system and customer service.

KPN offers customers different options to acquire mobile handsets, as it believes handset choice is a key factor in mobile operator selection. KPN provides customers the choice of leasing the handset or purchasing the handset from KPN or a third party.

In addition, KPN has introduced a variety of customer service initiatives to increase customer satisfaction and reduce churn. These initiatives include providing mobile application billing, value added services including content such as Spotify, online self-service and increasing the number of multi-brand stores and XL stores, which offer KPN brand products and provide enhanced customer service. KPN also provides service desks open 24-hours-a-day, 7-days-a-week.

Market environment and competition

KPN operates in a challenging environment in the mobile telecommunications market in the Netherlands. Increased competition on the basis of both price and quality from traditional competitors, together with regulatory obligations to reduce MTRs and roaming charges, changing customer behavior as well as a slow macro-economy, have contributed to the overall decline in service revenues and ARPU, and these declines are expected to continue. The market is highly competitive and changing, with increasing customer preference for mobile data access over traditional voice and SMS as a result of new technologies maturing and the introduction of new OTT applications, which allow users to substitute mobile data for traditional voice and SMS communications.

KPN's two main competitors in the mobile telecommunications market in the Netherlands are Vodafone and T-Mobile, both of which also bought spectrum in the recent spectrum auction in the Netherlands. Along with KPN, Vodafone purchased spectrum in the 800MHz band, which is the preferred frequency in terms of coverage to provide 4G services. T-Mobile can also provide 4G service through its 1800MHz frequency, and therefore may emerge as a competitor in 4G service as well. Tele2, which provides telephony (including mobile as an MVNO), TV and broadband internet to the Dutch market, also bought spectrum in the 800MHz band capable of 4G use and is expected to become the fourth mobile network operator sometime in the foreseeable future. Cable operators, such as UPC and Ziggo, may also seek to develop converged mobile propositions that make use of their own infrastructure in and around homes, offices and public hotspots, complemented by a third party radio access network at other locations in the Netherlands.

Based on data provided by Telecompaper, KPN estimates that its mobile market share (by service revenue, which includes revenues from retail, wholesale and business customers) in the Netherlands was approximately 46% for the year ended 31 December 2011, approximately 45% for the year ended 31 December 2012 and approximately 45% for the three months ended 31 March 2013.

Strategy

Taking into consideration the market environment and its focus on achieving the right balance between profitability and market share, KPN's long term strategic objective is a minimum total mobile market share in the Netherlands of approximately 40%.

Specifically, KPN is focused on:

- *Integrated Mobile and Fixed Services*: KPN believes that it has the opportunity to distinguish itself from the competition and improve its customer experience by combining its high quality mobile infrastructure with its nationwide fixed network in the Netherlands. As a first step towards offering quadruple-play services, KPN has begun to introduce "KPN Compleet" to certain fixed line and mobile customers and as a further step plans to introduce a fully integrated quadruple-play offering. KPN believes an integrated mobile and fixed services offering will improve its customer experience and enable it to cross-sell and up-sell bundled mobile and fixed services, while also reducing churn.
- *4G Leadership*: KPN launched its 4G proposition on 4 February 2013, making it the first to offer 4G in the Netherlands. KPN aims to offer 4G to approximately 50% of the Dutch population by mid-2013 and to provide nationwide coverage in the second half of 2014. 4G improves the customer experience by providing

significantly higher speeds and better indoor coverage than 3G. KPN believes that 4G will further contribute to a better customer experience and the integration of a high quality mobile network with its nationwide fixed network. It also will seek to up-sell customers to higher data bundles via its 4G proposition.

- *Improved Customer Service*: KPN is committed to improving customer service by providing high quality products and services, including by expanding the number of XL stores, which offer KPN brand products and providing enhanced customer service, along with call centers that include specialist agents to increase customer satisfaction and have service desks open 24-hours-a-day, 7-days-a-week.
- *Strong Sales Channels*: KPN will continue to leverage its sales channels by strengthening its retail distribution footprint, focusing on online sales for KPN, Hi, Telfort and Simyo, as well as alternative distribution channels such as social media, and by increasing the value its channels provide, such as by offering customers alternative financing options for mobile handsets. KPN believes its high network quality and multiple brands, combined with a retail and online distribution network aimed at different customer segments, should continue to reduce churn and drive customer acquisition.

Marketing and sales

KPN markets its mobile communication services in the Netherlands under four principal brands: its high quality brand (KPN), its youth brand (Hi), its no frills brand (Telfort) and online through Simyo. The KPN brand covers the middle and high end of the market, particularly for families, with a variety of tariff plans. The Hi brand, a sub-brand of KPN, focuses on younger customers by providing packages for mobile data usage and by using alternative communication media, such as Hi Society, which is Hi's social networking site, used to market the Hi brand to younger customers. The Telfort brand focuses on value for individual and small business customers, offering different tariff packages and free calls after 10 minutes. Simyo, KPN's online brand, provides SIM cards for mobile phones online, with and without subscription.

KPN markets mobile data, voice and SMS services to customers on a prepaid and postpaid basis through each of its brands. KPN primarily markets its prepaid mobile data, voice and SMS under its Telfort and Simyo brands, and its postpaid mobile data, voice and SMS under its KPN and Hi brands.

KPN carries out various general and customized marketing campaigns for its Consumer Mobile segment. Advertising is conducted in all core media in the Netherlands. Regional marketing activities such as outdoor advertising and local promotional events are tailored to the local target groups and competitive situation. The roll-out of KPN's 4G network is accompanied by national and regional product campaigns through all communication channels, such as TV, billboard and print media advertising, which focus on 4G capable smartphones, tablets and high-speed mobile data transmission on KPN's 4G network. Significant marketing activity is also focused on KPN's existing customer base to increase customer satisfaction and reduce churn.

KPN offers its retail products in its branded KPN, Hi, Telfort and XL stores and through alternative and online distribution channels. As of 31 March 2013, KPN operated 112 KPN brand, 73 Hi brand and 52 Telfort brand mobile telecommunication stores in the Netherlands. KPN increased its direct sales and service by expanding the number of its stores in the Netherlands from 239 as of 31 December 2011 to 262 as of 31 March 2013. KPN has increased the number of its stores in the Netherlands to reduce dependence on dealers and increase the profitability of its retail sales channels. This expansion includes new formats for stores such as multi-brand stores and XL, which offer KPN brand products and provide enhanced customer service. Additionally, call centers include specialist agents to increase customer satisfaction and have service desks open 24-hours-a-day, 7-days-a-week.

KPN also sells its mobile offerings through various online websites for each brand. KPN uses various methods to drive online traffic towards its online portal, including via social media applications such as Facebook, search-engine marketing and through affiliates.

Consumer Residential

Consumer Residential provides a broad range of communication and information products and services to retail customers in the Netherlands, including fixed-line telephony, broadband internet and TV. KPN offers fixed-line telephony, broadband internet and TV on a stand-alone basis and multiplay/triple-play packages, which include all three products. In 2012, KPN strengthened its commitment to FttH (which allows improved transmission and bandwidth as compared to existing VDSL and DSL technologies based on KPN's copper network) in the Netherlands by increasing its ownership in Reggefiber. KPN also acquired five fiber service providers and an active network operator from Reggeborgh and Reggefiber in 2012 to increase its presence in the Dutch FttH market. In addition to its improved FttH offering, KPN continues to invest in improving its existing copper network through new technologies, such as pair bonding and vectoring, which significantly increase the available broadband internet bandwidth on copper networks. See "—Infrastructure & Network—Fixed Infrastructure (the Netherlands)—Copper" and "—FttH".

For the three months ended 31 March 2013, Consumer Residential generated EUR 501 million in revenue and other income, or 17.2% of total Group revenue and other income, and EUR 93 million of EBITDA, or 9.4% of total Group EBITDA, and, for the year ended 31 December 2012, EUR 1,852 million in revenue and other income, or 14.6% of total Group revenue and other income, and 367 million of EBITDA, or 8.1% of total Group EBITDA.

The table below summarizes Consumer Residential's change in certain of its key operating metrics, including: voice customers, broadband internet customers, TV customers, FttH activated and total ARPU per customer.

	For the three months ended and as of 31 March		For the year ended and as of 31 December		
	2013	2012	2012	2011	2010
			(unaudited)		
Voice customers (thousands)(1)	2,753	2,688	2,752	2,761	2,991
Period-on-period (%)	2.4		(0.3)	(7.7)	
Broadband internet customers (thousands)(2)	2,712	2,516	2,697	2,538	2,576
Period-on-period (%)	7.8		6.3	(1.5)	
TV customers (thousands)(3)	1,845	1,453	1,766	1,400	1,197
Period-on-period (%)	27.0		26.1	17.0	
FttH activated (thousands)(4)	399	125	368	102	41
Period-on-period (%)	219.2		260.8	148.8	
ARPU per customer (EUR)(5)	42	39	40	39	38
Period-on-period (%)	7.7		2.6	2.6	

(1) Voice customers for the Consumer Residential segment is the total number of traditional voice subscribers (PSTN/ISDN) and VoIP subscribers (copper and fiber) across all brands within the Consumer Residential segment in the Netherlands, excluding the Business segment's small office and home office customers, as of the end of the specified period.

(2) Broadband internet customers for the Consumer Residential segment is the total number of subscribers with an activated broadband internet (copper and fiber) connection within the Consumer Residential segment in the Netherlands, excluding the Business segment's small office and home office customers, as of the end of the specified period.

(3) TV customers for the Consumer Residential segment is the total number of subscribers with active subscriptions for KPN's TV services within the Consumer Residential segment in the Netherlands, including interactive, digital and analogue over copper or fiber as of the end of the specified period.

(4) FttH activated for the Consumer Residential segment is the total number of activated fiber subscribers across brands within the Consumer Residential segment in the Netherlands as of the end of the specified period.

(5) ARPU per customer for the Consumer Residential segment is the total service revenues of all products, including fixed line telephony, broadband internet and TV, divided by total average number of subscribers, based on total number of access lines, across brands within the Consumer Residential segment in the Netherlands for the specified period.

Products and services

Consumer Residential provides fixed-line telephony, broadband internet and TV services to retail customers throughout its network area, which covers all regions of the Netherlands and reaches approximately 7.4 million households as of 31 March 2013.

Consumer Residential provides fixed-line telephony and broadband internet access services over analogue lines (PSTN), digital lines (ISDN) and IP-based connections (VoIP), as well as over its co-owned FttH network. KPN offers a large variety of tariff plans for its products from basic to premium. In addition, KPN has recently partnered with Fon, a global Wi-Fi network, to provide its customers with access to Fon's Wi-Fi network by sharing a portion of their own home bandwidth in exchange for free access on shared broadband connections of other KPN broadband customers in the Netherlands and Fon customers in other countries.

KPN offers TV on a stand-alone basis via KPN Digitenne and in multiplay/triple-play packages that include interactive (IPTV), digital TV, or analogue TV through service providers purchased from Reggeborgh in 2012, as well as fixed-line telephony and broadband internet. Fixed-line telephony is also sold on a standalone basis. As a first step towards offering quadruple-play services, KPN is rolling out "KPN Compleet" to certain fixed and mobile customers and as a further step plans to introduce a fully integrated quadruple-play offering for all customers. KPN had more than 30 thousand activations of KPN Compleet in the three months ending 31 March 2013, and plans to continue commercial rollout in 2013 to new customers.

IPTV is an important driver behind take up of triple-play packages. KPN has taken significant steps in recent years to improve its TV proposition, and now provides a market leading IPTV proposition in the Netherlands. In 2012, HD channels became included in KPN's standard IPTV package, a new set top box was introduced with a new customer interface, IPTV became available on tablets and smartphones and KPN agreed with HBO to offer three premium TV channels offering HBO's content. Consumer Residential also provides customers with value-added services such as a IPTV on smartphones and tablets. KPN focuses on customer service optimization and has reduced delivery times for its services. In 2012, KPN made changes in its call centers and stores to provide specialized customer support and has upgraded its internal processes to improve its delivery performance. In addition, KPN now provides free customer support 24-hours-a-day, 7-days-a-week.

Market environment and competition

The fixed-line telephony and broadband internet markets in the Netherlands are characterized by a broadband internet market featuring relatively high customer penetration rates with limited growth potential, and a declining fixed-line telephony market as customers increasingly migrate their communication patterns towards VoIP and mobile services. For these reasons, and due to growing customer demand, telecommunication service providers are focusing on bundled offerings of multiple products, which allow for differentiation based on quality and value of service provided, instead of solely on price. In addition, bundled offerings generally drive and support telephony and broadband internet sales, increase ARPU and reduce customer churn as compared with individually sold products and services.

Consumer Residential's main competitors are the cable companies, UPC and Ziggo, which have historically competed aggressively with high quality TV offerings, marketing themselves on the basis of both the content of their TV services and their broadband speeds. KPN also competes with Tele2, T-Mobile and Vodafone, each of which provide fixed-line telephony, broadband internet and/or TV services over KPN's copper and fiber networks as wholesale customers of KPN's NetCo segment, and T-Mobile, which provides satellite TV in partnership with CanalDigitaal and broadband internet through KPN's copper infrastructure. KPN's competitors, in particular UPC and Ziggo, provide bundled triple-play packages of fixed-line telephony, broadband internet and TV across their product offerings.

Based on data provided by Telecompaper, for the three months ended 31 March 2013, KPN estimates that its TV market share in the Netherlands by number of subscribers was approximately 24%. As of 31 March 2013, KPN provided broadband internet service to approximately 2.9 million subscribers in its Dutch network, including five fiber service providers and an active network operator KPN acquired from Reggefiber and Reggeborgh in 2012. Based on data provided by Telecompaper, KPN estimates that its broadband internet market share (by number of subscribers) was approximately 41% of the Dutch market as of 31 March 2013.

Strategy

KPN seeks to maintain in the Netherlands a minimum broadband internet market share of approximately 40% and its strategic objective over the longer-term is to increase that to approximately 45%.

Specifically, KPN's strategy is focused on:

- *Integrated Mobile and Fixed Services*: KPN believes that it has the opportunity to distinguish itself from the competition and improve its customer experience by combining its high quality mobile infrastructure with its nationwide fixed network in the Netherlands. As a first step towards offering quadruple-play services, KPN has begun to introduce "KPN Compleet" to certain fixed and mobile customers and as a further step plans to introduce a fully integrated quadruple-play offering. KPN believes an integrated mobile and fixed services offering will improve its customer experience and enable it to cross-sell and up-sell bundled, integrated mobile and fixed services, while also reducing churn.

- *TV Leadership*: KPN believes customers increasingly choose service providers based on the quality and selection of TV offerings and is, therefore, focused on continuing to improve its IPTV offering through improved TV services, advanced user interface and combined TV and music offerings. KPN believes its IPTV offering will drive the take up of its multi-play offerings and reduce customer churn.
- *Upgraded Network*: KPN will continue its hybrid VDSL and FttH network strategy in order to improve its customer experience through higher network speeds and quality. KPN believes FttH is a superior infrastructure in the long-term. In particular, FttH allows greater upload and download speeds as compared to cable or traditional copper DSL. FttH users also do not experience diminished download speeds as more users are online, which is in contrast to cable users who share bandwidth.
- *Improved Customer Service*: KPN will continue to focus on improving its customer experience by assisting online sales and service with customer focused call centers. KPN will also continue opening new XL stores, which offer KPN brand products and provide enhanced customer service.
- *Regional Approach*: In addition to its nationwide marketing approach, KPN will continue to implement a regional approach to its sales and marketing efforts, which it believes enables more efficient service and delivery. For example, KPN will continue to market its FttH roll-out regionally in conjunction with its roll-out of FttH.

Marketing and sales

KPN markets its Consumer Residential services in the Netherlands under three main brands: its high quality brand (KPN), its no frills brand (Telfort) and its premium brand (XS4ALL). The KPN brand covers the middle to high end of the market, particularly for families, with a variety of packages and tariff plans, which include Digitenne and IPTV. KPN's Telfort brand focuses on value for retail and small business customers, offering a variety of tariff options and packages. KPN's XS4ALL brand provides high-end offerings for individuals and small businesses.

KPN is increasingly seeking to cross-sell to its substantial existing customer base of fixed-line telephony and broadband customers; for example, by upgrading them to triple-play packages, and also by acquiring new customers. KPN believes that customers with bundled packages generally have higher customer satisfaction and decreased churn as opposed to customers with individual services.

KPN markets and sells its products to customers through a broad range of sales channels, inducing sales from its own stores (KPN and Telfort) and the recently introduced XL stores and other retail outlets, online directly from its website and inbound and outbound telesales.

Business

Business provides a wide range of services, from fixed and mobile telephony and fixed and mobile broadband internet to national and international data networks, to a wide range of business customers in the Netherlands. The Business segment offers fixed-line telephony and fixed and mobile broadband internet access services over analogue lines (PSTN), digital lines (ISDN) and IP-based connections (VoIP) directly as the primary sales contact to business customers (Dutch corporate customers and small and medium enterprises). KPN supports its mobile offering for business customers with its high quality mobile network, for example with KPN's 4G proposition, which became commercially available from 4 February 2013, making it the first provider of 4G in the Netherlands. Through its acquisition of Atlantic Telecom and a minority interest in RoutIT, KPN strengthened its competitive position and distribution footprint in the small and medium enterprise market through improved IP and fixed telephony services. In order to address demand in the business market to access information everywhere on all devices, as of 1 January 2013, KPN transferred corporate sales and collaboration and communication services from Corporate Market to Business, to create a single point of contact for sales and telecommunication related services, and to enable Corporate Market to focus on delivery of IT infrastructure solutions.

As of 31 March 2013, KPN provided approximately 1.3 million customers with fixed line voice and fixed and mobile broadband internet services through its Business segment. For the three months ended 31 March 2013, Business generated EUR 701 million in revenue and other income, or 24.1% of total Group revenue and other income, and EUR 181 million of EBITDA, or 18.2% of total Group EBITDA, and, for the year ended 31 December 2012, EUR 2,352 million in revenue and other income, or 18.5% of total Group revenue and other income and EUR 758 million of EBITDA, or 16.7% of total Group EBITDA.

The table below summarizes Business's change in certain of its key operating metrics, including: access lines voice, business DSL, connections VPN, service revenues, wireless customers and ARPU wireless blended during the period under review.

	For the three months ended and as of 31 March		For the year ended and as of 31 December		
	2013	2012	2012	2011	2010
			(unaudited)		
Access lines voice (thousands)(1)	1,093	1,253	1,134	1,285	1,368
Period-on-period (%)	(12.8)		(11.8)	(6.1)	
Business DSL (thousands)(2)	183	181	174	176	161
Period-on-period (%)	1.1		(1.1)	9.3	
Connections VPN (thousands)(3)	74	74	75.3	73.9	72.4
Period-on-period (%)	—		1.9	2.1	
Service revenues (EUR million)(4)	246	252	996	1,012	958
Period-on-period (%)	(2.4)		(1.0)	5.0	
Wireless customers (thousands)(5)	1,670	1,606	2,337	2,105	1,774
Period-on-period (%)	4.0		11.0	18.7	
ARPU wireless blended (EUR)(6)	48	51	37	42	46
Period-on-period (%)	(5.9)		(11.9)	(8.7)	

(1) Access lines voice for the Business segment is the total number of traditional voice and VoIP connections provided to customers of KPN's Business segment as of the end of the specified period. As of 1 January 2013, Internet plus Bellen Zakelijke Markt (IPBZM) is included in the Access lines voice numbers.

(2) Business DSL for the Business segment is the total number of DSL connections provided to KPN's Business segment as of the end of the specified period. As of 1 January 2013, OndernemersPakket Internet plus Bellen (OPIB) and Internet plus Bellen Zakelijke Markt (IPBZM) are included in the business DSL numbers.

(3) Connections VPN for the Business segment is the total number of E-VPN and IP-VPN connections for external and internal customers, including tailor made solutions for large or corporate clients and internal wholesale customers (where revenues are recognized by the Business segment), but excluding external wholesale customers (where revenues are recognized by the NetCo segment), as of the end of the specified period.

(4) Service revenues for the Business segment include subscription fees for voice, SMS/MMS and mobile data; handset lease from Telfort Zakelijk and insurance; revenues from incoming and outgoing voice, SMS/MMS and mobile data; revenues from roaming and net content; and M2M revenues for the specified period. As of 1 January 2012, Telfort Zakelijk moved from Consumer Mobile retail to Business mobile. 2011 service revenues for Business has been adjusted for the impact of these moves, which resulted in an increase of EUR 59 million. 2010 service revenues for Business has not been restated for these moves.

(5) Wireless customers for the Business segment is the total number of subscribers (postpaid and M2M) connected to KPN's mobile network as of the end of the specified period. As of 1 January 2012, Telfort Zakelijk moved from Consumer Mobile retail to Business mobile. 2011 wireless customers for Business has been adjusted for the impact of these changes, which resulted in an increase of approximately 148 thousand subscribers. 2010 wireless customers for Business has not been restated for these moves. As of 1 January 2013, M2M subscribers are excluded from the Wireless customers (Business) numbers.

(6) ARPU wireless blended for the Business segment is the average service revenues per month per subscriber. ARPU wireless blended for the Business segment is calculated as the service revenues for the specified period divided by the sum of the month-end average subscriber base (postpaid and M2M) for months of that period. As of 1 January 2012, Telfort Zakelijk moved from Consumer Mobile retail to Business mobile. 2011 ARPU wireless blended for Business was not impacted by these moves. 2010 ARPU wireless blended for Business has not been restated for these moves. As of 1 January 2013, M2M revenues and subscribers are excluded from the ARPU wireless blended (Business) calculation.

Products and services

In voice and fixed and mobile broadband internet, KPN's Business segment provides a wide range of fixed and mobile communication solutions. Its traditional business is heavily driven by customer demand for mobile e-mail solutions and fixed and mobile broadband internet access, in particular by smartphones (such as BlackBerry, Windows Mobile, iPhone and Android), tablets, laptops, desktops and mobile internet cards. KPN's business customers can choose from a large variety of tariff plans for different of its products from basic to premium packages created for business customers, and can also choose from a range of bundled offers.

In network services, KPN offers network communication services ranging from traditional data services to Virtual Private Network services such as IP-VPN and E-VPN. These services are provided both nationally and internationally and are supplied via fiber or high speed copper connections.

KPN offers 24-hours-a-day, 7-days-a-week service desk access, and has added case management functionality to reinforce its customer relationship management to improve online customer self-care.

Market environment and competition

In the context of a weak macro-economic environment, the Dutch business telecommunications market has experienced declining demand for telecommunications services and weaker demand for ICT services as IT budgets among businesses remain under pressure. Business customers are increasingly focusing on flat fee packages and integrated solutions. These trends have resulted in price pressure as contracts have often been renewed at lower prices. In particular, the Business segment's fixed telephony revenues have been declining due to new technologies such as VoIP replacing traditional services, pricing pressure and customers delaying improvements to their existing infrastructure.

KPN is the incumbent and market leader for business to business services in the Netherlands. KPN competes with a range of telecommunication service providers depending on the business market segment and competition is increasing. For larger, enterprise-level customers KPN primarily competes with Vodafone, as KPN and Vodafone are generally viewed as the only providers with the size and breadth of services capable of servicing these types of customers. In the small and medium enterprises and small office/home office customers, KPN competes with T-Mobile, Tele2, Vodafone, UPC and Ziggo. As broadband internet and smartphone penetration in the market for small and medium enterprises accelerates, the transition from traditional to bundled telephony and high speed broadband internet services has increased competition in the business generally.

Strategy

KPN's strategic objectives are to continue to be a leading provider of business to business services in the Netherlands and maintain a stable market positions, which it aims to accomplish by:

- *High Quality Network and Infrastructure*: KPN will continue to invest in the quality of its services and infrastructure, as it believes quality of service is the key differentiator in the business market. For example, KPN launched its 4G proposition on 4 February 2013, making it the first to offer 4G in the Netherlands. KPN aims to offer 4G to approximately 50% of the Dutch population by mid-2013 and to provide nationwide coverage in the second half of 2014. In addition, KPN will continue the roll out of its VDSL and FttO network in order to improve its customer experience through higher network speeds and quality.
- *Sector Focus*: KPN's Business segment will continue to target specific industry sectors, such as healthcare, financial services, local government and education, that it believes it will be able to grow ICT and telecommunications spend at higher relative rates as compared to other sectors.
- *Simple Access to an Integrated Portfolio*: In order to address demand in the business market to access information everywhere on all devices, KPN has integrated parts of Corporate Market with Business into a one-stop shop for business to business, offering integrated packages with virtually all ICT telecommunications products and services. Together with IT Solutions, KPN is focusing on improving its ICT services, such as unified communications, secure managed devices, private cloud and service aggregation services. In addition, KPN is simplifying its mobile portfolio, is moving towards combined fixed and mobile services into integrated customer offers, and is continuing to seek to improve its online services and business centers.

Marketing and sales

KPN primarily sells its products to the business market through its KPN, Telfort, Yes Telecom and XS4ALL brands online, through outbound sales and in partnerships with smaller, local companies that market and sell KPN's business product. KPN also sells to the business market through retail chains, such as Phone House and Dixons. In 2012, KPN began its "Single Point of Contact" marketing campaign, emphasizing back office sales for small and medium enterprises and flat fee packages for the small office/home office market. KPN also increased the market reach of its sales force by adding personnel devoted to business sales. In addition, to increase its distribution channels, KPN introduced XL stores in 2012, which offer KPN brand products and provide enhanced customer service.

In addition, KPN has developed a sales focus within certain market segments where it believes it can gain market share by focusing on their sector-specific demands. These are healthcare, financial services, local government and education. KPN has marketing and sales teams that specialize in these particular sectors.

NetCo

NetCo is responsible for the operation and maintenance of KPN's fixed and mobile networks in the Netherlands, supporting KPN's strategy across its segments by operating high quality fixed and mobile networks. In the beginning of 2012, KPN merged Wholesale & Operations and Dutch IT Operations (IT NL) into a single segment, NetCo. NetCo implements innovation projects, network and IT improvements and streamlines costs through sourcing, partnering and planning for technology changes. NetCo operates an open access network model, where certain of its products and services are regulated, requiring NetCo to provide access to its fixed network to wholesale customers at capped prices, and acts as a dedicated wholesale partner for providers that need access to KPN's network to provide connections to their customers. As a result, in addition to providing services to KPN's segments, NetCo also provides network and IT services, and infrastructure solutions for wholesale customers in the Netherlands.

For the three months ended 31 March 2013, NetCo generated EUR 603 million in revenue and other income, or 20.7% of total Group revenue and other income, and EUR 342 million of EBITDA, or 34.4% of total Group EBITDA, and, for the year ended 31 December 2012, EUR 2,621 million in revenue and other income, or 20.6% of total Group revenue and other income, and EUR 1,461 million of EBITDA, or 32.3% of total Group EBITDA.

Infrastructure and products

KPN provides wholesale services that include access to its network infrastructure (WLR, WBA and wholesale fiber through its copper and fiber) and value added services (software and services to provide content and functionality over its network infrastructure). Wholesale customers can either purchase access to passive network infrastructure alone or with NetCo's active operating services, which allow telecom operators and service providers to offer their own services to end customers. NetCo also provides cloud computing and other services to wholesale customers.

Copper network

KPN operates high-quality copper networks through NetCo. KPN continues to invest in new technologies based on its copper network, such as VDSL upgrades in addition to its FttH network roll-out. See "—Infrastructure & Network—Fixed Infrastructure (the Netherlands)".

Fiber network

NetCo also operates two fiber networks, its FttO network, which it owns and operates directly, and its FttH network, which it co-owns and operates through its joint venture, Reggefiber Group B.V., which operates an open-access model. See "—Infrastructure & Network—Fixed Infrastructure (the Netherlands)—FttH". With FttH, customers have greater upload and download speeds as compared to cable or traditional copper DSL and do not experience diminished download speeds when more users are online, which is in contrast to cable users who share bandwidth and thus experience degraded speeds as user volume increases.

Wireless network

In the Netherlands, NetCo operates a 3G UMTS/HSPA+ network, which carried approximately 40% of voice traffic and 94% of data traffic on KPN's mobile network in the year ended 31 December 2012. The remainder is carried by its 2G GSM system. In addition, in 2012, KPN began upgrading its mobile network to modernize its mobile network and to enable 4G. See "—Infrastructure & Network—Mobile Infrastructure—The Netherlands".

Market environment and competition

NetCo is the only operator of fixed copper infrastructure in the Netherlands with nationwide coverage. KPN is required by the ACM to grant access to its local copper loop for wholesale fixed telephony and wholesale services on leased lines. See "Regulation—The Netherlands—Significant market power and market analysis". NetCo faces competition from other regional operators which also operate their own networks in the Netherlands, including cable networks operated by Ziggo and UPC, and mobile networks operated by Vodafone and T-Mobile. However, while Vodafone and T-Mobile compete with NetCo for wholesale customers for their mobile networks, they also purchase access to NetCo's copper and fiber networks to provide fixed line services. As a result, Vodafone and T-Mobile compete with KPN's Consumer Residential segment, and at the same time are wholesale customers of NetCo who provide those fixed-line services to their own customers.

The number of ISDN/PSTN connections in the Netherlands continues to decline as VoIP grows. KPN has experienced a strong increase in data users over its mobile network, as average data usage per customer has increased in the context of declining traditional voice services and SMS traffic, in favor of rising data usage driven by communication applications, mobile internet and other data-heavy uses. KPN is thus focused on network improvement to react to these trends as described below.

Strategy

Within its NetCo segment, KPN's strategy is based on:

- *High Quality Network*: NetCo will continue to focus on network improvement through its hybrid VDSL, FttH strategy and FttO networks in 2013 and beyond in order to improve its customer experience through higher network speeds and quality. For example, in 2012, KPN strengthened its commitment to FttH by increasing its ownership in Reggefiber by an additional 10% to 51%. KPN also seeks to extend its broadband internet access with speed of at least 40Mbps, which it provided to approximately 70% of the Dutch market as of 31 March 2013, through VDSL upgrades and pair bonding, the roll out of FttH and FttO. In addition, KPN recently purchased a range of spectrum at auction in the Netherlands. KPN aims to offer 4G to approximately 50% of the Dutch population by mid-2013 and to provide nationwide coverage in the second half of 2014.
- *Cost Efficiency*: To provide high-quality network and IT connectivity and increased efficiency, NetCo will continue to focus on network improvement and cost reductions through strategic partnerships, efficiency and improved sourcing. For example, in 2012, KPN entered into a partnership with Tech Mahindra in order to improve further the efficiency and effectiveness of its IT systems and operational processes and to address jointly strategic growth areas.

Marketing and sales

NetCo also provides services to approximately 150 external customers, which are divided into NetCo's three primary customers (Tele2, Vodafone and T-Mobile), internationals (BT, Verizon, AT&T and Colt), business ISPs (Voiceworks and Esprit), consumer ISPs (CanalDigitaal, Euphony, Solcon and Tweak) and voice/interconnect (Ziggo, UPC and Pretium). NetCo markets and sells its products and services with dedicated account teams and through online marketing, primarily based on its website.

IT Solutions

IT Solutions is a supplier to multinational corporations and other large enterprises in the Netherlands of IT services and products, including consulting, cloud services, data center capacity and other network-related ICT solutions. IT Solutions offers end-to-end solutions centered on workspace management, connectivity solutions and information security and storage. In order to streamline services to its business customers of all sizes, with effect from 1 January 2013, KPN transferred corporate sales and collaboration and communication services from Corporate Market to its Business segment. This transfer is intended to allow Business to be the single point of contact for sales and telecommunication related services, and enables IT Solutions to focus on delivery of IT infrastructure solutions. Prior to being renamed the IT Solutions segment, the Corporate Market segment was originally named Getronics, but was renamed KPN Corporate Markets in the Netherlands in 2011, and its international operations, Getronics International, were sold in May 2012 as part of KPN's strategic decision to focus on its core markets.

For the three months ended 31 March 2013, IT Solutions generated EUR 157 million in revenue and other income, or 5.4% of total Group revenue and other income, and EUR 9 million of EBITDA, or 0.9% of total Group EBITDA, and, for the year ended 31 December 2012, EUR 1,405 million in revenue and other income, or 11.1% of total Group revenue and other income, and EUR 57 million of EBITDA, or 1.3% of total Group EBITDA.

Products and services

Cloud services and service aggregation

IT Solutions acts as a cloud services aggregator, acting as an intermediary to make it easier, safer and more productive for companies to navigate, integrate, extend and maintain cloud services. As a cloud services aggregator, KPN provides end-customers the opportunity to buy, provide support and manage current and future cloud, non-cloud, and connectivity services conveniently and securely.

In addition to service aggregation and private cloud services, KPN focuses on expected growth areas such as unified communications and secure managed devices independent of brand or technical requirements. As a result, IT Solutions supplies IT support services to certain corporate clients even if their underlying products or telecommunications services are provided by competitors, such as Vodafone. In 2012, KPN launched its services aggregator platform "Grip", which allows enterprise customers to benefit from cloud computing by leveraging their current IT investments.

Workspace management

Workspace management covers both the virtual and physical work environments. IT Solutions provides service models to clients to combine existing legacy and new cloud-based services. Together with the Business segment, IT Solutions sells and delivers packaged online, hybrid and traditional workspace services in the Netherlands in all segments ranging from the midmarket to the corporate enterprise market.

Data centers

IT Solutions is responsible for housing and hosting data center resources for KPN and for external customers. In particular, it facilitates the evolution of traditional datacenter management portfolio to more cloud-based solutions.

Connectivity services

IT Solutions provides connectivity services to enable companies to exchange information effectively and securely.

Consulting services

KPN delivers consulting, advisory, design and implementation services for tailor-made integrated ICT solutions within its clients' organizations. In addition, KPN provides interim and onsite ICT support services.

KPN's consulting services include (private) cloud, workspace innovation, business communications, business applications, sourcing governance, organizational change and security and compliance.

Market environment and competition

In the context of a weak macro-economic environment, the Dutch ICT market is highly competitive and has experienced and continues to experience overcapacity. ICT vendors, such as KPN, continue to experience postponement of larger investments by ICT customers and price pressure, particularly on smaller new and renewal deals, as IT budgets remain constrained for many business customers as well as in the large customer segment generally. In addition, cyclical IT service activities such as consulting and time and material services are under pressure as customers are prioritizing capital expenditures with their limited resources. In particular, the governmental and financial services sectors, which are among KPN's largest clients, are competitive. These factors, along with weak economic growth, have resulted in restructurings and other cost-cutting measures, such as significant outsourcing and offshoring efforts, within IT Solutions.

IT Solutions competes primarily with large international ICT providers, such as Capgemini, IBM, Logica, Atos and HP, as well as IT service providers such as T-Systems and Vodafone.

Strategy

Within its IT Solutions segment, KPN's strategy is based on:

- *Main Dutch ICT Provider*: IT Solutions seeks to maintain its position as one of the only Dutch ICT service providers capable of catering to businesses of every size operating in the Netherlands. KPN believes this allows it to foster high-level and personal relationships with key decision makers, and facilitate KPN's strategy of targeting specific sectors where it believes it can be successful, such as healthcare, financial services, local government and education, to supply IT infrastructure, and application management in the near future.
- *Strategic Partners*: By developing strategic relationships with global ICT service providers to develop a greater breadth of products and services, KPN is aiming to play a larger role in its customers' IT service needs and secure a cost-competitive position. By acting as an IT support provider even to customers who use KPN's competitors for their primary telecommunications needs, IT Solutions gives KPN the opportunity to cross-sell KPN's other products and services.

• *Portfolio of Products and Services*: KPN is seeking to introduce, in response to changing markets, a new portfolio of service offerings, including online workspace management, unified communication, cloud services and service aggregation to market to new customers.

Marketing and sales

KPN has realigned its sales and marketing strategy within IT Solutions to focus on its core products, including online workspace management, unified communication, cloud services and service aggregation, and reduced its service portfolio to streamline the number of services it provides and the number of suppliers it partners with. IT Solutions sells its core products as well as a portfolio of products from the Business segment. In addition, KPN has developed a sales focus within certain market segments where it believes it can gain market share by focusing on their sector-specific demands. These are healthcare, financial services, local government and education.

Mobile International

Germany

KPN operates in Germany through E-Plus, which provides customers in Germany with multi-brand mobile telecommunications, offering prepaid and postpaid services targeted at multiple market segments. E-Plus is the third largest mobile provider in Germany by number of subscribers and fourth largest by service revenue. E-Plus's challenger strategy has focused solely on mobile telecommunications services in Germany since its beginning in 2005, but it has diversified from prepaid voice customers to a higher proportion of postpaid customers and mobile data users. E-Plus operates a high quality mobile network based on 2G and 3G technology, and plans to begin deploying 4G in either 2013 or 2014 in line with customer demand.

For the three months ended 31 March 2013, Germany generated EUR 760 million in revenue and other income, or 26.1% of total Group revenue and other income, and EUR 195 million of EBITDA, or 19.6% of total Group EBITDA, and, for the year ended 31 December 2012, EUR 3,404 million in revenue and other income, or 26.8% of total Group revenue and other income, and EUR 1,290 million of EBITDA, or 28.5% of total Group EBITDA. The volume of data transmitted within the Germany segment increased by more than 60% in the twelve months ended 31 March 2013, compared to the twelve months ended 31 March 2012.

The table below summarizes Germany's change in certain of its key operating metrics, including: service revenues, wireless customers, net adds—postpaid, net adds—prepaid and ARPU wireless blended during the period under review.

	For the three months ended and as of 31 March		For the year ended and as of 31 December		
	2013	2012	2012	2011	2010
			(unaudited)		
Service revenues (EUR millions)[(1)]	714	767	3,149	3,099	3,092
Period-on-period (%)	(6.9)		1.6	0.2	
Wireless customers (thousands)[(2)]	23,947	23,062	23,400	22,717	20,427
Period-on-period (%)	3.8		3.0	11.2	
Net adds—postpaid (thousands)[(3)]	265	105	164	424	301
Period-on-period (%)	152.4		(61.3)	40.9	
Net adds—prepaid (thousands)[(4)]	282	240	519	1,866	1,139
Period-on-period (%)	17.5		(72.2)	63.8	
ARPU wireless blended (EUR)[(5)]	10	11	11	12	13
Period-on-period (%)	(9.1)		(8.3)	(7.7)	

(1) Service revenues mobile for the Germany segment include retail and wholesale subscription fees from voice, SMS/MMS and mobile data; handset options; revenues from incoming and outgoing voice, SMS/MMS and mobile data; revenues from roaming, net content and M2M, minus service discounts for the specified period.

(2) Wireless customers for the Germany segment is the total number of retail subscribers and customers of E-Plus's wholesale subscribers (in both cases, including postpaid, prepaid and M2M) connected to E-Plus's mobile network as of the end of the specified period.

(3) Net adds—postpaid for the Germany segment is the total of newly registered postpaid subscribers in a given period, including M2M, minus the number of postpaid subscribers who cancelled their subscriptions, plus

all migrations in from prepaid and migrations from wholesale, minus migrations out to prepaid and migrations out to wholesale for the specified period. Net adds—postpaid reflects the removal in 2012 of approximately 576 thousand inactive postpaid SIM cards.

(4) Net adds—prepaid for the Germany segment is the total of newly registered prepaid subscribers in a given period, minus the number of prepaid subscribers who cancelled their subscriptions, plus all migrations in from postpaid and migrations from wholesale, minus migrations out to postpaid and migrations out to wholesale for the specified period. Net adds—prepaid reflects the removal in 2012 of approximately 439 thousand inactive prepaid SIM cards.

(5) ARPU wireless blended for the Germany segment is the average service revenue per month per subscriber. ARPU wireless blended for the Germany segment is calculated as the service revenues for the specified period divided by the sum of the month-end average subscriber base (postpaid, prepaid and M2M) for months of that period.

Products and services

E-Plus also offers a broad range of voice, messaging and mobile data products to retail and business customers, including small office and home office customers as well as small and medium enterprises, in Germany. E-Plus offers various tariff structures with its multi-brand strategy, including bundles and flat fee packages. E-Plus offers postpaid options and prepaid bundled services, which is an increasing focus for E-Plus as it seeks to use its strong position in the prepaid voice-only market to develop its position in voice-plus-mobile data bundles to existing and new customers. In 2012, E-Plus further increased its offerings of mobile data packages to adapt to customer demand, including by offering flat fee packages and more mobile data-oriented packages, with or without the smartphone of their choice. E-Plus also sells and leases handsets combined with tariff contracts and on a stand-alone basis.

E-Plus offers mobile services to wholesale customers in Germany, in the form of solutions for an increasing number of partners that include branded resellers (with whom E-Plus retains ownership of the customer base, such as Aldi-Talk, WAZ, MTV, NABU) and MVNOs (with whom the MVNOs retain ownership of the customer base) such as Versatel, NetCologne and Ecotel.

Market environment and competition

The German mobile market is highly competitive, with an increasing customer preference for mobile data over traditional voice and SMS. As a result, new competitors and products, such as OTT applications, along with regulatory obligations to reduce MTRs and roaming charges, have led to an overall decline in service revenues and ARPU in the mobile telecommunications market in Germany.

There are three other significant players in the German mobile telecommunications market: Deutsche Telekom, Vodafone and Telefónica Deutschland. The two largest mobile telecommunications providers are Deutsche Telekom and Vodafone. E-Plus is the fourth largest mobile provider in Germany by service revenues, with an estimated mobile market share (by service revenues) of approximately 15% for the three months ended 31 March 2013. All operators are currently expanding capacity in an attempt to capture the expected growth in mobile data. In particular, Vodafone and Deutsche Telekom are rapidly deploying 4G networks. E-Plus has focused on expanding its HSPA+ and mobile broadband internet network with the aim to begin deploying 4G in either 2013 or 2014 in line with customer demand. E-Plus expects to provide 4G services using its 1800MHz license.

Deutsche Telekom, Vodafone and Telefónica Deutschland each focus on the national market at various price points. E-Plus competes by focusing on prepaid and postpaid, price sensitive customers in defined geographic markets and segments. As a result, E-Plus has a market leading position in certain regions in Germany, but is more limited in its reach outside of these regions.

Along with the largest German independent service providers, Freenet/Mobilcom, numerous branded resellers, service providers and MVNOs, including Aldi-Talk, Blau, Fonic, Congstar, 1&1, Klarmobil and Tchibo, sell products and services, normally exclusively, by using the network of one of the four main network operators.

The German mobile telecommunication market is heavily regulated and certain elements of retail mobile pricing are dictated by EU and national regulation of, for example, MTRs and roaming charges. See "Regulation—Germany" for further discussion of these and other factors affecting the German mobile telecommunication market.

Challenger Strategy

Within its German segment, KPN's strategic objective is to attain a mobile market share by service revenues in Germany of approximately 20% in the long-term and achieve an EBITDA margin of between 30-35% in the medium term.

Specifically, its challenger strategy will focus on:

- *Monetize Competitive Data Network*: In order to expand its business, E-Plus expects to accelerate its mobile broadband internet deployment, including a 4G network, as a means of improving its reputation for network quality and reducing customer churn. In particular, E-Plus is improving its network by upgrading its IP-backhaul (a system for linking its core network to its network of base stations), dual-carrier and HSPA+ capabilities and expects its network to be on par with the competition by mid-2013. E-Plus plans to begin deploying 4G in either 2013 or 2014 in line with customer demand. These upgrades will improve the quality of E-Plus's network, expand its reach and improve mobile data transmission. It will also place E-Plus in a position to take advantage of the increasing mobile data demand. As of 31 March 2013, E-Plus provided HSPA+ network coverage to more than 85% of the population in Germany capable of speed up to 21Mbps.
- *Postpaid Focus*: E-Plus will continue to focus on expanding its position in the postpaid market, as a means of increasing net adds. E-Plus believes it has an opportunity to grow its mobile data revenues from both existing and new customers as it accelerates network improvements and increasing customer demand for mobile data. E-Plus will seek to accomplish this by improving its network and marketing flat-fee mobile data packages, which will allow it to target postpaid customers that E-Plus believes are more likely to own smartphones and therefore to be larger consumers of mobile data and thus generate higher ARPUs than prepaid customers.
- *Regional Focus*: E-Plus's challenger strategy in Germany is focused on specific regions, which it will continue to target and grow. E-Plus will continue to expand from its core geographic regions into geographical regions and market segments where it has lower market share. E-Plus aims to grow by building out its retail distribution network incrementally and to enhance brand recognition at the same time.
- *Distribution and Branding*: E-Plus will continue to focus on online sales through its various brands. In order to continue growing in the German market, E-Plus is seeking to further develop its online sales channel by increased emphasis on social media, while improving the strength of its brands through increased brand recognition and clear positioning for certain regions and market segments.
- *Improve Underlying Cost Structure*: E-Plus will seek to improve its underlying cost structure through strategic partnerships in order to limit network maintenance and expansion costs. E-Plus's expected improvement of its underlying cost structure should provide it with greater operational flexibility to respond to changing market conditions and allow for investments in growth.

Marketing and sales

E-Plus markets its postpaid mobile services primarily through its innovative brand (BASE), its youth-focused brand (yourfone) and its no-frills brand (Blau). In addition, E-Plus markets its mobile service through its brands focused on affordable mobile services for various ethnic communities (Ay Yildiz and Ortel Mobile) and its online brand, which provides SIM cards for mobile phones online with and without subscription (Simyo).

E-Plus's marketing and advertising approach reflects its challenger strategy and focuses on online sales and, over the longer term, on expansion of a physical distribution network into targeted regions. E-Plus has driven its increase in customers by marketing online nationally and through its physical store network in its core geographies. E-Plus carries out various general and customized marketing measures from its core regions in all media. Regional marketing activities such as outdoor advertising and local promotional events are tailored to the local target groups and competitive situation. E-Plus's regional approach is intended to maintain existing market share in its core regions, while selectively competing in non-core regions to grow its market share in line with its network development.

Significant marketing activity is also focused on E-Plus's existing customer base to increase customer satisfaction, reduce churn and up-sell existing customers to new products and services. In addition, E-Plus is also seeking to develop its brands by increased marketing which will extend its brands into new geographic regions within Germany in accordance with its regional focus strategy.

E-Plus offers its products through its own stores, its online channels and retail chains. In order to continue to increase its coverage, E-Plus also operates through dealer networks, independent service providers, chain stores and exclusive partner stores. In addition, E-Plus enters into exclusive partnerships with distribution chains.

Belgium

KPN operates in Belgium through KPN Group Belgium (doing business as BASE Company as of 17 April 2013), where its main brand, BASE, provides customers with multi-brand mobile telecommunications, offering prepaid and postpaid services targeted at multiple market segments. KPN Group Belgium is the third largest mobile service provider in Belgium by number of subscribers and service revenues, offering mobile services focused on value. As part of its challenger strategy, KPN Group Belgium has begun to provide fixed-line services to its mobile customers. KPN Group Belgium targets specific market segments through multiple offerings of its own brands and wholesale partnerships. KPN Group Belgium operates a high quality mobile network based on 2G and 3G technology, and plans to expand its dual-carrier and 4G offerings. See "—Infrastructure & Network—Mobile Infrastructure—Belgium".

For the three months ended 31 March 2013, Belgium generated EUR 183 million in revenue and other income or 6.3% of total Group revenue and other income and EUR 46 million of EBITDA, or 4.6% of total Group EBITDA, and, for the year ended 31 December 2012, EUR 804 million in revenue and other income or 6.3% of total Group revenue and other income and EUR 272 million of EBITDA, or 6.0% of total Group EBITDA.

The table below summarizes KPN Group Belgium's change in certain of its key operating metrics, including: service revenues, wireless customers, net adds – postpaid, net adds – prepaid and ARPU wireless blended during the period under review.

	For the three months ended and as of 31 March		**For the year ended and as of 31 December**		
	2013	**2012**	**2012**	**2011**	**2010**
			(unaudited)		
Service revenues (EUR millions)(1)	162	170	716	687	684
Period-on-period (%)	(4.7)		4.2	0.4	
Wireless customers (thousands)(2)	3,461	4,273	3,424	4,131	3,728
Period-on-period (%)	(19.0)		(17.1)	10.8	
Net adds—postpaid (thousands)(3)	(8)	9	17	66	65
Period-on-period (%)	N/A		(74.2)	1.5	
Net adds—prepaid (thousands)(4)	45	133	(724)	337	85
Period-on-period (%)	(66.2)		(314.8)	296.5	
ARPU wireless blended (EUR)(5)	15	13	15	14	16
Period-on-period (%)	15.4		7.1	(12.5)	

(1) Service revenues for the Belgium segment include retail and wholesale subscription fees from voice, SMS/MMS and mobile data; revenues from incoming and outgoing voice, SMS/MMS and mobile data; revenues from roaming, net content and M2M, minus service discounts for the specified period.

(2) Wireless customers for the Belgium segment is the total number of retail subscribers and customers of KPN Group Belgium's wholesale subscribers (in both cases, including postpaid and prepaid) connected to KPN Group Belgium's mobile network as of the end of the specified period.

(3) Net adds—postpaid for the Belgium segment is the total of newly registered postpaid subscribers in a given period, minus the number of postpaid subscribers who cancelled their subscriptions, plus all migrations in from prepaid and migrations from wholesale, minus migrations out to prepaid and migrations out to wholesale for the specified period.

(4) Net adds—prepaid for the Belgium segment is the total of newly registered prepaid subscribers in a given period, minus the number of prepaid subscribers who cancelled their subscriptions, plus all migrations in from postpaid and migrations from wholesale, minus migrations out to postpaid and migrations out to wholesale for the specified period. Net adds—prepaid reflects the removal of approximately 1.3 million inactive prepaid SIM cards in 2012.

(5) ARPU wireless blended for the Belgium segment is the average service revenue per month per subscriber. ARPU wireless blended for the Belgium segment is calculated as the service revenues for the specified period divided by the sum of the month-end average subscriber base (retail and wholesale end-user subscribers for postpaid and prepaid) for months of that period.

Products and services

KPN Group Belgium's multi-brand strategy offers a full portfolio of mobile services (voice, SMS, mobile data) and content services, such as Spotify, in Belgium. This portfolio offers both value and simple solutions. A recent agreement with Belgacom enables KPN Group Belgium to provide a new triple play package, "Snow", which provides fixed line telephony, broadband internet and TV to the Belgian market.

BASE is KPN Group Belgium's mainstream retail brand, offering prepaid as well as postpaid mobile services. BASE Business also delivers mobile services for the business market (small office/home office and small and medium enterprises). Mobile data continues to be an important growth driver, not only through KPN Group Belgium's own brands but also through its wholesale partnership, Mobile Vikings (45% owned by KPN Group Belgium), which is an MVNO focusing on mobile and broadband internet.

Market environment and competition

The Belgian mobile communication market is highly competitive. Competition, together with regulatory obligations to reduce MTRs and roaming charges, have led to an overall decline in service revenues and ARPU in the Belgian mobile telecommunications market. Increasingly the market has been characterized by fixed-mobile convergence with competitors offering bundled packages combining fixed and mobile services.

KPN Group Belgium primarily competes against three other service providers in Belgium: Belgacom (Proximus), Mobistar and Telenet. Belgacom is the incumbent telecommunications provider and is majority-owned by the Belgian state. Belgacom remains the market leader in Belgium with Mobistar (majority-owned by France Telecom) the second largest competitor. KPN Group Belgium is the third-largest provider, with an estimated mobile market share (by service revenues) of approximately 20% for the three months ended 31 March 2013. Telenet, the leading cable service provider in the northern part of Belgium, and the fourth largest provider, recently introduced an attractively priced mobile offering, as MVNO on the Mobistar network.

In 2012, the market environment changed significantly due to new telecom legislation allowing customers in Belgium to terminate their telecommunications contracts at no cost as from six months after the starting date of the contract, and new pricing strategies by competitors, triggering increased customer volatility and price sensitivity. In this changing environment; KPN Group Belgium launched several commercial initiatives, including allowing customers in Belgium to terminate their telecommunications contracts at any time. In addition, KPN Group Belgium revamped its JIM prepaid as well as the BASE business portfolios, for example with the launch of BASE All 10, 20 and Unlimited, and new BASE Check 15.

The Belgian mobile telecommunication market is heavily regulated and certain elements of retail mobile pricing are dictated by EU and national regulation of, for example, MTRs and roaming charges. See "Regulation—Belgium" for further discussion of these and other factors affecting the Belgian mobile telecommunication market.

Challenger Strategy

KPN Group Belgium's strategic objective in the long-term is to attain a mobile market share in Belgium of approximately 25% and an EBITDA margin of between 25-30% in the medium term.

Specifically, its challenger strategy will focus on:

- *Mobile-centric challenger*: In order to expand its business, KPN Group Belgium seeks to continue to focus on its strength in mobile telecommunications, while also challenging fixed-telephony competitors. KPN Group Belgium will seek to accomplish this by improving its network and marketing innovative customer packages that take advantage of fixed-mobile convergence and the shift in customer preference from voice and SMS to mobile data. KPN Group Belgium has recently agreed with Belgacom to provide fixed-line services to KPN Group Belgium's mobile customers.
- *Innovation and Value*: KPN Group Belgium is seeking to grow its retail customer market share by leading the mobile market in terms of value, customer service and price perception. It will continue to improve on delivering customer value with increased tariff options and content services, such as Spotify, and challenge fixed market players with bundled fixed-mobile options. KPN Group Belgium will seek to execute its innovation and value strategy in part though its Mobile Vikings partnership, which provide customer initiatives such as points that can be redeemed for products and services when customers assist other customers with customer service.
- *High Quality Network*: KPN Group Belgium will continue to accelerate its mobile broadband internet deployment, including the start of its 4G roll out by the end of 2013, as a means of reducing churn by differentiating itself from competitors based on network speed and differentiation. KPN Group Belgium aims have its 4G network available to the majority of the population in Belgium by the end of 2014.
- *Regional Focus*: KPN Group Belgium's challenger strategy in Belgium has focused primarily on the central regions of Belgium. Going forward, KPN Group Belgium will increase its focus on regions in the south of Belgium where it has lower market share, targeting large cities with its multi-brand strategy and high value business customers.

Marketing and sales

KPN Group Belgium markets its mobile services primarily through its BASE brand, which is intended to offer customers a simple proposition that is focused on value. KPN Group Belgium also offers affordable mobile services targeting various ethnic communities through its distinct brands, such as Ortel Mobile and Türk Telekom as a branded reseller. In addition, under Belgian law, mobile service contracts are limited to a maximum of six months; however, all of KPN Group Belgium's contracts have no fixed duration.

KPN Group Belgium markets its mobile services through TV, point-of-sale material and advertisements in newspapers, magazines and billboards, internet publicity and radio campaigns. In addition to traditional marketing media, KPN Group Belgium's challenger strategy in Belgium also involves using customers as "brand ambassadors" to attract new customers through word-of-mouth advertising and by rewarding existing customers for referring others to its services.

KPN Group Belgium sells its mobile services through its BASE stores and ALLO Telecom stores and online. KPN Group Belgium also sells its mobile services through its network of 750 dealers, including nationwide chains and smaller regional dealers, and through alternative channels, such as fuel stations and confectionary, tobacco and newspaper stores. In addition, KPN Group Belgium has entered into reseller agreements with JIM Mobile, ALLO RTL and Contact Mobile to market and sell its products through their media outlets. Its business mobile offerings are sold primarily to small office/home office clients through business partners and to small and medium enterprise clients through its direct sales force. KPN Group Belgium has grown the number of its stores in recent years, with an expansion from 129 stores as of 31 December 2010 to 156 stores as of 31 March 2013.

KPN Group Belgium intends to grow its online channel by optimizing search engine marketing of its website and offering benefits that are available exclusively online. KPN Group Belgium also plans on integrating its multi-brand platform with its online channel by developing branded websites to ensure a seamless brand experience, and KPN Group Belgium is also developing an online functionality to provide an electronic billing and payment system to its customers.

Rest of World

KPN's Rest of World segment comprised the Ortel Mobile business in the Netherlands, Germany, Belgium, France, Switzerland and Spain, as well as KPN Spain and KPN France, which were operated through collaborations with strategic partners. In connection with KPN's strategy to focus on its core markets, KPN divested KPN France in 2011, KPN Spain in 2012 and Ortel Switzerland in 2012, with Ortel Spain currently held for sale. As of 1 June 2012, Ortel Belgium was consolidated into the Belgium operating segment and as of 1 January 2013, Ortel Netherlands and Ortel Germany were consolidated into the Consumer Mobile and Germany segments, respectively. As of 1 January 2013, Ortel France has been included in "other" within Mobile International.

iBasis

Through iBasis, KPN is a prominent player in the international wholesale voice market, terminating international phone calls on a worldwide basis. iBasis offers its carrier customers a range of global call termination products, as well as a portfolio of value-added mobile data services for mobile operators.

The international wholesale voice market is a commodity business that requires low-cost infrastructure and efficiencies that result from large-scale traffic volume. With its global footprint and more than 26 billion minutes of voice traffic annually, iBasis is one of the largest carriers of international voice traffic in the world. In addition to its widely-used technology in VoIP and global network footprint, iBasis has continued to expand its portfolio in two of the fastest-growing segments of global telecommunications, mobile services and consumer VoIP.

iBasis's strategy is to leverage its global IP infrastructure and expertise, sophisticated back office systems, and substantial scale, including a worldwide sales force, to provide international communications services to fixed and mobile operators worldwide. In 2012, iBasis launched innovative new offerings over its multi-service IPX platform, including LTE Signaling and high definition voice, to address emerging opportunities in global communications

For the three months ended 31 March 2013, iBasis generated EUR 242 million in revenue, and other income, or 8.3% of total Group revenue, and other income, and EUR 7 million of EBITDA, or 0.7% of total Group EBITDA, and for the year ended 31 December 2012, EUR 1,035 million in revenue, and other income, or 8.1% of total Group revenue, and other income, and EUR 30 million of EBITDA, or 0.7% of total Group EBITDA for the year ended 31 December 2012.

The table below summarizes iBasis's change in certain of its key operating metrics, including: minutes international and average revenue per minute during the period under review.

	For the three months ended and as of 31 March		As of 31 December and for the year ended		
	2013	2012	2012	2011	2010
			(unaudited)		
Minutes international (billions)[(1)]	6.2	6.3	26.2	25.6	24.1
Period-on-period (%)	1.6		2.3	6.2	
Average revenue per minute (EUR cents)[(2)]	3.9	4.0	4.0	3.8	3.8
Period-on-period (%)	(2.5)		5.3	0.0	

(1) Minutes international for iBasis is the total number of voice minutes sold by iBasis to its carrier customers for the period.

(2) Average revenue per minute for iBasis is minutes international divided by total revenue generated for the sales of minutes to carrier customers by iBasis for the period.

Products and services

iBasis offers a comprehensive voice product portfolio: Direct Voice, Certified Voice and Premium Voice. The three products offer a progression of code coverage, pricing and features formulated to meet the varied requirements of fixed carriers, mobile operators, customer voice over broadband internet carriers, and prepaid calling card service providers.

In the mobile market, in addition to iBasis's voice products, it offer a portfolio of value-added mobile data services to enhance mobile operators' ARPU and customer loyalty called Mobile Matrix. Mobile Matrix includes global signaling, mobile messaging and roaming. With this combination of voice and mobile data services, iBasis competes in all telecommunications markets and particularly in the fast-growing segments of VoIP and mobile.

In addition to its wholesale activities, iBasis sells its prepaid calling services to the retail market in North America through calling-cards and its Pingo e-commerce service. iBasis offers branded and private-label prepaid calling cards sold through qualified distributors and retail merchants. Pingo is iBasis's online prepaid international calling service for retail customers and enterprises.

Market environment and competition

The international wholesale voice market is a business that requires low-cost infrastructure and benefits from efficiencies of large-scale traffic volume. The market is characterized by margin pressure and increased competition for market share. By focusing on quality and efficiency, iBasis has maintained its position as one of the five largest carriers of international voice traffic in the world. iBasis's main competitors include AT&T, BICS, Deutsche Telekom, Tata and Verizon.

Marketing and sales

iBasis sells its wholesale services through its own worldwide sales-force, with local presence in all regions, including the Americas, Europe, the Middle East and Asia. Dedicated sales and product teams for Mobile Matrix and other products work from its head office in Burlington, Massachusetts and from The Hague. Overall product management, innovation and network functions are mostly located in the United States.

Infrastructure & Network

Fixed Infrastructure (the Netherlands)

KPN's fixed infrastructure in the Netherlands is of vital importance for its continued business operations and financial performance. KPN's hybrid FttH and VDSL network strategy emphasizes expanding the market for the services that it delivers with its networks. At 31 March 2013, KPN was able to deliver broadband internet access with speed of at least 40Mbps to approximately 70% of Dutch households. KPN expects to continue its FttH roll-out in 2013, further increasing its market reach and introducing vectoring to increase both upload and download speeds. KPN's VDSL upgrades and FttH roll-out are on schedule.

Copper

KPN is the only operator of fixed copper infrastructure in the Netherlands with nationwide coverage. KPN continues to make investments to upgrade its copper-based network. New technologies, such as pair bonding and vectoring, significantly increase the available broadband internet bandwidth on copper networks for subscribers and enable the commercial roll out of triple-play packages, including multi-room HD TV.

FttH

KPN's deployment of FttH in the Netherlands is being executed through its joint venture, Reggefiber. In 2012, KPN strengthened its commitment to FttH in the Netherlands by increasing its ownership in Reggefiber by an additional 10% to 51%. In addition, KPN acquired Reggefiber Wholesale (Reggefiber's active network operator), which will allow Reggefiber to focus solely on the roll-out of FttH and to operate an open access passive FttH network. In connection with the increase in KPN's ownership of Reggefiber, KPN also acquired five fiber service providers from Reggeborgh and Reggefiber. See "General Information—Material contracts—Reggefiber joint venture".

KPN rolls out FttH in an area after pre-marketing its FttH services and achieving a minimum threshold of customer demand. As part of its FttH roll-out, in mid 2012, KPN introduced a standard 100Mbps FttH package (as compared to 40Mbps for VDSL and 8Mbps for plain copper DSL) and a premium 500Mbps FttH package. As of 31 March 2013, KPN's FttH roll-out had covered approximately 19% of Dutch households, or 1.4 million homes passed.

KPN believes FttH is a superior infrastructure in the long-term. In particular, FttH allows greater upload and download speeds as compared to cable or traditional copper DSL. FttH users also do not experience diminished download speeds as more users are online, which is in contrast to cable users who share bandwidth, and are also able to upload and download at the same time, unlike cable users.

KPN also provides fixed-line services to businesses, including FttO based on customer demand in an area generally, or based on specific customer orders.

Mobile Infrastructure

The Netherlands

In the Netherlands, KPN's aims to operate a best-in-class network that provides a superior customer experience, both in voice and mobile data services. For the year ended 31 December 2012, mobile data in the Netherlands continued to grow substantially. To be able to handle mobile data growth, KPN has continued to expand the capacity of its mobile network by installing new equipment for its radio and core networks as well as optimizing the routing of the traffic over its different carriers to enable growth in capacity. KPN provides for ethernet connectivity via fiber-optic cable as part of its mobile network architecture. The number of sites connected to fiber-optic cable was expanded to 3,523 in the three months ended 31 March 2013. With approximately 48 extra sites, UMTS coverage as of 31 March 2013 was approximately 95% of the Dutch population. As of 31 December 2012, approximately 40% of KPN's mobile voice traffic was carried by its UMTS/HSPA+ network, with the remaining portion carried on its GSM network.

In the fourth quarter of 2012, KPN participated in the spectrum auction in the Netherlands, in which it paid EUR 1,352 million in January 2013 to acquire 15 blocks of frequency licenses in the 800Mhz, 900MHz, 1800MHz, 2.1GHz and 2.6GHz bands, for a total of 120MHz. This spectrum package enables KPN to continue its existing 2G and 3G service, and introduce new services, such as 4G for its customers for a period of 17 years in the Netherlands. KPN believes its market leading position will be strengthened as a result of the auction, as it will remain the only integrated access provider in the Dutch retail and business market, offering services through a combination of its own 2G, 3G and 4G networks and its hybrid copper and FttH infrastructure.

KPN has started rolling-out its new 4G network using spectrum in the 800MHz band. As of 31 March 2013, KPN's 4G network had approximately 30% of the Dutch population covered, including Amsterdam, Rotterdam and The Hague. KPN expects to have covered approximately 50% of the Dutch population by mid-2013 and nationwide coverage in the second half of 2014.

Germany

E-Plus continues the roll-out of its mobile network. As of 31 December 2012, more than 85% of E-Plus's UMTS sites in Germany were HSDPA and HSPA+ enabled capable of speeds up to 21Mbps. In Germany, E-Plus holds licenses in the 900MHz, 1800MHz, 2.1GHz, 2.6GHz and 3.5GHz spectrum.

Belgium

In Belgium, KPN Group Belgium's mobile network covers nearly all of the Belgian population, and it is implementing EDGE and UMTS technologies. KPN Group Belgium is also deploying 3G UMTS/HSPA+ technology. KPN Group Belgium continues to improve its existing mobile network, specifically focusing on indoor coverage. KPN Group Belgium recently began offering dual-carrier (DC-HSDPA) to achieve better resource utilization and spectrum efficiency, and which doubled the speed of its network to up to 42Mbps. In addition, KPN Group Belgium will start to roll out 4G in Belgium by the end of 2013, with the aim to have 4G available to the majority of the population in Belgium by the end of 2014. In Belgium, KPN Group Belgium holds licenses for 900MHz, 1800MHz, 2.1GHz and 2.6GHz spectrum.

Billing and collections

KPN believes the quality of billing and collections is a key element of customer satisfaction. KPN generally bills its customers on a monthly basis; in the Netherlands and Belgium, KPN's subscriptions are generally billed one month in advance, with subscriptions billed at the end of the month in Germany, and traffic/usage also billed one month behind in the Netherlands, Germany and Belgium. KPN is seeking to reduce complexity in its bills to make them easier to understand. In the Business segment, KPN offers specialized billing for medium and large customers.

In the Netherlands, KPN's billing and collections are operated by specialized service centers, which are shared among KPN's business segments in order to maintain high operational standards and optimize the efficiency of its IT systems. KPN's billing revenue assurance team is located in the Netherlands and seeks to ensure that invoices are correct and transparent.

Most of KPN's monthly invoices are produced automatically, while some based on older systems require manual work which is generally performed by an outsourcing partner. KPN provides invoices electronically via www.kpn.com or by emailing invoices directly to customers. For the year ended 31 December 2012, 82% of KPN's invoices were paperless.

KPN generally collects payment by direct debit for Consumer Mobile and Consumer Residential, while for Business customers, small businesses generally pay by direct debit and medium and large businesses are offered a variety of payment terms.

Intellectual property

KPN's current portfolio of intellectual property rights consists of registered trademarks relating to KPN's core brands, and approximately 350 patent families. KPN believes it takes appropriate steps to protect its intellectual property rights and generates value from these rights where appropriate. In order to protect these rights, KPN currently uses a combination of patents, trademarks, service marks, trade secrets, copyrights, database protection, confidentiality agreements with its employees and third parties and protective contractual provisions. Approximately 50 of the patent families which KPN owns are declared essential for the commercial exploitation of telecom communication technology and services.

KPN continues to invest in the growth of its intellectual property rights portfolio, among others, through KPN's targeted long term research and development program in close cooperation with TNO Telecom and other research and development institutes and universities. For information on risks related to KPN's portfolio of intellectual property rights, please see "Risk Factors—Third parties may claim that KPN infringes their intellectual property rights, which could adversely affect KPN's business.".

IT infrastructure

KPN's IT systems are highly integrated into every aspect of its business, providing capabilities for a variety of purposes, such as sales, customer relationship management, billing, rating and payments, business intelligence, enterprise resource management and network integration. They are mainly hosted in redundant and geographically distinct data centers in various locations in the Netherlands.

KPN has continuously invested in its IT infrastructure over the years to further improve IT effectiveness and efficiency through increased standardization, centralization, consolidation and virtualization of IT systems. KPN uses carefully selected software systems that increase its efficiency, including specially designed software, open-source software and third-party commercial software. Despite an active cost optimization program, only well-established suppliers for hardware and software have been chosen to ensure reliability and prevent cost-intensive design changes as KPN attempts to use only a limited number of well-established IT service integrators.

Outsourcing

In-house personnel oversee and manage the high-level aspects of KPN's IT systems, including IT strategy, program and portfolio management, high-level IT architecture, functional testing and acceptance and project management process. KPN's IT outsourcing and offshoring partners, such as Tech Mahindra, IBM, Accenture, Mindtree and Atos provide additional IT services in specific areas, such as solution design and development, integration and testing and IT operations. KPN is currently in the process of consolidating its IT systems and partners.

KPN also outsources certain other functions, including network maintenance and maintenance of facilities. For network maintenance and engineering, KPN partners with Huawei, VolkerWessel, Schuuring, Koning & Hartman, Alcatel-Lucent, Ericsson and ZTE, among others. KPN partners with Sodexo and Eurest, among others, for outsourcing the maintenance of its facilities.

Properties

KPN's principal tangible fixed assets are its fixed copper infrastructure in the Netherlands, and the equipment in place in support of its mobile networks in the Netherlands, Germany and Belgium.

KPN owns and leases administrative facilities, operational network facilities, and retail facilities throughout the Netherlands, Germany, Belgium, Spain and France. KPN's headquarters are located at Maanplein 55, 2516 CK, The Hague, The Netherlands, where it leases office space for its headquarters, TP5, of a total of 21 thousand square meters. This lease expires on 31 December 2019.

Insurance

KPN buys insurance coverage in amounts it believes are consistent with its risk management policies and with customary industry practices. KPN's insurance policies include insurance for property/business interruption, liability against claims from third parties, personal accidents, directors and officers liability and crime. KPN's intention is to maintain insurance coverage consistent with its risk management policies and industry standards, although the coverage may change and insurance premiums may increase.

KPN believes that its existing insurance coverage, including the amounts of coverage and the conditions, provides sufficient protection, taking into account the costs for the insurance coverage and the potential risks to its business operations. However, KPN cannot guarantee that no losses will be incurred or that no claims will be filed against it that go beyond the type and scope of the existing insurance coverage.

Environmental issues

KPN is subject to a broad range of environmental laws and regulations. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, radiation emissions, zoning, the protection of employee health and safety, noise and historical and artistic preservation. KPN could, therefore, be exposed to costs and liabilities, including liabilities associated with past activities. KPN's operations are subject to obligations to obtain environmental permits, licenses and/or authorizations, or to provide prior notification to the appropriate authorities.

KPN's objective is to comply in all material respects with applicable environmental and health control laws, and all related permit requirements. KPN believes that the principal environmental risks arising from its current operations relate to the potential for electromagnetic pollution and for removal of certain elements of its network, such as copper cables. In extreme cases, the penalty for repeat violations of the applicable environmental laws in the Netherlands, Germany or Belgium could result in administrative sanction, suspension and even revocation of KPN's license.

KPN uses different network infrastructure strategies to achieve radiation emission ranges lower than the minimum levels permitted by applicable Dutch, German or Belgian regulations. If the Dutch, German or Belgian governments or regulator were to set limits on electromagnetic emissions that were stricter than those currently in effect, KPN could be required to upgrade, move or make other changes to its transmission infrastructure.

Legal proceedings

KPN is involved in a number of legal proceedings that have arisen in the ordinary course of its business. Save as discussed below, there are no governmental, legal or arbitration proceedings which may have, or which have had in the previous twelve months, a significant effect on the financial position or profitability of KPN, including its subsidiaries and consolidated joint ventures. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and KPN can offer no assurances in this regard. Below is a description of legal proceedings that KPN considers material.

KPNQwest

KPN is involved in several legal proceedings related to the bankruptcy of KPNQwest. On 13 September 2006, Citibank N.A. (**Citibank**) and Cargill Financial Markets Plc. (**Cargill**) served a writ of summons on KPN, seeking EUR 218.9 million, excluding interest and costs, from various former officers and former shareholders of KPNQwest, including KPN. Citibank and Cargill claim compensation for damages in relation to a EUR 525 million syndicated loan provided to KPNQwest in 2002 on the basis of alleged misrepresentation and concealment by former management and former shareholders when the loan was provided to KPNQwest. Citibank acted as agent of the syndicate and as a 14.7% principal lender of the syndicated loan. Cargill claims that it acquired 85.3% of the claim by assignments of their part in the syndicated loan by other original lenders. The District Court of Amsterdam dismissed all the claims of Citibank and Cargill on 25 April 2012. Citibank and Cargill have appealed the decision, which remains pending.

On 28 September 2010, the bankruptcy trustees for KPNQwest served a writ of summons against multiple parties, including Qwest, KPN, the former CEO of KPNQwest and nearly all former members of the Supervisory Board of KPNQwest. The basis of the claim is that KPNQwest allegedly entered into transactions (among others with KPN) which did not serve a business purpose, incorrectly recorded turnover in relation to these and other transactions and thereby misled investors in and creditors of KPNQwest. According to the bankruptcy trustees, this constitutes mismanagement. The bankruptcy trustees are seeking to hold each of the defendants, including KPN as one of the shareholders of KPNQwest, severally liable for the damages that resulted from this alleged mismanagement. The bankruptcy trustees claim that the defendants, including KPN, should be severally ordered to pay for the deficit in the estate. The bankruptcy trustees estimated that the deficit in the estate amounts to approximately EUR 4.2 billion. However, this amount includes intra-group creditors, as well as creditor claims that are disputed by the bankruptcy trustees. According to the bankruptcy trustees' latest bankruptcy report, the consolidated amount of the deficit in the estate amounts to EUR 2.1 billion. KPN has submitted its statement of defense.

Reggefiber

In 2009, cable operators, Ziggo and UPC, as well as other telecommunications providers in the Netherlands, filed suit in the administrative District Court of Rotterdam (the **Court**), seeking to challenge the authority of the NMa, which was the competition authority in the Netherlands at that time, and the predecessor to the ACM, to approve KPN's entry into the Reggefiber joint venture in 2008. Plaintiffs claimed that by allowing the joint venture, competition in various fixed-line services, including fiber, cable and copper, would be restricted. In an interim ruling on 18 November 2010, the Court held that the NMa had provided insufficient evidence for part of its competition analyses. In particular, the NMa had not adequately demonstrated the potential effects on competition regarding non-price effects (such as the quality and roll-out of fiber) in its assessment or remedies. The Court then allowed the NMa to submit additional evidence and, after further consideration, it held on 10 May 2012 that the Reggefiber joint venture could continue despite its annulment of the NMa decision.

On 15 June 2012, Ziggo appealed the Court's decision to the Trade and Industry Appeals Tribunal (*College van Beroep voor het bedrijfsleven* (**CBb**)), claiming, among other things, that the Reggefiber joint venture should have been assessed in a second phase enquiry by the NMa to take into account the effects on the market as well as the effectiveness of the remedies. If the appeal is successful, the CBb could annul the NMa or Court decision or remand the matter to the Court or the ACM for further consideration, which in turn could lead to the confirmation, dissolution or amendment of the Reggefiber joint venture. A decision by the CBb is expected sometime in 2013.

REGULATION

Overview

KPN's operations, as well as those of its subsidiaries and affiliates, are subject to industry sector-specific telecommunications regulations governing the conduct of its various operating segments and general competition law, as well as a variety of other regulations. At both the EU level and under Dutch, German and Belgian law, the extent to which telecommunications regulations apply to KPN depends largely on the nature of its activities in a particular country. In addition to complying with such laws and regulations, KPN must comply with both specific and general legislation concerning, among other subjects, data protection, data retention, internet service provider liability, consumer protection and e-commerce.

The regulatory measures with the largest potential impact on KPN are the regulation of MTR tariffs and international roaming charges, obligations related to significant market power and the licensing regimes for the use of frequencies. In the Netherlands, Germany and Belgium KPN is regulated on mobile call termination services. The European Roaming Regulation is directly applicable in all EU member states. Regulation of operators with significant market power is applied nationally, after a national market analysis, but under coordination by the European Commission. In the Netherlands, this affects KPN in some fixed markets.

KPN expects that it may participate in spectrum auctions in Germany as early as 2014 and in Belgium later this year, which may require it to incur significant and unexpected or investments.

The EU regulatory framework for electronic communications

General

The TV, telephony, mobile and internet access markets in which KPN operates are regulated at the European Union level.

EU Member States are required to enact EU legislation into their domestic law and to take EU legislation into account when applying domestic law. In each EU Member State, a national regulatory authority (**NRA**) is responsible for enforcing national telecommunications laws that are based on the Regulatory Framework for Electronic Communications in the European Union (the **EU Framework**). NRAs have powers under their relevant telecommunications laws concerning generally applicable sector specific regulation (e.g., on interoperability and end-user protection) and also to impose specific obligations (e.g., to impose network access, interconnection obligations and price controls) on operators that have "significant market power". NRAs also have the authority to assign wireless spectrum and supervise the use of frequencies.

In December 2009, amendments to the 2002 EU Framework were agreed upon that had to be implemented by May 2011. Since KPN's business is undertaken mainly within the European Union, its operations are, to a large extent, subject to the EU Framework and related telecommunications regulation.

Fixed and mobile termination rate recommendation

The European Commission made recommendations in 2007, requiring NRAs to analyze the call termination market in order to determine whether regulatory remedies needed to be imposed. In May 2009, the European Commission issued recommendations on the regulatory treatment of FTRs and MTRs in the EU, intending to reduce termination rates significantly by defining the details of the cost calculation of termination rates by the NRAs. With these 2009 recommendations, the Commission intended to harmonize cost standards for MTRs and FTRs throughout the European Union, while also eliminating asymmetry between operators. In particular, the 2009 recommendations include a "pure BULRIC" approach, which no longer takes into account various costs which had previously been considered when setting MTRs. Although the recommendations were not legally binding, NRAs have to take account of the recommendations while still being able to reflect national circumstances, in setting final MTRs. The application of these recommendations in the Netherlands, Germany and Belgium are each discussed below.

Pending policy on next generation access (NGA) regulation

In April 2010, the European Commissioner for Digital Agenda published the "Digital Agenda for Europe". The document outlines policies and actions to maximize the benefit of the digital economy by 2020 for European citizens. The announced actions include a strengthened European policy for spectrum (aimed at allocating additional spectrum for mobile internet access), targets for broadband penetration in the EU and the promotion of NGAs.

An element that has been under discussion and is of importance to KPN is the regulation of unbundled access to fixed networks. On 12 July 2012, EU Commissioner Kroes presented the outlines of regulatory principles, which are intended to provide durable regulatory guidance intended to last until at least 2020 in order to enhance the transition to the next generation of high-speed networks. A recommendation on non-discrimination and costing in relation to NGA networks is expected in 2013, which would facilitate this purpose. This recommendation is expected to include guidelines for wholesale price regulation on traditional copper and NGA networks of operators with significant market power, and consequently may have an impact on KPN's fixed business in the Netherlands.

Roaming on mobile networks

The European Roaming Regulation (as last amended in July 2012) provides the framework for tariff reductions for voice, SMS and data roaming charges (i.e., additional fees for calls and SMS initiated outside the subscriber's home country) on mobile networks in the European Economic Area. In addition to amending tariff regulation of wholesale and retail rates, the 2012 amendment introduced certain "structural measures" aimed at creating more competitive retail roaming markets. As a result of these amendments, regulated wholesale roaming price caps will further decrease on an annual basis until the end of July 2014, and after that date, retail roaming prices for voice, SMS and data will also be subject to price caps until (at least) July 2017. As a result of the changes implemented in July 2012, MVNOs can also benefit by paying regulated wholesale rates for voice, SMS and data roaming.

Beginning in July 2014, retail roaming services will also be required to be "decoupled" from other service offerings, meaning that roaming will have to be offered separately from national services and will also be obtainable from alternative roaming providers. Network operators such as KPN will also be required to facilitate access to data roaming services offered by foreign operators in their territories. The European Commission has published implementation regulations to ensure technical implementation.

Access, interoperability and interconnection

All providers of public electronic communications networks or services who control access to end-users in the EU are obliged to enter into negotiations upon the request of a competitor to conclude an interoperability agreement. Interoperability refers to all measures, including access and interconnection, that need to be implemented to ensure end-to-end connections. If a provider does not comply with its obligation to enter into negotiations, the NRA, at the other party's request, can impose proportionate obligations on the provider in order to ensure end-to-end connectivity. If commercial negotiation regarding access fails, the NRA has the power to secure access, interconnection and interoperability in the interest of end-users. The interoperability obligations imposed by the NRA must be objective, transparent, proportionate and non-discriminatory.

Significant market power and market analysis

To ensure that the telecommunications markets become genuinely competitive, an NRA can impose ex-ante regulation by means of market analysis decisions on operators or service providers that have "significant market power" in a relevant market within a given country. A company will be deemed to have significant market power if it, either individually or jointly with others, enjoys a market position equivalent to dominance, i.e., a position of economic strength affording it the power to behave to an appreciable extent independently of competitors, customers and ultimately consumers. Ex-ante regulation means that the NRA sets behavioral rules beforehand with which operators or service providers with significant market power must subsequently comply in the markets defined for such purpose by the NRA.

Before it can be established whether an operator or service provider has significant market power, the NRA will apply the principles of the general European competition law to determine in which relevant markets the operator or service provider competes. In determining the presence of significant market power, the NRA is required to take into account the European Commission's "Commission Recommendation on the relevant product and service markets (2007/879/EC)". In this recommendation, the European Commission predefined those product and service markets in respect of which ex-ante regulation may be warranted. Since December 2007, the Recommendation has included seven markets. A review of the Recommendation by the Commission is currently underway, but is likely to be finalized only in 2014. An NRA is required to investigate instances of significant market power in these seven predefined markets, but may also predefine additional relevant markets in its jurisdiction if the need is proven.

If an NRA determines that a company has significant market power, the NRA will have to impose one or more appropriate obligations. These obligations relate to, among other things, access and use of specific network facilities, non-discrimination, transparency or the level of tariffs permitted in the regulated wholesale or retail markets. Although the amended EU Framework provides NRAs with the power to mandate "functional separation" in certain cases (i.e., to separate the access network operations of providers with significant market power from the service business of such providers), this power is meant to be a remedy of last resort, with high thresholds to be overcome before it can be employed.

The Netherlands

General

In the Netherlands, European Union regulations are implemented through the *Telecommunicatiewet* (the Dutch Telecommunications Act (**DTA**)) and the *Mediawet* (the Dutch Media Act (**DMA**)) and related legislation and regulations. Pursuant to the DTA, the ACM, as successor to OPTA, is designated as an NRA, together with the Dutch Ministry of Economic Affairs (including the *Agentschap Telecom*) (**AT**), which is mainly responsible for spectrum and issues related to national security. The *Commissariaat voor de Media* (the Dutch Media Authority (**CvdM**)) is authorized to supervise and enforce compliance with the DMA.

The DTA includes conditions that apply to electronic communications networks and services. Possible obligations that could be imposed on KPN include access, interoperability and interconnection regulations, ex-ante regulations of tariffs and other matters for providers with significant market power, financial charges for new universal services or for the costs of regulation, data protection regulations, data retention and wiretapping obligations, consumer protection rules, provision of customer information to law enforcement agencies and access obligations.

In line with the EU Framework, the DTA contains a system of general authorizations, rather than individual licenses. A provider of a public electronic communications network or service is required to notify the ACM, which will register the notification of its network or service. The purpose of the notification is to increase transparency and to ensure effective regulation and does not constitute a formal condition for market entry.

With regard to scarce resources (numbers and frequencies) a system of licenses applies. AT administers the frequency spectrum and grants licenses. The ACM administers licenses with regard to allocation of phone and other numbers.

Significant market power and market analysis

In the Netherlands, KPN has been designated by OPTA (the predecessor to the ACM) to have significant market power in various markets: the markets for voice call termination on its individual mobile and fixed networks, the markets for unbundled access to its copper, FttH and FttO networks, the market for high-quality WBA and wholesale leased lines, wholesale markets for fixed telephony and the retail markets for two or more simultaneous calls.

The European Commission has the power to veto a finding by the ACM of significant market power (or the absence thereof) in any market, whether or not it is included in the seven predefined markets. The ACM also monitors compliance with the ex-ante regulations it establishes on the basis of its market decisions. OPTA, which was merged with the Netherlands Consumer Authority and the NMa on 1 April 2013 to form the ACM, completed its first round of market analyses in 2005, which were effective during the period 2006-2008. In 2008, OPTA finished its second round of market analyses for the period 2009-2011. In 2011 and 2012 OPTA conducted an analysis of these markets which has led to the current decisions for in principle a period of three years.

The second round of market analyses, from 2009-2011, deregulated end-user markets by tightening KPN's wholesale access and tariff obligations. These decisions were subject to appeals to CBb, which (partially) annulled most of OPTA's decisions between 2010 and 2012 after concluding that OPTA had insufficiently defined the relevant markets for which the decisions would apply. OPTA's most recent decisions have taken into account most of the CBb's conclusions.

OPTA, prior to merging to form the ACM, completed its market analyses for 2012 and onwards. KPN is still designated as an operator with significant market power in the unbundled copper network and wholesale telephony markets, as a result of which, KPN is subject to access obligations and margin squeeze tests are imposed. Tariff regulation in these markets is to a large extent based on safety caps (inflation-adjusted 2011 tariffs as maximums). While tariff regulation in the wholesale telephony market has been eliminated for single calls (e.g., PSTN), it has been maintained for two or more simultaneous calls (e.g., ISDN2 or more), and in fact KPN's significant market power designation regarding two or more simultaneous calls has also been extended into the retail telephony, which results in a margin squeeze test being imposed. KPN's joint venture, Reggefiber, has been designated as having significant market power for unbundled access to its FttH network. However, KPN's designation as having significant market power in the low-quality wholesale broadband market has been lifted.

On 20 December 2011, OPTA published its conclusion that the Dutch TV markets will not be regulated. Appeals were dismissed by the CBb on 5 November 2012, resulting in cable operators remaining unregulated.

On 2 July 2012, OPTA published its (amended) decision to base fixed termination access tariffs on a "plus BULRIC" cost methodology, which was outlined in 2011 by the CBb. The European Commission suspended this decision on the basis that OPTA had not followed the European Commission's recommendation to use a "pure BULRIC" approach, which would contribute to lower tariffs. OPTA responded that the decision of the CBb did not allow OPTA to use that approach. In addition, OPTA started its fourth round of market analyses on fixed and mobile termination markets in preparation for decisions covering mid-2013 to mid-2016.

OPTA initially intended to eliminate regulation of the wholesale market for FttO, but withdrew the draft decision after the European Commission expressed serious doubts in 2012 as to OPTA's draft decision. As a result, OPTA reanalyzed the market for unbundled access to KPN's FttO network and the market for high-quality WBA and wholesale leased lines. After a consultation, OPTA published on 28 December 2012 a final decision, in which KPN is designated as having significant market power in the market for unbundled access to KPN's FttO network and the market for high-quality WBA and wholesale leased lines. In both these markets, access obligations, margin squeeze tests and tariff regulations have been imposed as of 1 January 2013. KPN expects to appeal both decisions.

Mobile and fixed termination rates in the Netherlands

In the Netherlands, KPN (as well as all other MNOs and MVNOs) has been designated by OPTA, now the ACM, as having significant market power in the wholesale market for call termination on its individual mobile network, resulting in caps for the MTR and FTR fees it may charge for the termination of calls and SMS carried on its mobile network. In response to the European Commission's 2009 recommendations, in the Netherlands OPTA initially proposed a "glide path" towards the tariffs defined by the "pure BULRIC" cost model (1.20 Eurocents per minute) by 1 September 2012. A decision on 31 August 2011 by the CBb ruled that this cost model was not in line with the DTA. The CBb therefore set the tariffs based on "plus BULRIC" costs that were also modeled by OPTA at 2.40 Eurocents per minute, symmetrically applied on all operators.

On 16 April 2013, the ACM published a draft decision regarding the regulation of FTR tariffs that is expected to be effective as of 1 September 2013, in which it uses a "pure BULRIC" cost methodology, leading to an FTR of 0.108 Eurocents per minute (compared to 0.37 Eurocents per minute currently). The draft decision is open for consultation for six weeks, at which point the ACM will provide official notice of the decision (after any amendments) to the European Commission, which should react within four weeks of receiving notice. The ACM may formally adopt the new decision, to which interested parties may appeal to the CBb, only after the European Commission has announced that it does not have serious doubts regarding the decision.

On 16 April 2013, the ACM also published a draft decision regarding the regulation of MTR tariffs, also expected to be effective as of 1 September 2013 and open for consultation for six weeks, followed by ACM notification to the European Commission and European Commission review, as described for FTR tariffs above. As with FTR tariffs, the ACM has used a "pure BULRIC" cost methodology, leading to an MTR of 1.017 Eurocents per minute.

Mobile licensing

In the Netherlands, KPN currently operates a mobile network on the basis of frequency licenses in the 900MHz, 1800MHz, 2.1GHz and 2.6GHz frequency bands (with various expiration dates between 2017 and 2030). KPN holds licenses for UMTS, 2.6GHz, DVB-T (Broadcast) and a number of other licenses.

Between October and December 2012, an auction was conducted for (mainly) 800MHz, 900MHz and 1800MHz spectrum for mobile communications, which resulted in the following spectrum allocation:

	KPN	Vodafone	T-Mobile	Tele2
800MHz	2*10MHz	2*10MHz	—	2*10MHz
900MHz	2*10MHz	2*10MHz	3*10MHz	—
1800MHz	2*20MHz	2*20MHz	2*30MHz	—
1900MHz	—	—	14.6MHz	—
2.1GHz	2*5MHz	2*5MHz	—	—
2.6GHz	30MHz	—	25MHz	—

The Dutch Parliament requested that parts (2*10MHz) of the 800MHz spectrum and parts (2*5MHz) of the 900MHz spectrum be reserved for at least two new operators. However, no new entrants applied for the reserved part of the 900MHz spectrum.

The licenses KPN acquired in the spectrum auction (except for the 2.1GHz) will remain with KPN until 2030, the same expiration as the 2.6GHz licenses that were auctioned in 2010.

Germany

General

The operation of telecommunications networks and the provision of telecommunication services in Germany are subject to the regulations in the German Telecommunications Act (*Telekommunikationsgesetz*, German Telecommunications Act, or **GTA**) of 22 June 2004 (as amended on 1 August 2012). The Act implements the European Regulatory Framework for Electronic Communications Networks and Services (as amended in 2009). The Act is supplemented by certain regulations.

The GTA includes conditions that apply to electronic communications networks and services. Possible obligations include interoperability and interconnection regulations, ex-ante regulations for providers with significant market power, financial charges for new universal services or for the costs of regulation, data protection regulations, data retention and wiretapping obligations, consumer protection rules, provision of customer information to law enforcement agencies and access obligations.

Pursuant to the GTA, BNetzA, is designated as an NRA. BNetzA is responsible for the enforcement of the telecommunications laws and regulations and is vested with significant related powers. BNetzA can impose network access and interconnection obligations on network operators and approve or review the charges as well as general business terms and conditions of providers. Further, the authority is competent to allocate frequencies and supervise their use, transfer and trade. Moreover, BNetzA can oblige operators to provide a minimum set of telecommunications services for the public at an affordable price (universal service). It is possible to initiate legal proceedings against the decisions of BNetzA.

In Germany, the commencement, any modification and the termination of business activities for the operation of public telecommunications networks and the provision of publicly available telecommunications services must be notified to BNetzA. Yet, the operation of telecommunication networks and the provision of telecommunications services no longer require a license from a regulatory body.

In addition, the use of mobile frequencies still requires prior frequency assignment, typically conducted by public auction of available spectrum. According to the GTA, BNetzA can assign frequency usage rights on a general or an individual basis.

Mobile termination rates in Germany

In Germany, KPN (as well as other MNOs) has been designated by BNetzA as having significant market power for voice call termination on its individual mobile network pursuant to a BNetzA ruling of 5 December 2008. Under ex-ante rate regulation, BNetzA's approval of wholesale rates charged by mobile operators with significant market power is required prior to their application. The GTA provides for two basic approaches to prior approvals of rates: price-cap regulation and individual approvals on the basis of costs of efficient service provision. BNetzA will not approve rates which amount to an abuse of the operator's significant market power. BNetzA may also prohibit rates after they are implemented if, after carrying out a review at a later stage, BNetzA comes to the conclusion that charging such rates amounts to an abuse of the operator's significant market power.

Because it has significant market power, BNetzA can impose rate regulations on KPN. Currently, the wholesale call termination rates KPN charges are subject to ex-ante regulation by BNetzA. On 24 February 2011, BNetzA ruled with retroactive effect from 1 December 2010 that the rates which KPN is entitled to charge for call or SMS termination to its mobile telecommunications network is 3.36 Eurocents per minute, which was still significantly lower than the rates then in effect. This decision expired on 30 November 2012. BNetzA announced on 2 December 2012, that KPN still has significant market power in the market for voice call or SMS termination on individual mobile networks and subsequently started the approval process regarding KPN's MTRs as of 1 December 2012. On 16 November 2012, BNetzA set preliminary new MTRs of 1.85 Eurocents per minute for the period from 1 December 2012 to 30 November 2013 and of 1.79 Eurocents per minute for the period from 1 December 2013 to 30 November 2014. These preliminary decisions are based on a bottom up cost model which identifies the cost of efficient service provision instead of the "pure BULRIC" recommended by the EU Commission. BNetzA provided notice of its preliminary decisions to the EU Commission on 31 January 2013. On 28 February 2013, the EU Commission initiated an investigation into BNetzA's decisions, "expressing serious doubts" as to the compatibility of BNetzA's preliminary decisions with EU law. The second-phase investigation will suspend the final adoption of BNetzA's preliminary MTR until at least 31 May 2013. BNetzA's decisions, depending on the outcome of the EU Commission investigation, will be retroactively applied as of 1 December 2012 and will be subject to potential amendments which might result from the EU Commission investigation.

Mobile licensing

In Germany, KPN's subsidiary E-Plus operates a mobile network on the basis of frequency usage rights in the 900MHz, 1800MHz, 2.1GHz, 2.6GHz and 3.5GHz bands (with various expiration dates between 2016 and 2025).

On 21 November 2011, BNetzA published its final decision on the distribution of 900MHz frequencies in the German mobile market (*Frequenzverteilungsuntersuchung*). Based on the assumption that only E-Plus will refarm its 900MHz frequencies to offer both GSM 900 and UMTS 900MHz services, BNetzA found that the current distribution of 900MHz frequencies is not distorting competition in the German mobile market and that it will therefore not make available additional 900MHz frequencies until 31 December 2016.

Also on 21 November 2011, BNetzA started proceedings to gauge the demand operators will have by 1 January 2017 for the 900MHz and 1800MHz frequencies that will expire on 31 December 2016. On 9 November 2012, BNetzA published a scenario paper disclosing that, in addition to the four current mobile network operators, one or two new players have shown an interest in the 900/1800MHz frequencies and that the sum of future interests exceeds the available spectrum.

In BNetzA's view, the different expiration deadlines (2016, 2020, 2021 and 2025) for the 900/1800MHz spectrum and other usage rights could, however, make a decision on the 900MHz and 18MHz bands, plus usage rights regarding other frequency bands reasonable. Against this background, BNetzA has outlined four potential scenarios, which can also be combined:

- Prolongation of 900/1800MHz frequencies. BNetzA's preliminary view was that disadvantages outweighed advantages.
- Early auction of the 900/1800MHz frequencies. BNetzA's preliminary view was that advantages equaled disadvantages.
- Early auction of the 900/1800MHz and other frequencies which expire in the near future (e.g., 450, 2000 and 3500MHz frequencies) and/or which might become available (e.g., 700 and 1400MHz frequencies). BNetzA's preliminary view was that advantages outweighed disadvantages.
- Short-term auctions/prolongations initially so that all usage rights expire 2025, followed by "big-bang" auction of all available frequencies in early 2020s. BNetzA's preliminary view was that advantages equal disadvantages.

BNetzA's scenario paper was open for comment until 31 January 2013. In the second quarter of 2013, BNetzA will publish a draft decision on the allocation of future 900/1800MHz (and potentially other frequency) usage rights, clarifying the nature and timing of any future spectrum allocation in Germany. As a result of this decision, KPN expects that it may participate in a spectrum auction in Germany as early as 2014, which may require KPN to incur significant unexpected capital expenditures or investments.

Belgium

General

KPN's activities as a mobile network operator in Belgium are subject to statutory regulation and supervision by various Belgian national authorities, in particular the Belgian Institute for Postal Services and Telecommunications (**BIPT**). BIPT has responsibility for market regulation and for carrying out executive functions such as awarding licenses, managing the frequency spectrum, type approval and acting as a mediator in disputes between operators. The relevant regulatory framework is set forth in the Act of 21 March 1991 regarding the Reform of certain Public Economic Enterprises, the Act of 13 June 2005 regarding Electronic Communications (**AEC**), the Act of 17 January 2003 on the status of the BIPT and the Act of 17 January 2003 on appeals and dispute resolution arising from the Act of 17 January 2003 on the status of the BIPT.

In July 2012, the Belgian Parliament amended the Belgian legislative framework in order to implement the 2009 Directives into Belgian law. The amendments entered into force in August 2012 and certain others entered into force in October 2012. One of the most important amendments is that all consumers in Belgium now will have the right to terminate their telecommunication contracts at no cost as from six months after the starting date of the contract.

Significant market power and market analysis

In Belgium, KPN is designated by BIPT to have significant market power in the market for voice call termination on its individual mobile network.

Mobile termination rates in Belgium

Beginning with its decision on 11 August 2006, the BIPT extended its tariff regulation mechanism for MTRs, which already existed for Belgacom Mobile and Mobistar, to KPN. The tariff regulations provide for caps on MTRs and oblige mobile network operators to apply MTRs that are cost-based. The BIPT decided that the cost-based tariff regulation mechanism would be gradually implemented by means of an asymmetrical "glide path" to decrease MTRs in Belgium. As a result, the BIPT has lowered MTRs in the Belgian market by a series of incremental reductions.

On 29 June 2010, the BIPT adopted a final decision providing for a new "glide path" for the period 2010-2013, resulting in all operators of mobile networks in Belgium being subject to a maximum MTR of 1.08 Eurocents per minute as of 1 January 2013 (effectively 1.18 Eurocents per minute after being indexed for inflation).

On 14 July 2010, Mobistar and KPN each appealed the BIPT decision of 29 June 2010 with the Brussels Court of Appeal. Mobistar and KPN requested the suspension and annulment of the decision with regard to their own MTRs, and Proximus also intervened in the proceedings in order to safeguard its interests. On 16 May 2012, the Brussels Court of Appeal rejected KPN's annulment petition; however, it stated that on procedural ground the decision should be annulled. The Brussels Court of Appeal decided to petition for a preliminary ruling to the Constitutional Court in order to determine whether the Brussels Court of Appeal has the power to maintain a decision which should be annulled for procedural reasons. Though KPN is not a party to this case pending before the Constitutional Court, a decision of the Constitutional Court is expected as early as the third quarter 2013. Nonetheless, despite appeals by KPN, Mobistar and Proximus, MTRs in Belgium have continued to decline according to the "glide path" and BIPT is preparing a new cost model in order to set tariffs for the period 2014-2016.

Mobile licensing

In Belgium, KPN's subsidiary KPN Group Belgium operates a mobile network on the basis of frequency licenses in the 900MHz, 1800MHz, 2.1GHz and 2.6GHz bands (with various expiration dates between 2021 and 2027).

On 15 March 2010, KPN initiated a challenge to additional fees charged for the renewal of its 2G licenses with the Belgian Constitutional Court. On 15 July 2011, the Belgian Constitutional Court referred questions on the interpretation of the Authorization Directive to the European Court of Justice and, in its judgment of 21 March 2013, the European Court of Justice rejected the main arguments put forward by KPN. The European Court of Justice ruled that the Belgian Government was entitled to impose an additional license fee for the renewal of KPN Group Belgium's 2G license provided this fee is proportionate, non-discriminatory and is effectively intended to ensure that the 2G frequencies are used in an optional way. The next step in the procedure is the judgment of the Constitutional Court, which is expected in the second or third quarter of 2013.

2G licenses

The three Belgian mobile network operators, Belgacom Mobile (Proximus), Mobistar and KPN, were each awarded 2G licenses on 8 April 1995, 27 November 1995 and 2 July 1998, respectively, against payment of a one-off spectrum usage fee. The initial period was 15 years, but under the 15 March 2010 law, the existing 2G licenses will be renewed until 2021 in return for an additional license fee.

3G licenses

The three Belgian mobile network operators, Belgacom Mobile, Mobistar and KPN, were also awarded a 3G license on 15 March 2001. The fourth 3G license was granted to Telenet Tecteo Bidco in 2011. All four 3G licenses will expire on 15 March 2021.

2.6GHz licenses

On 28 November 2011, KPN obtained a license to use 30MHz frequency division duplexing in the 2.6GHz spectrum band in Belgium. The license became available as of 1 July 2012 and will expire in 2027. In total, 155MHz were successfully auctioned for a total amount of EUR 77.8 million. Belgacom (40MHz FDD for EUR 20 million), Mobistar (40MHz FDD for EUR 20 million) and BUCD (45MHz TDD for EUR 22.5 million) also obtained spectrum in the 2.6GHz band. This frequency band is typically used for rolling out 4G mobile networks.

800MHz frequency auctions

Pursuant to draft legislation concerning the auction of the 800MHz band, 3 times 10MHz duplex will be auctioned with a minimum reference price of EUR 90 million per 10MHz duplex. It is expected that the 800MHz spectrum will be auctioned by the end of 2013. KPN expects that it may participate in this spectrum auction, which may require KPN to incur significant unexpected capital expenditures or investments.

BOARD OF MANAGEMENT, SUPERVISORY BOARD AND EMPLOYEES

Introduction

Set out below is a summary of relevant information as well as a brief summary of certain significant provisions of the Articles of Association and Dutch corporate law in force on the date of this Prospectus concerning the Board of Management and the Supervisory Board.

This section further includes a brief summary of information concerning the employees, incentives, codetermination and pension plans.

Management structure

KPN has a two-tier board structure consisting of the Board of Management and the Supervisory Board.

Board of Management

Powers, responsibilities and functioning

The Board of Management is responsible for the day-to-day management, the strategy and the operations of KPN under the supervision of the Supervisory Board. The Board of Management is required to keep the Supervisory Board informed and to consult the Supervisory Board on important matters, and must submit certain important decisions to the Supervisory Board or the General Meeting for its prior approval.

The Board of Management may perform all acts necessary or useful for achieving KPN's corporate purposes, except for those acts expressly attributed to the General Meeting or the Supervisory Board as a matter of Dutch law or pursuant to the Articles of Association or acts that are prohibited by law. The members of the Board of Management have joint powers and responsibilities. The members of the Board of Management share responsibility for all decisions and acts of the Board of Management and for the acts of each individual member of the Board of Management. The Board of Management may only adopt resolutions with an absolute voting majority.

The Board of Management as a whole is entitled to represent KPN. Additionally, the chairman of the Board of Management is authorized solely to represent KPN as are two members of the Board of Management acting jointly.

Composition, appointment, term and dismissal

The Articles of Association provide that the Board of Management shall consist of two or more members, with the exact number to be determined by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and shall notify the General Meeting of an intended appointment.

The Supervisory Board has the power to suspend or dismiss a member of the Board of Management. If the Supervisory Board has suspended a member of the Board of Management, the Supervisory Board shall, within three months after the suspension has taken effect, resolve either to dismiss that member of the Board of Management or to terminate the suspension. The suspension will cease automatically if the Supervisory Board fails to take a decision about this issue within these three months. The Supervisory Board shall not dismiss a member of the Board of Management until the General Meeting has been consulted on the intended dismissal. The Supervisory Board shall permit the member of the Board of Management who it intends to dismiss, to be heard before the General Meeting is consulted regarding the intended dismissal.

Meetings and decision-making

The Board of Management has adopted regulations (the **Management By-Laws**) that were approved by the Supervisory Board and most recently amended on 12 April 2012. The Management By-Laws describe, *inter alia*, the procedure of holding meetings and decision-making by the Board of Management, and the Board of Management's operating procedures. These Management By-Laws have been established taking into account the Dutch Corporate Governance Code. For further information on the Dutch Corporate Governance Code see "Description of Share Capital and Corporate Governance—Corporate governance".

Under the Management By-Laws, the members of the Board of Management shall endeavor to achieve that resolutions are as much as possible adopted unanimously. Where unanimity cannot be reached and the law, the

Articles of Association or the Management By-Laws do not prescribe a larger majority, all resolutions of the Board of Management must be adopted by an absolute majority of the votes cast in a meeting at which at least a majority of the members of the Board of Management then in office are present or represented. In the event of a tie of votes, the chairman of the Board of Management shall have the deciding vote, provided that the Board of Management consists of three or more members. In the event of a tie of votes in a situation where the Board of Management consists of only two members, the proposed resolution shall be submitted for decision making to the chairman of the Supervisory Board.

A member of the Board of Management must immediately report any conflict of interest or potential conflict of interest to the chairman of the Supervisory Board and the other members of the Board of Management. The Supervisory Board will then decide whether there is an actual conflict of interest pursuant to Dutch laws. Where a member of the Board of Management is considered to have an interest which conflicts with the interests of KPN, such member shall not be allowed to participate in discussions or decision-making in respect of the subject or transaction to which his or her conflict of interest relates.

Board of Management resolutions requiring prior approval

Under the Articles of Association the resolutions of the Board of Management requiring the approval of the Supervisory Board for resolutions of the Board of Management relate to:

(a) the issue and acquisition of shares of KPN and debt instruments issued by KPN or of debt instruments issued by a limited partnership or a general partnership in respect of which KPN is a general partner with full liability;

(b) cooperation in the issue of depositary receipts for Shares in KPN;

(c) an application for admission of the instruments as referred to under (a) and (b) for trade on a regulated market or a multilateral trading facility as referred to in Article 1:1 of the Dutch Financial Supervision Act or a system comparable to a regulated market or multilateral trading facility from a state which is not a Member State, or an application for the withdrawal of such admission;

(d) the entering into or termination of long-term cooperation of KPN or a subsidiary with any other company or legal entity or as a fully liable partner in a limited partnership or general partnership if such cooperation or termination is of fundamental importance to KPN;

(e) the acquisition of a participation worth at least a quarter of the value of the issued capital plus reserves according to KPN's balance sheet plus explanatory notes, by KPN or a subsidiary in the capital of another company, and any substantial increase or decrease of such a participation;

(f) investments requiring an amount equal to at least a quarter of KPN's issued capital plus reserves according to its balance sheet plus explanatory notes;

(g) a proposal to amend the articles of association;

(h) a proposal to dissolve KPN;

(i) a petition for bankruptcy or a request for suspension of payments;

(j) the termination of the employment of a considerable number of KPN's employees or of a subsidiary's employees simultaneously or within a short period of time;

(k) a significant change in the employment conditions of a considerable number of KPN's employees or of a subsidiary's employees; and

(l) a proposal to reduce the issued capital of KPN.

Insofar not already subject to Supervisory Board approval pursuant to (a) up to and including (l) set out above, any resolution of the Board of Management which the chairman has voted against requires the approval of the Supervisory Board.

The Supervisory Board may require resolutions of the Board of Management other than those specified above to be subject to its approval.

Additionally, resolutions of the Board of Management entailing a significant change in the identity or the character of KPN or its business require the prior approval of the General Meeting, which in any case includes:

(a) the transfer of (nearly) the entire business of KPN to a third party;

(b) entering into or breaking off long-term cooperation of KPN or a subsidiary with another legal entity or company or as a fully liable partner in a limited partnership or general partnership, if this cooperation or termination is of major significance for KPN; and

(c) acquiring or disposing of participating interests in the capital of a company at a value of at least one third of the sum of the assets of KPN as shown on its balance sheet plus explanatory notes or, if the company prepares a consolidated balance sheet, as shown on its consolidated balance sheet plus explanatory notes, according to the last adopted financial statements of KPN or a subsidiary.

Members of the Board of Management

The Board of Management is currently composed of the following members:

Name	Year of birth	Position	Member since
E. Blok	1957	CEO	June 2006 (reappointed in 2010)
W.T.J. Hageman	1970	CFO	September 2012
T. Dirks	1963	Member	November 2011
J.F.E. Farwerck	1965	Member	April 2013

KPN's registered address serves as the business address for all members of the Board of Management, being Maanplein 55, 2516 CK The Hague, the Netherlands.

E. Blok—Chief Executive Officer

Eelco Blok is a Dutch national and was appointed as a member of the Board of Management on 1 June 2006. Mr. Blok assumed the additional role of Chief Operating Officer in October 2010. As of the annual General Meeting in April 2011, Mr. Blok is the chairman of the Board of Management and Chief Executive Officer.

Mr. Blok joined KPN in 1983 and has had various management positions, including as director of KPN's Carrier Services, Corporate Networks and Fixed Net Operator, and he was responsible for Corporate Strategy & Innovation. More recently he was Chief Operating Officer of KPN's former Fixed division. He was previously, from April until December 2004, a member of the Board of Management. He is a member of the supervisory board of Reggefiber Group B.V., he is a member of the board of the ICT Office and he is a co-chairman of the Cyber Security Council.

W.T.J. Hageman—Chief Financial Officer

Eric Hageman is a Dutch national and was appointed to the Board of Management on 11 September 2012, in the position of CFO. Prior to joining KPN, Mr. Hageman worked as a corporate financier in London from 1995 through 2005, where he advised companies in the telecoms, media and technology sectors. In 2005, Mr. Hageman joined KPN as head of Investor Relations. Additionally, he became head of the Mergers & Acquisitions department in 2007. In 2008, Mr. Hageman was appointed CFO of the Mobile International division. In that same year he took over responsibility for KPN Spain, KPN France and Ortel Mobile. In 2011, Mr. Hageman became CEO of KPN Group Belgium. Mr. Hageman also made a key contribution to developing the 2011-2015 Strategy. From January 2012 until 11 September 2012, Mr. Hageman has acted as CFO ad interim of KPN.

T. Dirks

Thorsten Dirks is a German national and as of 8 November 2011, is a member of the Board of Management and is responsible for the international mobile activities within the Group. He is also the Chief Executive Officer of E-Plus and Mobile International.

Mr. Dirks joined E-Plus in 1996, having previously held management positions with Orbitel Mobile Communication (Vodafone/Ericsson) and Vebacom. He joined the E-Plus board of management in 2001. During his time at E-Plus, he has held the positions of General Manager Business Support & Innovation Management, Executive Director Product & Process Innovation and General Manager of Innovation, IT and Operations. He has been Chief Executive Officer of E-Plus since January 2007 and Chief Executive Officer of KPN Mobile International since May 2011.

J.F.E. Farwerck

Joost Farwerck is a Dutch national and was appointed to the Board of Management on 10 April 2013. He is responsible for The Netherlands.

Mr. Farwerck joined KPN in 1993 where he has held various senior management positions across a number of segments of KPN in The Netherlands. Mr. Farwerck has held the positions of corporate secretary of KPN, Director Carrier Services, member of the board of management of the KPN Fixed Division, Managing Director KPN Fixed Operations and Carrier Services, Senior Executive Vice President KPN Wholesale and Operations and Senior Executive Vice President Residential KPN Netherlands. In addition, from 2007 to 2009 Mr. Farwerck was a non executive board member of iBasis, then listed on Nasdaq in New York. As of 15 February 2012, Mr. Farwerck was appointed Managing Director KPN The Netherlands and given responsibility for all of KPN's activities in The Netherlands.

Employment and severance agreements of members of the Board of Management

Term of employment

All members of the Board of Management have a permanent employment contract for an indefinite period of time, with the exception of Mr. Dirks and Mr. Farwerck. KPN has entered into a board agreement with Mr. Dirks for a definite period of four years. Mr. Dirks also holds the position of Chief Executive Officer of E-Plus Mobilfunk Geschäftsführungs GmbH under the terms and conditions of a service contract with a term ending on 8 November 2015, which contract as amended will remain in full force and effect, irrespective of any possible termination of the board agreement. KPN has entered into a service provision agreement with Mr. Farwerck for an initial period of four years. Mr. Farwerck's service provision agreement contains a severance pay clause that amounts to two years' base compensation during the initial term of four years. If and after the agreement is continued after the first initial term of four years, the contractual compensation amounts to one year's base compensation.

Term of appointment

Members of the Board of Management are appointed for a four-year term. On expiry of the four-year term, a member of the Board of Management may be reappointed.

Severance payments

If an employment contract with a member of the Board of Management is terminated early without this being imputable to that member, he is entitled to a severance payment of an amount equal to one year's gross salary. Mr. Dirks' employment contract contains a non-competition clause for which he will, as required by German law, receive compensation equal to 50% of his (German) salary during a maximum period of 12 months. In the event of a termination of his German contract, he will receive this compensation (in addition to his severance payment under KPN's remuneration policy).

Termination of employment contract

If Mr. Blok terminates his employment contract with KPN because he is no longer able to carry out his duties at the same level as he previously did and this is the result of KPN being merged or acquired, KPN must pay him compensation equal to one year's salary (the "fixed" remuneration component).

If Mr. Hageman terminates his employment contract with KPN due to the acquisition by one or more parties of more than 50% of the Ordinary Shares, KPN must pay him compensation equal to one year's salary (the "fixed" remuneration component).

Mr. Dirks has a right to terminate his board agreement with KPN in the event of an acquisition by one or more parties of more than 50% of the Ordinary Shares. In case of such termination, KPN must pay him compensation equal to one year's salary (the "fixed" remuneration component). Mr. Dirks service contract with E-Plus Mobilfunk Geschäftsführungs GmbH and E-Plus Mobilfunk GmbH & Co. KG contains a similar termination right and compensation of one year's salary (the "fixed" remuneration component) in case of such termination.

If Mr. Farwerck terminates his service provision agreement with KPN due to the acquisition by one or more parties of more than 50% of the Ordinary Shares, KPN must pay him compensation equal to two years' base compensation during the initial term of four years. If and after the agreement is continued after the first initial term of four years, the contractual compensation amounts to one year's base compensation.

Loans and guarantees

KPN does not grant loans or guarantees, including mortgage loans, to the members of the Board of Management. Therefore, as on the date of this Prospectus, no such loans are outstanding.

Supervisory Board

Powers, responsibilities and functioning

The Supervisory Board is responsible for supervising the conduct of and providing advice to the Board of Management and for supervising KPN's business generally.

In performing their duties, the members of the Supervisory Board are required to act in the interests of KPN and its affiliated enterprise, taking into consideration the interests of KPN's stakeholders (which includes but is not limited to KPN's shareholders).

The number of members of the Supervisory Board will be determined by the Supervisory Board, and will consist of at least five members and at most nine members.

Composition, appointment, term and dismissal

The members of the Supervisory Board are appointed by the General Meeting on the basis of the Supervisory Board's nomination. In the event the General Meeting does not appoint the person nominated and does not resolve to reject the nomination, the Supervisory Board shall appoint the person nominated. The Supervisory Board shall notify the General Meeting and KPN's central works council (*ondernemingsraad*) (the **Central Works Council**) simultaneously of its nomination.

The General Meeting and the Central Works Council may recommend to the Supervisory Board persons to be nominated as members of the Supervisory Board. With regard to one-third of the members of the Supervisory Board, the Supervisory Board shall nominate a person recommended by the Central Works Council, unless the Supervisory Board objects to the recommendation on the grounds that the person recommended is expected to be unsuitable for the fulfillment of the duties of a member of the Supervisory Board or that the Supervisory Board will not be suitably composed when the appointment is made as recommended. If the Supervisory Board raises an objection against a person recommended by the Central Works Council, it will have to inform the Central Works Council of that objection and the underlying reasons. The Supervisory Board shall institute consultations with the Central Works Council without delay with a view to reaching an agreement on the nomination. If the Supervisory Board determines that no agreement can be reached, a representative of the Supervisory Board designated for that purpose shall apply to the Enterprise Chamber to uphold the objection. The application may not be filed until four weeks have lapsed since the consultations with the Central Works Council commenced. If the Enterprise Chamber declares the objection unfounded, the Supervisory Board shall place the person recommended on the nomination. If the Enterprise Chamber upholds the objection, the Central Works Council may make a new nomination.

The General Meeting may reject the nomination by the Supervisory Board with an absolute majority of the votes cast representing at least one-third of the issued and outstanding share capital. If less than one-third of the issued and outstanding share capital was present or represented at that meeting, a new meeting of Shareholders may be convened at which the nomination may be rejected by an absolute majority of the votes.

The members of the Supervisory Board are appointed for a maximum term of four years, provided that, unless a member of the Supervisory Board retires at an earlier date, his or her term lapses on the day of the first annual General Meeting to be held in the fourth year after the year of his or her appointment. A retiring member of the Supervisory Board can be re-appointed. A member of the Supervisory Board may be a member of the Supervisory Board for a total of no more than 12 years. The Supervisory Board members shall retire in accordance with a rotation schedule drawn up by the Supervisory Board.

On application by KPN, represented for such purpose by the Supervisory Board or a designated representative of the General Meeting or the Central Works Council, the Enterprise Chamber may remove a member of the Supervisory Board for neglect of his or her duties, for other important reasons or on account of any material change of circumstances, as a result of which KPN cannot reasonably be required to maintain him or her as a member of its Supervisory Board. The Supervisory Board may suspend a member of the Supervisory Board. The General Meeting may dismiss the Supervisory Board as a whole for lack of confidence by an absolute majority of the votes cast, representing at least one-third of the issued and outstanding share capital, which results in the immediate dismissal of all the members of the Supervisory Board.

A resolution of the General Meeting of no confidence in the Supervisory Board cannot be passed until after the Board of Management has notified the Central Works Council of the proposed resolution and the reasons for such resolution. The notification has to be made at least thirty days before the General Meeting is held at which the proposal is discussed. If the Central Works Council forwards an opinion on the proposal to the Board of Management, the Board of Management must inform the Supervisory Board and the General Meeting of this. The Central Works Council can have its position explained in the General Meeting.

Meetings and decision-making

Pursuant to the Articles of Association, the Supervisory Board may adopt rules regarding the holding of meetings, the convening of meetings and decision-making in meetings, as well as the division of its tasks and the establishment of committees as well as their procedures. In accordance with the Articles of Association, the Supervisory Board has adopted the Rules of the Supervisory Directors (the **Supervisory Board By-Laws**).

Pursuant to the Supervisory Board By-Laws, the Supervisory Board can, in principle, only adopt resolutions if the majority of its members are represented, on the understanding that any member of the Supervisory Board who has a conflict of interest (as specified in the Supervisory Board By-Laws) (a **Conflicted Member**) does not count in calculating this quorum. Resolutions can also be adopted without holding a meeting, provided that the subject concerned has been brought to the attention of all members of the Supervisory Board, none of the members of the Supervisory Board has opposed to this decision-making procedure and all members have participated in the decision-making, on the understanding that Conflicted Members do not participate in the decision-making. A resolution adopted in this way, shall be recorded in writing and signed by the chairman. The Supervisory Board can adopt resolutions, whether adopted in a meeting or without holding a meeting, by majority vote. Each member of the Supervisory Board is entitled to one vote. In the event of a tie, the chairman of the Supervisory Board will cast the deciding vote.

Pursuant to Dutch law, the Dutch Corporate Governance Code and the Supervisory Board By-Laws, a Conflicted Member will not take part in the discussion and in the decision-making that involves a subject or transaction in relation to which he or she has a conflict of interest with KPN. Resolutions to enter into transactions, in relation to which a member of the Supervisory Board would have a conflict of interest, require the approval of the Supervisory Board.

Pursuant to the Supervisory Board By-Laws, the Supervisory Board adopted a profile of the size and composition of the Supervisory Board.

Members of the Supervisory Board

The Supervisory Board is composed of the following members:

Name	Year of birth	Position	Member since	Re-appointed	End of term
J.B.M. Streppel	1949	Chairman	May 2003	April 2011	2015
R.J. Routs	1946	Vice-Chairman	April 2009	April 2013	2014
M.E. van Lier Lels	1959	Member	May 2001	April 2013	2014
C.M. Hooymans	1951	Member	April 2007	April 2011	2015
D.J. Haank	1953	Member	April 2009	April 2013	2017
P.A.M. van Bommel	1957	Member	April 2012	first seat	2016
C.J. García Moreno Elizondo	1957	Member	April 2013	first seat	2017
O. Von Hauske Solís	1957	Member	April 2013	first seat	2017

The business address of the members of the Supervisory Board is KPN's registered address: Maanplein 55, 2516 CK The Hague, the Netherlands.

J.B.M. Streppel

Jos Streppel is a Dutch national. Mr. Streppel was appointed as a member of the Supervisory Board on 12 May 2003 and has been the Chairman of the Supervisory Board since 13 April 2010.

His current (third and final) term expires in 2015. Mr. Streppel chairs the Nominating and Corporate Governance Committee and is a member of the Remuneration and Organization Development Committee. Mr. Streppel is the former Chief Financial Officer of AEGON N.V. and is a member of the supervisory board of Van Lanschot N.V., member of the supervisory board of Arq Psychotrauma Expert Group, member of the board of the Holland Financial Center and non-executive director of the RSA Group Ltd. He is Chairman of the Shareholders Communication Channel, Chairman of the Monitoring Committee Corporate Governance Code and Chairman of the board of Duisenberg School of Finance.

R.J. Routs

Rob Routs is a Dutch national and resides in Switzerland. Mr. Routs was appointed as a member of the Supervisory Board on 7 April 2009 and has been the Vice Chairman of the Supervisory Board since 13 April 2010. His term expires in 2014. Mr. Routs chairs the Remuneration and Organization Development Committee and is a member of the Nominating and Corporate Governance Committee.

Mr. Routs was a Board of Management member at Royal Dutch Shell PLC from 2004 until his retirement in 2008. Before that he held various (senior) management positions at this company in the USA, Canada and the Netherlands. Mr. Routs is chairman of the supervisory board of DSM, chairman of the supervisory board of Aegon N.V., member of the board of directors of ATCO, and member of the boards of AP Moller-Maersk Denmark and AECOM.

M.E. van Lier Lels

Marike van Lier Lels is a Dutch national. Ms van Lier Lels was first appointed as a member of the Supervisory Board on 2 May 2001. Her term expires in 2014. She is a member of the Audit Committee. Ms van Lier Lels held various management positions with Dutch international companies and is the former Chief Operating Officer of Schiphol Group. She is a member of the Supervisory Boards of USG People N.V., TKH Group N.V., Reed Elsevier N.V. She is the chairman of the Supervisory Council of The Netherlands Society for Nature and Environment and a member of the Council for environmental infrastructure, member of the central plan committee (CPB) and member of the board at the Aegon Association.

C.M. Hooymans

Tiny Hooymans is a Dutch national. Ms. Hooymans was appointed as a member of the Supervisory Board on 17 April 2007, and her current (second) term expires in 2015. She is a member of the Remuneration and Organization Development Committee, as well as the Nominating and Corporate Governance Committee, and the Nominating and Corporate Governance Committee. Ms. Hooymans is a member of the management board of TNO and a member of the supervisory board of Rabobank Vallei en Rijn. Furthermore, she is a member of the board of the Radboud Foundation (Radboud University and Radboud University Medical Center) and a member of the Dutch Government's Advisory Council for Science and Technology.

D.J. Haank

Derk Haank is a Dutch national. Mr. Haank was appointed as a member of the Supervisory Board on 7 April 2009 and his term expires in 2017. He is the chairman of the Audit Committee. Mr. Haank is currently Chief Executive Officer of Springer Science+Business Media (Springer). Mr. Haank holds several supervisory and advisory positions, including those of member of the supervisory board of NUON, MSD Netherlands B.V. and the Supervisory Council of the Dutch broadcast association TROS. Before his appointment at Springer, Mr. Haank was the Chief Executive Officer of Elsevier Science and executive board member of Reed Elsevier PLC.

P.A.M. van Bommel

Peter van Bommel is a Dutch national. Mr. van Bommel was appointed as member of the Supervisory Board on 12 April 2012, and his term expires in 2016. Mr. van Bommel is currently member of the board of management and CFO of ASMI and non-executive director of ASM PT (Hong Kong). Prior to his appointment as CFO of ASMI in July 2010, Mr. van Bommel was the CFO at Odersun (a start-up company in the solar industry), the executive vice president at NXP and CFO at various divisions of Philips.

C.J. García Moreno Elizondo

Carlos José García Moreno Elizondo is a Mexican national. Mr. García Moreno Elizondo was appointed as member of the Supervisory Board on 10 April 2013 and his term expires in 2017. Mr. García Moreno Elizondo was appointed pursuant to the Shareholder Commitment Letter and the relationship agreement entered into by

KPN and América Móvil on 20 February 2013. Mr. García Moreno Elizondo currently holds several supervisory and advisory positions, including with Banco Inbursa and Nacional Financiera. Prior to joining América Móvil, Mr. García Moreno Elizondo held amongst others positions at the Mexican Ministry of Finance as the Director General of Public Credit and at the Swiss Bank Corporation Warburg as executive director and managing director.

O. Von Hauske Solís

Oscar Von Hauske Solís is a Mexican national. Mr. Von Hauske Solís was appointed as member of the Supervisory Board on 10 April 2013 and his term expires in 2017. Mr. Von Hauske Solís was appointed pursuant to the Shareholder Commitment Letter and the relationship agreement entered into by KPN and América Móvil on 20 February 2013. Mr. Von Hauske Solís currently holds several supervisory and advisory positions, including those of supervisory board member of Telekom Austria, member of the Board of Directors of Telmex, NET Servicios, Embratel Participações, Telmex Brasil, Telmex Argentina, Telmex Colombia, Telmex Perú, Telmex Ecuador, Telmex USA and Hildebrando Software.

Committees of the Supervisory Board

Three committees assist the Supervisory Board: the Audit Committee, the Remuneration and Organization Development Committee and the Nominating and Corporate Governance Committee. The committees consist of members of the Supervisory Board. They report their findings to the Supervisory Board, which is ultimately responsible for all decision-making.

Audit Committee

The Audit Committee consists of four Supervisory Board members: Mr. Haank (Chairman), Mr. C.J. García Moreno Elizondo, Ms. van Lier Lels and Mr. van Bommel. The Audit Committee's task is to supervise in particular the (quality of the) accounting and financial reporting practices, including quarterly and annual reporting, accounting and financial reporting policies and procedures, the (quality of the) internal control system and internal audit function, the independent external audit of the financial statements, the performance and evaluation of the external auditor and the compliance with relevant legislation and regulations. The task of the Audit Committee in the area of financial reporting and accounting practices is to provide reasonable assurance that the financial disclosures prepared by management adequately reflect KPN's financial condition, results of operations, cash flows and long-term commitments.

Remuneration and Organization Development Committee

The Remuneration and Organization Development Committee consists of four Supervisory Board Members: Mr. Routs (Chairman), Mr. Streppel, Mr. O. Von Hauske Solís and Ms. Hooymans. The task of the Remuneration and Organization Development Committee is to assist the Supervisory Board regarding the development and appropriate application of remuneration policies for the Board of Management, including the remuneration of the members of the Board of Management for the coming year; the individual short-term incentives (**STI**) of members of the Board of Management on the basis of the policy framework for performance related pay, achieved targets and goals; allocation policies for long-term incentives (**LTI**) (to members of the Board of Management and to other KPN senior management) and the conditions under which they are granted; and the remuneration of members of the Supervisory Board for submission to the Supervisory Board and to the General Meeting.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of four Supervisory Board Members: Mr. Streppel (Chairman), Mr. Routs, Mr. O. Von Hauske Solís and Ms. Hooymans. The task of the Nominating and Corporate Governance Committee is to assist the Supervisory Board with respect to the nomination of the Board of Management and the Supervisory Board and the oversight of development policies for senior management, as well as KPN's corporate governance policies.

Remuneration

Remuneration of the Board of Management

Remuneration policy

The Supervisory Board establishes the individual remuneration of members of the Board of Management within the boundaries of the remuneration policies approved by the General Meeting and the recommendations by the Remuneration and Organizational Development Committee.

The aim of the remuneration policy is to attract, motivate and retain the necessary leadership talent for the Board of Management who will contribute to the long-term success of the Group. The policy is designed to reward members of the Board of Management for their contribution to the Group's performance and shareholder value. During 2010, KPN's remuneration policy was reassessed, leading to amendment proposals. The underlying principles of the proposed amendments were predominantly based on shifting the emphasis of the variable compensation more towards the longer term, to simplify the LTI grant and to add non-financial targets to the LTI, such as energy reduction and reputation related targets. The proposals to amend KPN's remuneration policy were approved by the General Meeting on 6 April 2011.

KPN's remuneration policy is designed with a view to achieve the following objectives (i) attracting and retaining the necessary leadership talent; (ii) driving performance that generates long-term profitable growth; (iii) promoting behavior that reinforces the business strategy and desired culture; (iv) encouraging teamwork across KPN; (v) strongly linking rewards to value creation; (vi) complying with best practice in corporate governance; and (vii) general acceptance by all stakeholders.

KPN's remuneration policy is guided by three broad principles:

- Paying competitively—This is achieved through benchmarking against an employment market peer group consisting of companies with whom KPN generally competes for talent.
- Pay-for-performance—Target pay aims at 30 – 40% of pay in base salary, and 60 – 70% in variable pay in order to maintain a strong alignment with KPN's annual financial performance goals and long-term value creation strategy.
- Differentiating by experience and responsibility—This is achieved through alignment of the pay with the responsibilities, relevant experience, required competence and performance of individual jobholders.

In addition, the remuneration for each member is determined by taking into account the specific experience and responsibilities of the members of the Board of Management.

The remuneration package for members of the Board of Management consists of both fixed remuneration and variable remuneration.

As a policy, KPN does not provide loans to members of the Board of Management.

Fixed remuneration

The Remuneration and Organization Development Committee determines appropriate base salary levels based on a comparison with the remuneration of members of one peer group consisting of AEX-listed companies and European sector-specific companies. The companies in the peer group are: AkzoNobel, Randstad Holding, DSM, Royal Philips Electronics, Heineken, Unilever, Reed Elsevier, Portugal Telecom, Royal Ahold, Swisscom, Belgacom, Vodafone Group, BT Group and Cap Gemini. The Remuneration and Organization Development Committee regularly reviews the peer group to ensure that the composition is still appropriate. The composition of the peer group might be adjusted as a result of mergers or other corporate activities.

In line with KPN's pay-for-performance principle, base salary is targeted at the low end of the market-competitive range.

Each year the Supervisory Board considers whether circumstances justify an adjustment in base salary within the market-competitive target range for individual members of the Board of Management.

Variable remuneration

In designing this remuneration policy, the Supervisory Board analyzed the possible outcome of the variable remuneration components and the effect thereof on remuneration. The variable remuneration consists of two elements: an STI component which is payable in cash and the (abovementioned) LTI which is payable in conditional shares. As described below, the variable remuneration is linked to predetermined, assessable targets that can be influenced by performance. These targets underpin KPN's strategy because they relate to the strategic and financial targets set to 2015.

STI

At the beginning of each year, the Supervisory Board sets financial and non-financial target ranges for the Board of Management. Targets typically are based on revenue, EBITDA, Free Cash Flow and various measures of quality and market share. These ranges are based on KPN's business plan. At the end of the year, the Supervisory Board reviews KPN's performance against the target ranges. KPN's external auditor has been engaged to perform procedures to verify a consistent application of the approved calculation method, the mathematical accuracy of the STI calculations and a reconciliation of the source data used in the financial statements. Members of the Board of Management are eligible for an annual cash incentive only if KPN's performance is at or above the predetermined ranges.

The target ranges for financial and operational performance comprise:

- a "threshold" below which no incentive is paid;
- an "on-target" performance level at which an "on-target" incentive is paid; and
- a "maximum" at which the maximum incentive is paid.

The STI is designed to strike a balance between KPN's risk profile and the incentive to achieve ambitious targets. The payout methodology is based on a payout approach for each of the financial and non-financial targets.

The Supervisory Board may apply a discretionary factor ranging between 0.7 (i.e., reducing the cash incentive by 30%) and 1.3 (i.e., increasing the cash incentive by 30%). With this discretionary factor, the Supervisory Board is able to express its assessment of the overall individual performance of each member of the Board of Management. The ability to apply a discretionary factor does not increase average achievement levels. It does, however, allow the Supervisory Board some discretion in differentiating on the basis of individual contributions to KPN performance.

The Supervisory Board has the discretionary authority to reward extraordinary management achievement that outperforms the regular business plan(s) and has created substantial additional value for KPN and its shareholders. Other than that, discretion both upwards and downwards can be applied by the Supervisory Board if the outcome of the STI scheme would produce an unfair result or if the outcome would not be considered to reflect the basic objectives and principles of pay as outlined in the remuneration policy.

For the financial year 2012 the level of STI received by Mr. Blok was EUR 400,000. For the financial year 2012 the level of STI received by Mr. Hageman was EUR 77,745. For the financial year 2012 the level of STI received by Mr. Dirks was EUR 267,150.

LTI

In addition to the base salary and the short-term annual cash incentive described above, a long-term incentive based on performance shares is used to ensure that the interests of management are aligned with those of its long-term (or prospective) shareholders and to provide an incentive for members of the Board of Management to continue their employment relationship with KPN.

The number of shares granted under this plan is based on fixed numbers as shown in the following table.

Component	Form of Compensation	Value determination	Drivers	On target	Scenario maximum (position 1 to 3 in peer group and maximum performance on nonfinancial targets)
Long-term share based compensation	Conditional Shares	Chief Executive Officer: 95,000 Ordinary Shares with deferred dividend Other members of the Board of Management 66,000 Ordinary Shares with deferred dividend	For 75% based on total shareholder return and 25% based on non-financial parameters (energy reduction and reputation)	100% of the granted shares vest	200% of the granted shares vest

As from 2011, the number of shares that actually vest is conditional on the extent to which the returns to KPN's shareholders outperform the returns to shareholders of a peer group of Western European telecommunications companies (75% weighting) and for 25% on the achievement of the assigned non-financial parameters. Vesting of the non-financial parameters will only take place if KPN's ranking in the total shareholder return peer group is at least position 7.

In order to determine KPN's relative total shareholder return it is ranked among the following peer group: Belgacom, Telecom Italia, BT Group, Telefonica, Deutsche Telekom, Telekom Austria, France Telecom, Telenor, Hellenic Telecom, TeliaSonera, Portugal Telecom, Vodafone Group and Swisscom.

Vesting is also in principle subject to the condition that the member of the Board of Management has not resigned within three years of the date of the initial grant.

The performance period of the LTI plan is set at three years. The Committee uses scenario analysis to estimate the possible outcomes of the value of the shares vesting in coming years and decides whether a correct risk incentive is set for the Board of Management members with respect to the overall level of pay and pay differentials within KPN.

An external remuneration consultant calculates the end-of-year total shareholder return peer group position and the number of shares vested and makes certain that calculations are performed objectively and independently.

The Supervisory Board has the discretionary power to reward extraordinary management achievement that outperforms the regular business plan(s) and has created substantial additional value for KPN and its shareholders. Other than that, discretion both upwards and downwards can be applied by the Supervisory Board if the outcome of the LTI incentive scheme would produce an unfair result due to exceptional circumstances in the period when the predefined performance criteria were or should have been met.

If subsequent to the date of grant, an issue of shares occurs or other securities convertible to shares, granted stock rights under the LTI incentive scheme may be altered to make its economic value equal to its economic value immediately before such issue.

The strategy of KPN is to ensure that it remains independent. Nevertheless, a situation may arise in which the Supervisory Board explicitly considers that a merger or a takeover bid regarding KPN must be entertained. Stock rights under the LTI incentive scheme become unconditional after a change of control on the basis of a calculation method as set out in the plan.

KPN's performance ranked 13th as compared to its total shareholder return peer group over the period 2010–2012 with respect to the 2010 share award. As a result no vesting of the granted shares in 2010 has occurred in April 2013.

Pensions

Mr. Blok, Mr. Hageman and Mr. Farwerck of the Board of Management are participants in a defined contribution pension plan administered by the *Stichting Ondernemingspensioenfonds* KPN with a contribution, paid for by KPN, based on the fiscal contribution table that corresponds with a retirement age of 65 and an annual accrual rate of 2.25%. Mr. Dirks accrues pension benefits (combined defined benefit and defined contribution) with his German pension arrangement.

Remuneration in 2012

The total 2012 remuneration of the members of the Board of Management, not including LTI and STI, is set out in the table below:

	Base Salary	**Pension contribution**	**Total**
		(EUR)	
E. Blok	807,577	162,400	969,977
W.T.J. Hageman[(1)]	178,009	21,463	199,472
T. Dirks	650,000	66,904	716,904
J.F.E. Farwerck[(2)]	—	—	—
Total	**1,635,586**	**250,767**	**1,886,353**

(1) Remuneration of Mr. Hageman since his appointment as member of the Board of Management in September 2012.

(2) Mr. Farwerck was appointed as a member of the Board of Management on 10 April 2013.

Remuneration of the Supervisory Board

The Remuneration and Organization Development Committee is responsible for reviewing and, if appropriate, recommending changes to the pay of the Supervisory Board. Any recommended changes to Supervisory Board pay must be submitted to the General Meeting for approval. In view of the competitive remuneration developments in the market combined with an increased workload and responsibility for Supervisory Board members, the remuneration policy of the Supervisory Board was also reassessed during 2010, resulting in a proposal to adjust the remuneration levels of the Supervisory Board. This proposal was approved by the General Meeting on 6 April 2011.

Shareholdings in KPN held by Supervisory Board members serve as a long-term investment in KPN and help to align their interest with those of KPN's other shareholders. No Supervisory Board member is granted stock options or shares as a form of pay. No member of the Supervisory Board holds any stock options in KPN.

As a policy, KPN does not provide loans to its Supervisory Board members.

The total 2012 remuneration by KPN of the individual members of the Supervisory Board is set out below:

	2012 (EUR)
J.B.M. Streppel	115,000
R.J. Routs	85,000
A.H.J. Risseeuw[(1)]	70,000
M.E. van Lier Lels	70,000
M. Bischoff[(1)]	70,000
C.M. Hooymans	70,000
D.J. Haank	80,000
P.A.M. van Bomme1[(2)]	50,361
C.J. García Moreno Elizondo[(3)]	—
O. Von Hauske Solís[(3)]	—
Total	**610,361**

(1) Mr. A.H.J. Risseeuw and Mr. M. Bischoff ceased to be members of the Supervisory Board on 10 April 2013.

(2) Remuneration of Mr. P.A.M. van Bomme1 after appointment as member of the Supervisory Board in April 2012.

(3) Mr. C.J. García Moreno Elizondo and Mr. O. Von Hauske Solís were appointed to the Supervisor Board on 10 April 2013.

Equity holdings

The total number of Ordinary Shares held by members of the Board of Management and the Supervisory Board for the dates stated are set out below:

Ordinary Shares held by members of the Board of Management

Number of Ordinary Shares	31 March 2013	31 December 2012	31 December 2011
E. Blok	165,875	165,875	115,875
W.T.J. Hageman	1,315	1,315	0
T. Dirks	—	—	0
J.F.E Farwerck	9,065	9,065	—
Total	**176,255**	**176,255**	**115,875**

Ordinary Shares held by members of the Supervisory Board

Number of Ordinary Shares	31 March 2013	31 December 2012	31 December 2011
J.B.M. Streppel	0	0	0
R.J. Routs	0	0	0
A.H.J. Risseeuw(1)	50,000	50,000	50,000
M.E. van Lier Lels	0	0	0
M. Bischoff(1)	9,000	9,000	9,000
C.M. Hooymans	0	0	0
D.J. Haank	8,117	8,117	8,117
P.A.M. van Bommel	38,000	38,000	0
C.J. García Moreno Elizondo(2)	101,800	—	—
O. Von Hauske Solís(2)	—	—	—
Total	**206,917**	**105,117**	**67,117**

(1) Mr. A.H.J. Risseeuw and Mr. M. Bischoff ceased to be members of the Supervisory Board on 10 April 2013.

(2) Mr. C.J. García Moreno Elizondo and Mr. O. Von Hauske Solís were appointed to the Supervisory Board on 10 April 2013.

Employee share plan

Since 2006, KPN has granted shares and share-based (cash) awards on its shares to members of the Board of Management and senior management.

The conditionally granted shares and share-based awards will vest after three years if the employee is still employed with KPN. The number of share-based awards which vest depends on KPN's total shareholder return position ranking relative to its peer group of European telecommunications companies. Since 2011 75% of vesting is based on relative total shareholder return and 25% is based on non-financial performance measures consisting of energy reduction targets and a reputation dashboard.

In May 2012 an additional equity settled plan was established for members of senior management (excluding members of the Board of Management), called the restricted share plan (**RSP**). See "—KPN Restricted Share Plan 2012-2014".

Share option plans

All remaining share option plans have vested in 2010 and therefore, no employee share option plans are currently in force. As of the date of this Prospectus, no employee share options are outstanding.

KPN Restricted Share Plan 2012-2014

KPN may, on the instructions of the Board of Management, grant share awards to senior management other than the Board of Management by a resolution of the Board of Management. Vesting of share awards is dependent upon conditions being satisfied at the vesting date.

In May 2012 the RSP was established for members of senior management (excluding members of the Board of Management). Shares under this plan will vest on 1 January 2015 if the employee is still employed with KPN. No other performance measures are applicable for this plan. As of 31 March 2013, 607,500 restricted shares are outstanding under the RSP. In April 2013, 1,312,500 restricted shares were conditionally granted which will vest on 1 January 2016 if the employee is still employed with KPN.

Potential conflicts of interest

Other than as disclosed in "General Information—Material contracts—Shareholder Commitment Letter and relationship agreement", there are no arrangements or understandings in place with major shareholders, customers, suppliers or others, pursuant to which any member of the Board of Management or any member of the Supervisory Board was appointed.

Other than as disclosed in "General Information—Material contracts—Shareholder Commitment Letter and relationship agreement", no member of the Board of Management and no member of the Supervisory Board has a conflict of interest (actual or potential) between any duties to KPN and his private interests and/or other duties. There is no family relationship between any member of the Board of Management, Supervisory Board or key employees.

Liability of the members of the Board of Management and the Supervisory Board

Under Dutch law, members of the Board of Management and the Supervisory Board may be liable towards KPN for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages towards KPN and towards third parties for infringement of the Articles of Association or of certain provisions of the Dutch Civil Code. In certain circumstances, they may also incur additional specific civil and criminal liabilities.

The liability of members of the Board of Management, members of the Supervisory Board and other key employees is covered by a directors and officers liability insurance policy. This policy contains limitations and exclusions, such as willful misconduct or intentional recklessness (*opzet of bewuste roekeloosheid*).

Indemnification

KPN will indemnify each member of the Board of Management and each member of the Supervisory Board against any and all liabilities, claims, judgments, fines and penalties incurred by them as a result of any threatened, pending or completed action, investigation or other proceeding, whether civil, criminal or administrative, brought by any party other than KPN itself or its group companies, in relation to acts or omissions in or related to his capacity as a member of the Board of Management or member of the Supervisory Board. KPN will not indemnify them with respect to claims insofar as they relate to the gaining in fact of personal profits, advantages or remuneration to which the relevant person was not legally entitled, or if the relevant person will have been adjudged to be liable for willful misconduct or intentional recklessness.

Other information in relation to members of the Board of Management and Supervisory Board

At the date of this Prospectus, no member of the Board of Management and no member of the Supervisory Board has, in the previous five years (i) been convicted of any offences relating to fraud, (ii) held an executive function at any company at the time of or immediately preceding any bankruptcy, receivership or liquidation, (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body) and (iv) been the subject of any official public incrimination or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Employees

Number of employees

As part of KPN's strategy, in 2011 a FTE reduction program was announced to further lower the cost base in the Netherlands. The FTE reduction program was announced with the stated intention to reduce KPN's headcount by four to five thousand FTEs, which was approximately 20—25% of KPN's workforce in the Netherlands at that time. Between the start of the FTE reduction program in the Netherlands in 2011 and 31 March 2013, a total of approximately three thousand FTEs have been reduced under the reduction program. These reductions resulted in a total of EUR 274 million in restructuring costs, including costs recognized for redundant facilities, being recorded as other operating expenses on KPN's consolidated income statement between 1 January 2011 and 31 March 2013. In 2012 alone, KPN reduced net FTEs in the Netherlands by approximately 1,550, which includes an increase of approximately 350 FTEs from the acquisitions of the five fiber service providers from Reggeborgh and Reggefiber, as well as Reggefiber Wholesale and RoutIT in 2012. In the three months ended 31 March 2013 alone, KPN reduced FTEs in the Netherlands by approximately 1,100 under the FTE reduction program. Social plans are in place and applicable to most employees within the Group to compensate or reduce economic disadvantages for employees in the event of a substantial alteration to the establishment. See "Operating and Financial Review—Material factors affecting results of operations and financial performance—FTE reduction program".

As of 31 March 2013, KPN employed a total of 24,647 FTEs. The below table sets out the number of employees employed by KPN, as well as a breakdown of KPN's employees by geographic location.

Labor force	As of 31 March 2013	As of 31 December 2012	2011	2010
Employees (Full-time equivalents (FTEs)				
The Netherlands	16,377	17,408	18,959	20,641
Germany	6,975	7,304	7,148	4,969
Belgium	886	894	1,457	1,432
United Kingdom	—	—	674	784
The Americas	309	308	1,917	1,600
Other	100	242	929	1,173
Total at year end	**24,647**	**26,156**	**31,084**	**30,599**
Employees of joint ventures	NA	381	382	230
External agency staff at year end	3,375	3,171	3,613	3,778

Pension schemes

KPN operates a number of pension schemes around the world. The majority of KPN's employees in the Netherlands are covered by defined benefit plans. The majority of the employees outside the Netherlands are covered by defined contribution plans. KPN pays its contributions to provide sufficient assets to fund the benefits payable to participants of defined benefit plans. For further detail on the impact of IAS19R on KPN's financial statements as a result of these pension schemes, please see "Operating and Financial Review—Recent accounting pronouncements—IAS19R".

Company pension funds in the Netherlands

At the date of this Prospectus, four KPN related company pension funds (*ondernemingspensioenfondsen*) exist in the Netherlands: (i) the KPN pension fund (*Stichting Pensioenfonds KPN*) with an invested capital of about EUR 5.9 billion (ultimo 2012) and a total number of approximately 9,700 active members, (ii) the smaller pension fund for employees with a personal labor agreement (*Stichting Ondernemingspensioenfonds KPN*) with an invested capital of about EUR 0.7 billion (ultimo 2012) and a total number of approximately 500 active members, (iii) the pension fund for employees of Getronics in the Netherlands (*Stichting Voorzieningsfonds Getronics*) with an invested capital of about EUR 1.1 billion (ultimo 2012) and a total number of 4,300 active members and (iv) the pension fund for employees of Telecommerce B.V. (*Stichting Pensioenfonds SNT*).

Stichting Pensioenfonds KPN is required by Dutch law to maintain a minimum coverage ratio of approximately 104.5%. If the coverage ratio is below 104.5%, additional quarterly contributions (of about EUR 19.0 million per quarter after indexation) from KPN and/or reduction of pension benefits could be necessary to recover to the required minimum coverage ratio under a short-term recovery plan. When the coverage ratio is below the required minimum during the recovery period, no indexation of pension benefits is allowed. The additional payments from KPN are maximized (based on the funding agreement between KPN and the KPN pension fund) to the amount of EUR 360 million. In 2009, *Stichting Pensioenfonds KPN* agreed a short term recovery plan with the Dutch Pension Regulator on the basis of which KPN has to provide additional payments per quarter when the coverage ratio is below the minimum required coverage ratio for the period from 2009 to 2013 with a cap of EUR 360 million in total.

Stichting OndernemingsPensioenfonds KPN is required by Dutch law to maintain a minimum coverage ratio of approximately 104.5%. If the coverage ratio is below this 104.5%, additional quarterly contributions (of about EUR 1.5 million per quarter after indexation) from KPN and/or reduction of pension benefits could be necessary to recover to the required minimum coverage ratio under a short-term recovery plan. When the coverage ratio is below the required minimum during the recovery period, no indexation of pension benefits is allowed. The additional payments from KPN are maximized (based on the funding agreement between KPN and the KPN pension fund) to the amount of EUR 30 million. In 2009, *Stichting Pensioenfonds KPN* agreed a short term recovery plan with the Dutch Pension Regulator on the basis of which KPN has to provide additional payments per quarter when the coverage ratio is below the minimum required coverage ratio for the period from 2009 to 2013 with the cap of EUR 30 million in total.

Stichting Voorzieningsfonds Getronics has agreed with Getronics Holding B.V. that during the period 2010-2013 Getronics Holding B.V. can be required to provide additional lump sum payments of in total up to EUR 50 million for additional reserves (*bufferopslagen*), financing of the guaranteed return on investment (*garantieregeling*) or to prevent a cut of benefits (*korting*).

For some employees transitional arrangements are in place. These transitional arrangements include early retirement arrangements and arrangements for additional conditional pension accrual

Some of the employees also participate in certain transitional plans. These transitional defined benefit plans consist of an early retirement scheme and additional arrangements which have been agreed following the revised fiscal regulations applying to Dutch pension plans in 2006.

Defined benefit plans in the United Kingdom

Getronics UK was divested in 2012. In the United Kingdom, KPN contributes to a closed and frozen pension plan, externally funded in a pension plan governed by trustees. The Getronics UK pension plan has only members with preserved and deferred benefits. On 1 April 2012 the coverage deficit was equal to GBP 99 million and in 2012 KPN had to provide monthly contributions of GBP 572,500. In March 2013, KPN provided (on the basis of the applicable recovery plan) a one time lump sum of GBP 375,000, and in January 2013 began to make additional monthly payments of GBP 700,000.

Defined benefit plans in the US

Getronics US was divested in 2008. The closed and frozen defined benefit plans remained with KPN. These plans are closed and merged into one plan.

Until these merged plans are fully funded to 100% of their liabilities, US funding rules require quarterly contributions to recover them to a fully funded position over a seven year period based on a roll-over system. KPN has made additional quarterly employer contributions starting in April 2012 of USD 1.1 million per quarter. Since April 2013, these additional quarterly employer contributions have increased to USD 1.3 million per quarter.

Defined benefit plan-general

As of 31 March 2013, the defined benefit obligation of KPN above described plans covers approximately 98% of KPN's obligation for post-employment benefits and the related plan assets cover approximately 99% of KPN's plan assets.

Presented below, extracted without material adjustment from its audited financial statements, for the years ended 31 December 2012, 2011 and 2010 and its unaudited interim financial statements as of and for the three months ended 31 March 2013 and 2012, are total pension costs recognized on KPN's consolidated income statement, and the value of the assets and liabilities under KPN's defined benefit plans on its consolidated balance sheet. The figures presented below as of and for the three months ended 31 March 2013 and 31 March 2012 have been prepared based on IAS 19R, and are therefore not prepared on the same basis as for the figures as at and for the twelve months ended 31 December 2012, 31 December 2011 and 31 December 2010, which were prepared based on IAS 19.

	As of and for the three months ended 31 March		As of and for the year ended 31 December		
Income Statement	**2013**	**2012**	**2012**	**2011**	**2010**
	(EUR in millions)				
Defined Benefit Plans	32	25	214	117	114
Defined Contribution Plans	3	3	14	13	17
Total	**35**	**28**	**228**	**130**	**131**
Balance Sheet	**2013**	**2012**	**2012**	**2011**	**2010**
Fair value of plan	8,331	7,582	8,216	7,224	6,632
Defined benefit obligations	10,031	8,325	9,771	8,299	7,348
Benefit obligations in excess of plan assets	**1,700**	**743**	**1,555**	**1,075**	**716**
Unrecognized past service cost, gains and losses	—	—	(1,380)	(783)	(286)
Pension provisions (net)	**1,700**	**743**	**175**	**292**	**430**

Works councils and collective labor agreements

Works councils

The Group has established works councils at various levels:

- the Central Works Council at the level of KPN;
- various works councils at the level of Dutch group companies;

- various works councils at the level of Belgian group companies; and
- various works councils at the level of German group companies.

In the Netherlands, a works council is a representative body of the employees of a Dutch business and its members are elected by the employees. The management board of any company that runs a business with a works council must seek the non-binding advice of the works council before implementing certain decisions with respect to the business, such as those related to a major restructuring, a change of control, or the appointment or dismissal of a member of the board of management. If the decision to be implemented is not in line with the advice of the works council, the implementation of the relevant decision must be suspended for one month, during which period the works council may appeal against the decision at the Enterprise Chamber. Certain other decisions directly involving employment conditions that apply either to all employees or to certain groups of employees may only be taken with the works council's consent. In the absence of such prior consent, the decision may nonetheless be taken with the prior consent of the sector cantonal of the district court.

Collective labor agreements

A significant number of the employees employed by KPN's group companies are members of trade unions. KPN has in place two collective labor agreements in the Netherlands, one of which is due for renewal in June 2013 and is currently under negotiation, and the other of which has an effective date of 1 January 2013. Individual terms and conditions are applicable for employees not covered under the scope/definition of one of the two collective labor agreements. Redundancies affecting these employees are handled on a case by case basis to the extent the applicable social plans are also not applicable.

Limitation of supervisory positions

Dutch legislation came into force on 1 January 2013 limiting the number of supervisory positions to be occupied by executive directors of "large Dutch companies". The term "large Dutch company" applies to any Dutch company or Dutch foundation which at two consecutive balance sheet dates meets at least two of the following criteria: (i) the value of its assets, as given in its balance sheet (together with explanatory notes) on the basis of their acquisition price and production costs, is more than EUR 17.5 million; (ii) its net turnover in the applicable year is more than EUR 35 million; and (iii) the average number of employees in the applicable financial year is at least 250.

The new rules provide that (i) a person cannot be appointed as a managing director of a "large Dutch company" if he/she already holds more than two supervisory positions at another "large Dutch company" or if he/she is the chairman of the supervisory board or one-tier board of another "large Dutch company"; and (ii) a person cannot be appointed as a supervisory director or non-executive director of a large company" if he/she already holds more than four supervisory positions at another "large Dutch company", whereby the position of chairman of the supervisory board or one-tier board of another "large Dutch company" is counted twice.

An appointment in violation of these restrictions will result in that last appointment being void. Earlier appointments at other entities are not affected. The fact that an appointment is thus void does not affect the validity of decision-making.

KPN qualifies as a "large Dutch company". All directors of KPN comply with these rules because, among other things, they have all been appointed before 1 January 2013 or they do not hold positions at other "large Dutch companies".

Diversity policy

Dutch legislation came into force on 1 January 2013 requiring large Dutch companies to pursue a policy of having at least 30% of the seats on both the board of directors and the supervisory board to be held by men and at least 30% of those seats to be held by women. This allocation of seats will be taken into account in connection with the following actions: (i) the appointment, or nomination for the appointment, of executive and non-executive directors; (ii) drafting the criteria for the size and composition of the Board of Management, as well as the designation, appointment, recommendation and nomination for appointment of non executive directors; and (iii) drafting the criteria for the non-executive directors. KPN currently does not meet these gender diversity targets. If KPN continues to fail to meet these requirements over the remainder of 2013 it will be required to explain in its 2013 annual report: (i) why the seats are not allocated in a well-balanced manner; (ii) how KPN has attempted to achieve a well-balanced allocation; and (iii) how KPN aims to achieve a well-balanced allocation in the future. This rule is temporary and will cease to have effect on 1 January 2016.

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major shareholders

América Móvil is KPN's only major shareholder as of the date of this Prospectus. KPN was informed by América Móvil that it holds (either directly or indirectly) 422,559,000 Ordinary Shares and thus holds 29.52% of KPNs total issued and outstanding share capital as of the date of this Prospectus. Due to Ordinary Shares held as treasury shares by KPN, and therefore not voting, América Móvil's percentage of total voting shares is 29.77%.

América Móvil has committed, subject to certain conditions, to participate in the Rights Offering and subscribe for Offer Shares *pro rata* to its current shareholding in the total issued share capital of KPN (excluding Ordinary Shares held by KPN), representing approximately 29.77% of the Ordinary Shares issued (excluding Ordinary Shares held by KPN). Further details of the Shareholder Commitment letter and relationship agreement signed by América Móvil are provided in "General Information—Material contracts—Shareholder Commitment Letter and relationship agreement". América Móvil does not have other voting rights than other shareholders.

To KPN's knowledge, no other shareholder owns 5% or more of KPN's issued and outstanding shares, either directly or indirectly, as of the date of this Prospectus. Please also see "Description of Share Capital and Corporate Governance—Obligations to disclose holdings and transactions".

On 17 May 2012, Capital Income Builder Inc. notified the AFM that it held 4.93% of KPN's issued share capital, (and 0% voting rights). On 26 July 2012, Capital Research and Management notified the AFM on that it held 4.67% of KPN's voting rights (and 0% of KPN's issued share capital).

KPN is not aware of any party, or any parties acting in concert, that directly or indirectly control the vote at any General Meeting, nor is KPN aware of any arrangement the operation of which may result in a change of control of KPN.

Related party transactions

KPN is not aware that any related party has an interest in any material transaction to which KPN has been a party since 1 January 2010, or in any transactions which KPN entered into prior thereto and under which KPN or the other parties still have ongoing obligations, other than those listed below.

Transactions within the Group are not included in the description as these are eliminated in the Consolidated Financial Statements.

Transactions with joint ventures and associated companies

Associated, non-consolidated companies and joint ventures of KPN sell goods and provide services to consolidated KPN companies. In addition, consolidated KPN companies sell goods or provide services to these associated companies and joint ventures (see Note 32 to the 2012 Consolidated Financial Statements incorporated by reference herein). The total value of sales transactions by KPN in the year ended 31 December 2012 with joint ventures and associated companies amounted to approximately EUR 66 million, as compared to EUR 47 million in the year ended 31 December 2011 and the total value of purchase transactions amounted to approximately EUR 77 million, as compared to EUR 37 million in the year ended 31 December 2011.

No related party transactions have taken place in the three months ended 31 March 2013 or the year ended 31 December 2012 that have materially affected the financial position or the performance of KPN, apart from the acquisition of 100% of the shares in Lijbrandt Telecom Holding B.V., Glashart Media B.V. and Reggefiber Wholesale B.V. from Reggefiber Group B.V., in which KPN holds 51% of the shares.

Board of Management and Supervisory Board

With the exception of the remuneration of members of the Board of Management and members of the Supervisory Board (see also "Board of Management, Supervisory Board and Employees—Remuneration"), KPN has no knowledge of any material transactions, or proposed material transactions, in which members of the Board of Management or the Supervisory Board or close members of their families had a direct or indirect material interest in the year ended 31 December 2012.

The total value of goods sold and services provided by KPN (which all concerned payment of remuneration) in the year ended 31 December 2012 to parties in which members of the Board of Management or the Supervisory Board or close members of their families had a direct or indirect material interest amounted to approximately EUR 5 million, compared to EUR 32 million in the year ended 31 December 2011, and the total value of goods and services purchased from such parties in the year ended 31 December 2012 amounted to approximately EUR 15 million, compared to EUR 43 million in the year ended 31 December 2011. All transactions occurred in the ordinary course of business.

América Móvil

Further details of the Shareholder Commitment Letter and relationship agreement signed by América Móvil are provided in "General Information—Material contracts—Shareholder Commitment Letter and relationship agreement".

DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE

Set out below is a summary of some relevant information concerning KPN's share capital and a brief summary of certain significant provisions of Dutch corporate law in force on the date of this Prospectus and the Articles of Association. This summary does not purport to give a complete overview and should be read in conjunction with, the Articles of Association and Dutch law and should not be considered legal advice regarding these matters. The full text of the Articles of Association is incorporated in this Prospectus by reference and is available, in Dutch and in English, on KPN's website. See "General Information—Availability of documents".

General

Koninklijke KPN N.V. is a public company (*naamloze vennootschap*) and was incorporated under Dutch law by a notarial deed dated 1 January 1989. KPN has its statutory seat in The Hague, the Netherlands, with its registered office at Maanplein 55, 2516 CK, The Hague, the Netherlands. KPN is registered with the Trade Register in The Hague (*Kamer van Koophandel Den Haag*), the Netherlands, under number 02045200. The telephone number of KPN is +31 (0)70 343 43 43. KPN trades under the name KPN. The Articles of Association were most recently amended on 24 April 2013.

KPN has adopted the large company regime (*structuurregime*) set out in Articles 2:152 through 2:162 and 2:164 of the Dutch Civil Code (the **Large Company Regime**).

Corporate objects

KPN's corporate objects, as set out in article 4 of the Articles of Association, are to participate in and to manage other enterprises and companies, among such, companies that operate in the field of the transmitting, storing and converting of information, as well as to manage and dispose of information, to manage and finance subsidiaries, group companies, dependent companies and participations, among which to guarantee the debts of those companies and participations, and further to engage in any activity which may be related or conductive to the aforementioned objects.

Large company regime

KPN is subject to the Large Company Regime. The Articles of Association comply with the Large Company Regime. Pursuant to the Large Company Regime, the Supervisory Board, General Meeting and Central Works Council have more or different powers than these corporate bodies would otherwise have.

For example, pursuant to the Large Company Regime, the members of the Board of Management are appointed and dismissed by the Supervisory Board. See "Board of Management, Supervisory Board and Employees—Board of Management—Composition, appointment, term and dismissal". The members of the Supervisory Board are appointed by the General Meeting on the basis of a nomination by the Supervisory Board. The Supervisory Board is required to nominate persons recommended by the Central Works Council with regard to one-third of the Supervisory Board members, unless the Supervisory Board is of the opinion that the person recommended would be unsuitable for performing the duties of a member of the Supervisory Board or that the Supervisory Board will not be properly constituted after an appointment in accordance with such recommendation. The General Meeting is only entitled to dismiss the Supervisory Board in its entirety for the reason of lack of confidence. See "Board of Management, Supervisory Board and Employees—Supervisory Board—Composition, appointment, term and dismissal".

Share capital

Authorized and issued share capital

At the date of this Prospectus, KPN's authorized share capital amounts to EUR 1,680,000,000 divided into:

(a) 3,500,000,000 Ordinary Shares with a nominal value of EUR 0.24 each, of which 1,431,522,482 Ordinary Shares are issued; and

(a) 3,500,000,000 Preference Shares with a nominal value of EUR 0.24 each, of which none has been issued.

All issued Ordinary Shares are paid up.

All shares are in registered form.

Please see also "—Foundation Preference Shares B KPN".

History of share capital

Set out below is an overview of KPN's authorized and issued share capital for the dates stated. The Ordinary Shares and the Preference Shares each have a nominal value of EUR 0.24.

	31 March 2013		31 December 2012		31 December 2011		31 December 2010	
	share capital		share capital		share capital		share capital	
	authorized	**issued(1)**	**authorized**	**issued(1)**	**authorized**	**issued(2)**	**authorized**	**issued(3)**
Ordinary Shares	3,000,000,000	1,431,522,482	3,000,000,000	1,431,522,482	3,000,000,000	1,431,522,482	3,000,000,000	1,572,609,884
Preference Shares	3,000,000,000	0	3,000,000,000	0	3,000,000,000	0	3,000,000,000	0
Total	**6,000,000,000**	**1,431,522,482**	**6,000,000,000**	**1,431,522,482**	**6,000,000,000**	**1,431,522,482**	**6,000,000,000**	**1,572,609,884**

(1) 12,156,391 of the issued Ordinary Shares held by KPN.

(2) 12,401,139 of the issued Ordinary Shares held by KPN.

(3) 58,393,139 of the issued Ordinary Shares held by KPN.

In 2012, KPN did not repurchase any Ordinary Shares and no Ordinary Shares were cancelled.

In 2011, KPN repurchased 96,728,927 Ordinary Shares. KPN cancelled 141,087,402 Ordinary Shares, reducing the number of issued Ordinary Shares to 1,431,522,482 as of 31 December 2011.

In 2010, KPN repurchased 89,892,260 Ordinary Shares. KPN cancelled 56,245,438 Ordinary Shares, reducing the number of issued Ordinary Shares to 1,572,609,884 as of 31 December 2010.

At the date of this Prospectus 12,156,391 Ordinary Shares are held by KPN.

Partial offer by América Móvil

On 29 May 2012, América Móvil launched a partial offer (through a wholly owned subsidiary) at a price of EUR 8 per Share in cash. The partial offer was for up to approximately 27.7% of the total then issued and outstanding Ordinary Shares (including all ordinary shares held at that time or otherwise purchased by América Móvil or its affiliates outside the partial offer). As a result of the partial offer, América Móvil held 393,283,000 Ordinary Shares, which was approximately 27.7% of the then total issued and outstanding Ordinary Shares.

Issuance of Ordinary Shares for the completion of the Offering

KPN's authorized share capital has been increased significantly in order to facilitate the Offering. The necessary increase of the authorized share capital was effected by amending KPN's articles of association on 24 April 2013 on the basis of the resolution by the General Meeting adopted on 10 April 2013, which amendment will, by virtue of a transitory provision in Article 45 of the Articles of Association, take effect in two steps, the last of which is to occur on or about the Settlement Date. KPN's issued share capital will be increased significantly as a result of the Offering. After the Settlement Date, KPN's authorized share capital will amount to EUR 2,400,000,000 divided into 5,000,000,000 Ordinary Shares with a nominal value of EUR 0.24 each, and 5,000,000,000 Preference Shares with a nominal value of EUR 0.24 each.

Issue of Shares

The Articles of Association provide that the Board of Management has the authority to issue Shares, subject to the Supervisory Board's approval. The scope and duration of the Board of Management's authority to issue Shares or grant rights to subscribe for Shares (such as granting stock options or issuing convertible bonds) is determined by a resolution of the General Meeting and relates at most to all unissued Shares of the authorized capital, as applicable now or at any time in the future. The duration of this authority shall not exceed a period of five years. Designation of the Board of Management as the body authorized to issue Shares or grant rights to subscribe for Shares may be extended by a resolution of the General Meeting for a period not exceeding five years in each case. The number of Shares that may be issued will be determined at the time of designation. If the authority to issue Shares is not delegated upon termination of the authority of the Board of Management, the issue of Shares shall thenceforth require a resolution of the General Meetings save where another corporate body has been designated by the General Meeting.

During the annual General Meeting of 10 April 2013, the General Meeting designated the Board of Management as the body authorized to, subject to the approval of the Supervisory Board, issue Ordinary Shares, to grant rights to subscribe for Ordinary Shares and to exclude statutory pre-emptive rights. This designation is to be used to in connection with the issue of such number of Ordinary Shares and/or grant of such number of rights to subscribe for Ordinary Shares as is required to allow the raising of aggregate proceeds of up to EUR 3 billion in an equity raise (including the Offering).

Pre-emptive rights

Dutch law and the Articles of Association give Shareholders pre-emptive rights to subscribe on a *pro rata* basis for any issue of new Shares or, upon a grant of rights, to subscribe for Shares. Exceptions to these pre-emptive rights include (1) the issue of Ordinary Shares issued against non-cash considerations, (2) the issue of Ordinary Shares to KPN's employees or the employees of a group company, (3) the issue of Ordinary Shares to persons exercising a previously granted right to subscribe for Ordinary Shares and (4) the issue of Preference Shares. Holders of Preference Shares furthermore have no pre-emptive right in respect of future issues of Ordinary Shares or Preference Shares.

A shareholder may exercise pre-emptive rights during a period of at least two weeks from the date of the announcement of the issue of Ordinary Shares. Pursuant the Articles of Association, the Board of Management, subject to the approval of the Supervisory Board, may restrict and if so designated by the General Meeting or exclude shareholder pre-emptive rights. A resolution of the General Meeting to exclude or restrict pre-emptive rights or to authorize the Board of Management to exclude or restrict pre-emptive rights requires a majority of at least two-thirds of the votes cast, if less than 50% of KPN's issued share capital is present or represented at the General Meeting. If this authority has not been delegated to the Board of Management by the General Meeting, pre-emptive rights may be restricted or excluded by a resolution of the General Meeting, but only upon a proposal of the Board of Management and subject to the prior approval of the Supervisory Board.

Designation of the Board of Management as the body competent to restrict or exclude the pre-emptive right may be extended by a resolution of the General Meeting for a period not exceeding five years in each case.

Designation by resolution of the General Meeting cannot be withdrawn unless determined otherwise at the time of designation.

During the annual General Meeting of 10 April 2013, the General Meeting designated the Board of Management as the authorized body to, subject to the approval of the Supervisory Board, to exclude the statutory pre-emptive rights of holders of Ordinary Shares. This designation is to be used to issue such number of Ordinary Shares and/or grant such number of rights to subscribe for Ordinary Shares as are required to allow the raising of aggregate proceeds of up to EUR 3 billion in an equity raise (including the Offering).

Acquisition of own shares

KPN may acquire fully paid-up Shares at any time for no consideration or, subject to certain provisions of Dutch law and its Articles of Association, if (i) the distributable part of the shareholders' equity is at least equal to the total purchase price of the repurchased Shares, (ii) the nominal value of the Shares which KPN acquires, holds or holds as pledge or which are held by a subsidiary does not exceed 50% of the issued share capital, and (iii) the Board of Management has been authorized by the General Meeting for the repurchase of Shares. The General Meeting's authorization is valid for a maximum of 18 months. As part of the authorization, the General Meeting must specify the number of shares that may be acquired, the manner in which the Shares may be acquired and the price range within which the Shares may be acquired. A resolution of the Board of Management to repurchase Shares is subject to the approval of the Supervisory Board.

No authorization from the General Meeting is required for the acquisition of fully paid up Shares for the purpose of transferring these Shares to employees pursuant to any share option plan. KPN may not cast votes on Shares held by it nor will such Shares be counted for the purpose of calculating a voting quorum.

During the annual General Meeting of 10 April 2013, the General Meeting authorized the Board of Management, with the approval of the Supervisory Board, to acquire Ordinary Shares for a period of 18 months until 10 October 2014. The number of Ordinary Shares to be acquired is limited to a maximum of 10% of the issued share capital as of 10 April 2013, provided that KPN will hold no more Ordinary Shares in stock than at maximum 10% of the issued share capital as of 10 April 2013. The Ordinary Shares may be acquired on the stock exchange or through other means at a price per share of at least EUR 0.01 and at most the higher of (i) the Quoted Share Price plus 10% and (ii), if purchases are made on the basis of a program entered into with a single counterparty or using a financial intermediary, the average of the Volume Weighted Average Share Prices during the effective course of that program. The Quoted Share Price is defined as the average of the closing prices of Ordinary Shares as reported in the official price list of NYSE Euronext Amsterdam over the five trading days prior to the acquisition date. The Volume Weighted Average Share Price is defined as the volume weighted average price of trades in Ordinary Shares on NYSE Euronext Amsterdam between 09:00 (CET) and 17:30 (CET) adjusted for block, cross and auction trades. Resolutions by the Board of Management to acquire Ordinary Shares are subject to the approval of the Supervisory Board.

Reduction of share capital

The General Meeting may resolve to reduce the issued capital by cancelling Shares or by reducing the nominal value of the Ordinary Shares or the Preference Shares by amending KPN's articles of association. The General Meeting may only adopt such resolution upon proposal of the Board of Management, which proposal is in turn subject to the Supervisory Board's approval. Only Ordinary Shares held by KPN or Ordinary Shares for which it holds the depositary receipts may be cancelled. Preference Shares (if any) may be cancelled as a class with reimbursement to the holder of Preference Shares of all paid in amounts. The decision to reduce KPN's share capital requires a majority of at least two-thirds of the votes cast, if less than 50% of the issued and outstanding share capital is present or represented at the General Meeting.

Form and transfer of Shares

All Ordinary Shares are in registered form. The number of Ordinary Shares amounted to 1,431,522,482 as of 31 March 2013 and 1,431,522,482 as of 31 December 2012. A transfer of an Ordinary Share or a restricted right thereto requires a deed of transfer and the acknowledgement by KPN of the transfer in writing. Such acknowledgement is not required if KPN itself is party to the transfer.

An Ordinary Share becomes a deposit share by transfer or issuance to Euroclear Nederland or to an intermediary, recording in writing that it is a deposit share. The deposit share shall be recorded in the shareholders register of KPN in the name of Euroclear Nederland or the relevant intermediary, stating in writing that it is a deposit share. Deposit shareholders are not recorded in the shareholders register of KPN. Deposit shares can only be delivered from a collective depot or giro depot with due observance of the related provisions of the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*). The transfer by a deposit shareholder of its book-entry rights representing deposit shares shall be effected in accordance with the provisions of the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*). The same applies to the establishment of a right of pledge and the establishment or transfer of a usufruct on these book-entry rights.

General Meetings and voting rights

The annual General Meeting must be held within six months following the end of each financial year. Typical agenda items are a discussion of KPN's annual report, the adoption of the annual accounts, the determination of dividends and the granting of discharge to members of the Board of Management and to members of the Supervisory Board. Other General Meetings are held as often as the Board of Management or the Supervisory Board deems necessary. In addition, Shareholders who represent, alone or in the aggregate, at least one-tenth of the issued and outstanding share capital may request that a General Meeting be convened, the request setting out in detail matters to be considered. If no General Meeting has been held within 42 days, the Shareholders requesting such General Meeting are authorized to request a District Court in summary proceedings to convene a General Meeting. Within three months of it becoming apparent to the Board of Management that the equity of KPN has decreased to an amount equal to or lower than one-half of the paid-up part of the capital, a General Meeting will be held to discuss any requisite measures.

General Meetings must be convened by the Board of Management or the Supervisory Board. The convocation notice must be given no later than the 42nd day before the date of the General Meeting. The General Meetings must be held in Amsterdam, Rotterdam, The Hague or Utrecht, the Netherlands. Pursuant to the Articles of Association, all convocations, announcements, notifications and communications to shareholders must be made in accordance with the requirements of law and the requirements of regulations applicable to KPN pursuant to the listing of its shares on NYSE Euronext Amsterdam. The notice of a General Meeting must include the place and date and an agenda indicating the items for discussion, the procedure for participating in the meeting and the requirements for admission to the meeting.

Under the Articles of Association and Dutch law, Shareholders representing solely or jointly at least 1% of KPN's issued and outstanding share capital, or whose Shares represent at least a value of EUR 50 million, have a right to request the Board of Management and the Supervisory Board to include items on the agenda of the General Meeting. The Board of Management and the Supervisory Board must agree to these requests, provided that (i) the request was made in writing and motivated, and (ii) the request was received by the chairman of the Board of Management or the chairman of the Supervisory Board at least 60 days prior the date of the General Meeting.

Each Shareholder may attend the General Meeting, to address the General Meeting and to exercise voting rights *pro rata* to its shareholding, either in person or by proxy. Shareholders may exercise these rights, if they are the holders of Shares on the record date which is the 28th day before the day of the meeting, and they or their proxy have notified KPN of their intention to attend the meeting in writing at the address and by the date specified in the notice of the meeting.

Each Shareholder may cast one vote for each Share held. The General Meeting may adopt resolutions by a simple majority of the votes cast, except where a larger majority is prescribed by law or KPN's articles of association. Members of the Board of Management and members of the Supervisory Board may attend a General Meeting in which they have an advisory role.

Under the Articles of Association and Dutch law, a proposal to determine or modify the remuneration policy of the Board of Management, to approve a resolution of the Board of Management entailing a significant change in the identity or character of the company or its business, or a proposal to appoint a member of the Supervisory Board, will not be submitted to the General Meeting until the Central Works Council has been given the opportunity to take a position with respect thereto, timely prior to the date notice of the relevant General Meeting is given. The chairperson of the Central Works Council, or a member of the Central Works Council appointed by him, will be given the opportunity to explain the position of the Central Works Council in the General Meeting. The absence of a position of the Central Works Council will not affect the validity of the decision-making in the General Meeting. These powers of the Central Works Council only apply if and insofar as prescribed by the Dutch Civil Code.

Annual accounts, semi-annual accounts and quarterly statements

Annually, within four months after the end of the financial year, the Board of Management must prepare the annual accounts and make them available for inspection by the Shareholders at the office of KPN. The annual accounts must be accompanied by an auditor's statement, an annual report and certain other information required under Dutch law and a report of the Supervisory Board. The annual accounts must be signed by the members of the Board of Management and of the Supervisory Board.

The annual accounts, the annual report, the other information required under Dutch law, the report of the Supervisory Board and the auditor's statement must be made available to the Shareholders for review as from the day of the notice convening the annual General Meeting. The annual accounts must be adopted by the General Meeting. The Board of Management must send the adopted annual accounts to the AFM within five business days after adoption.

As soon as possible but in any event within two months after the end of the first six months of the financial year, KPN must prepare a semi-annual financial statement and make it publicly available. If the semi-annual financial reporting is audited or reviewed, the independent auditor's statement must be made publicly available together with the semi-annual financial reporting.

During the period between ten weeks after the start and six weeks before the end of each half of the financial year KPN, must prepare an interim statement and make it publicly available. The interim statement includes an explanation of the important events and transactions that took place during the period between the start of the financial year and publication of the interim statement and the consequences for the financial position of KPN. The interim statement also includes a general description of the financial position and the performance of KPN during that period.

KPN must publish the annual, semi-annual and interim statements and comply with other reporting obligations, including those resulting from the listing of the Shares on NYSE Euronext Amsterdam, in accordance with the relevant Dutch laws.

Dividends

Pursuant to the Articles of Association and Dutch law, distributions on shares may only be made up to an amount equal to the part of KPN's equity that exceeds the sum of the nominal value of the issued share capital, plus the reserves as required to be maintained by Dutch law and by its Articles of Association. Any final distribution of profits may only be made after the adoption of KPN's own (i.e. non-consolidated) annual accounts of the preceding year, which will be used as the basis for determining if the distribution of profits is legally permitted.

If Preference Shares are outstanding, KPN must first pay dividend on those Preference Shares. The dividend is based on the percentage which is equal to the average twelve month EURIBOR—weighted to the number of days over which the payment occurs—increased by one (1). The dividend shall be calculated on a proportionate basis if the Preference Shares involved are issued in the course of the financial year. The dividend is calculated over the paid-up part of the nominal value of the Preference Shares. After the payment of dividend on any outstanding Preference Shares, the Board of Management determines, subject to the approval of the Supervisory Board, which part of the remaining profit must be added to reserves. The remaining part of the profit, after allocation to the reserves, shall be at the disposal of the General Meeting, provided that no further distributions can be made on the Preference Shares. The General Meeting may, on the proposal of the Board of Management, which has received the approval of the Supervisory Board, make distributions to holders of Ordinary Shares from the distributable part of the shareholders' equity. The Board of Management may, subject to the approval of the Supervisory Board, resolve that a payment of dividend on Ordinary Shares be wholly or partly not in cash, but in Shares.

Subject to approval of the Supervisory Board and subject to Dutch law and the Articles of Association, the Board of Management may resolve to distribute an interim dividend insofar as KPN's equity is larger than the amount of the paid-up part of the capital increased with the reserves that should be maintained pursuant to the law or the Articles of Association. For this purpose, the Board of Management must prepare an interim statement of assets and liabilities.

Shareholders are entitled to share in the profit *pro rata* to their share holding. Any entitlement to a dividend distribution by a Shareholder expires five years after the date those dividends were released for payment.

Dissolution and liquidation

KPN may only be dissolved by a resolution of the General Meeting upon proposal by the Board of Management which has been approved by the Supervisory Board. If a resolution to dissolve KPN is to be put to the General Meeting, this must in all cases be stated in the notice convening the General Meeting or announced in writing to the holders of registered shares. If the General Meeting has resolved to dissolve KPN, the members of the Board of Management will be charged with the liquidation of the business of KPN and the Supervisory Board with the supervision thereof. During the liquidation, the provisions of KPN's articles of association will remain in force as far as possible.

Any surplus remaining after settlement of the debts and litigation costs shall first be distributed to the holders of the Preference Shares the nominal amount paid up on these shares and any amount still owed by way of dividend to which these shares entitle, insofar as this has not been distributed in previous years. If the balance is not sufficient to do so, the distribution will be made in proportion to the amounts paid up on those shares. The remainder will be distributed to the holders of Ordinary Shares in proportion to the aggregate nominal value of their Ordinary Shares.

Amendment of KPN's articles of association

A resolution of the General Meeting to amend KPN's articles of association may only be taken upon proposal by the Board of Management which has been approved by the Supervisory Board. The decision to amend KPN's articles of association may be taken by the General Meeting with an absolute majority of the votes, irrespective of the represented capital.

Foundation Preference Shares B KPN

The Foundation Preference Shares B KPN (*Stichting Preferente Aandelen B KPN*) (the **Foundation**) was established in 1994 under the laws of the Netherlands. The Foundation has its statutory seat in The Hague, the Netherlands, with its head office at Maanplein 55, (TP5/6) 2516 CK The Hague, the Netherlands. The Foundation is registered with the Dutch Trade Register under the number 41012966. The telephone number of the Foundation is +31 (0) 70 4460278.

The Foundation's objects are to "protect KPN's interests (which includes the interests of stakeholders, such as customers, shareholders and employees), by, amongst others, protecting KPN from influences that may threaten the continuity, independence and identity". The Foundation endeavors to achieve these objects by, in the event of any circumstances where KPN is subject to influences as described above and taking public security considerations into account, exercising the call option (as described below) and thereby acquiring Preference Shares, and by exercising the rights attaching to those Preference Shares, with a view to enabling KPN to determine its position in relation to the circumstances as referred to above, and seek alternatives.

KPN and the Foundation entered into a call option agreement and a put option agreement both dated 3 June 1994. Under the call option agreement, the Foundation is entitled to subscribe for Preference Shares up to a maximum corresponding to 100% of the issued and outstanding share capital in the form of Ordinary Shares, as outstanding immediately prior to the exercise of the call option, less one Preference Share and any Shares already issued to the Foundation. Upon exercise of the call option, the Foundation is required to pay 25% of the nominal value (currently, EUR 0.24 per Preference Share). The Board of Management can decide to request the Foundation to pay the remainder. Such decision is subject to the approval of the Supervisory Board.

Under the put option agreement, KPN is entitled to issue and sell Preference Shares to the Foundation up to a maximum number corresponding to 100% of the issued share capital, as outstanding immediately prior to the exercise of the put option, or as many Preference Shares as KPN and the Foundation agree on. However, on 11 April 2006 the General Meeting did not renew the Board of Management's authority to issue Preference Shares. As a result, KPN is currently not able to exercise the put option.

The Foundation has a credit facility to enable it to pay the amount to be paid up on the Preference Shares. The Preference Shares must be paid up for at least 25% of the nominal value.

If Preference Shares are issued, KPN must convene a General Meeting, to be held not later than two years after the date on which the Preference Shares were issued for the first time. The agenda for that General Meeting must include a resolution to repurchase or cancel the Preference Shares. If this resolution is not adopted, KPN must convene another General Meeting, held in each case within two years of the previous meeting. The agenda of that meeting must include a resolution to repurchase or cancel the Preference Shares. This must be repeated until no Preference Shares remain outstanding. This obligation does not apply if the Preference Shares are issued pursuant to a resolution of, or with cooperation by, the General Meeting.

The members of the board of the Foundation are J.H. Schraven (Chairman), P. Bouw (vice-Chairman), J. Klaassen, P. Wakkie and H. Zwarts.

Corporate governance

The Dutch Corporate Governance Code finds its statutory basis in Book 2 of the Dutch Civil Code and applies to KPN as KPN has its registered office in the Netherlands and its Ordinary Shares are listed on a stock exchange.

The Corporate Governance Code defines a company as a long-term form of collaboration between the principal corporate bodies of a company. For KPN, these corporate bodies include the Board of Management, the Supervisory Board and the General Meeting. The Board of Management values and considers the interests of the various stakeholders involved, supervised by the Supervisory Board. According to the Dutch Corporate Governance Code, good corporate governance results in effective decision-making in a manner which enhances shareholder value and enables a company to maintain a culture of integrity, transparency and trust.

Compliance with the Dutch Corporate Governance Code

The current Dutch Corporate Governance Code entered into force on 1 January 2009. In December 2011, the Dutch Corporate Governance Code Monitoring Committee presented its report on compliance with the Dutch Corporate Governance Code in 2011, particularly regarding appointments of managing directors, composition and functioning of a supervisory board, voting and communication of foreign shareholders and the quality of explanation of non-application of the corporate governance principles. KPN fully endorses the underlying principles of the Dutch Corporate Governance Code which is reflected in a policy that complies with the best practice provisions as stated in the Dutch Corporate Governance Code. KPN fully complies with the provisions of the Dutch Corporate Governance Code with the exception of the following:

II.2.8: "the remuneration in the event of a dismissal may not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a member of the Board of Management who is dismissed during his first term of office, such member shall be eligible for severance pay not exceeding twice the annual salary."

Mr. Dirks joined the Board of Management of KPN on 8 November 2011. Mr. Dirks' service contract with E-Plus Mobilfunk Geschäftsführungs GmbH contains a non-competition clause for which he will, as required by German law, receive compensation equal to 50% of his (German) salary during a maximum period of 12 months. In case of a termination of his German contract he will receive this compensation on top of the severance pay of one year's base salary that may be due under KPN's remuneration policy.

III.3.5: "A person may be appointed the supervisory board for a maximum of three 4-year terms"

On 10 April 2013, Ms. van Lier Lels was reappointed as a member of the Supervisory Board for the term of one year, whereas she already served three 4-year terms.

III.2.1: "All supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2"

On 10 April 2013, Mr. García Moreno Elizondo and Mr. Von Hauske Solís were appointed as member of the Supervisory Board. Both are officers of KPN's major shareholder, América Móvil, and are therefore not independent within the meaning of the Dutch Corporate Governance Code.

Rules governing obligations of Shareholders to make a public offer

In accordance with Directive 2004/25/EC of the European Parliament and of the Council of the European Union, also known as the takeover directive, each member state should ensure the protection of minority shareholders by obliging any party, acting alone or in concert with others, that, directly or indirectly, acquires a controlling interest in a listed company to make a public offer for all outstanding shares in the capital of that company.

Under Dutch law a controlling interest is defined as the ability to exercise at least 30% of the voting rights at a General Meeting of a Dutch public limited liability company whose shares (and/or depositary receipts for shares issued with the cooperation of the public limited liability company) are admitted to trading on a regulated market, such as KPN. Pursuant to Article 5:70 of the Dutch Financial Supervision Act any party, acting alone or in concert with others, that, directly or indirectly, acquires a controlling interest must make a public offer for all listed and non-listed shares (and/or depositary receipts for shares issued with the cooperation of the public limited liability company) in the capital of that public limited liability company.

Subject to certain conditions, the obligation to make a public offer does not apply to the Foundation.

Furthermore, in general, it is prohibited to launch a public offer for shares of a listed company unless an offer memorandum has been approved by the AFM. A public offer is launched by way of publication of the approved offer memorandum.

Squeeze-out procedures

Pursuant to Article 2:92a, of the Dutch Civil Code, a shareholder who for his own account holds at least 95% of the issued share capital of a Dutch public company may initiate proceedings against the minority shareholders jointly for the transfer of their shares to him. The proceedings are held before the Enterprise Chamber of the Court of Appeal in Amsterdam (the **Enterprise Chamber**) and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares shall give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him. Unless the addresses of all of them are known to the acquiring person, such person is required to publish the same in a daily newspaper with a national circulation.

The offeror under a public offer is also entitled to start a squeeze-out procedure if, following the public offer, the offeror holds at least 95% of the outstanding share capital and represents at least 95% of the total voting rights. The claim of a takeover squeeze-out must be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer. The Enterprise Chamber may grant the claim for a takeover squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. In principle, the offer price is considered reasonable if the offer was a mandatory offer or if at least 90% of the shares to which the offer related were received by way of voluntary offer.

The Dutch Civil Code also entitles those minority shareholders that have not previously tendered their shares under an offer to transfer their shares to the offeror, provided that the offeror has acquired at least 95% of the outstanding share capital and represents at least 95% of the total voting rights. In regard to price, the same procedure as for takeover squeeze-out proceedings initiated by an offeror applies. This claim must also be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer.

Obligations to disclose holdings and transactions

Shareholders may be subject to disclosure requirements under the Dutch Financial Supervision Act and the Decree regarding disclosure of holdings. The most important disclosure requirements for the Shareholders are:

(a) any person who, directly or indirectly, acquires or disposes of an actual or potential interest in the capital and/or or voting rights of KPN must forthwith give written notice to the AFM of such acquisition or disposal if, as a result of such acquisition or disposal, the total percentage of the capital interest and/or voting rights held to reaches, exceeds or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%; and

(b) any person whose capital interest or voting rights in KPN reaches, exceeds or falls below a threshold due to a change in KPN's outstanding share capital, or in votes that can be cast on the Shares of KPN as notified to the AFM by KPN, should notify the AFM no later than the fourth trading day after the AFM has published KPN's notification of the change in its outstanding share capital.

An amendment to the Dutch Financial Supervision Act to the effect that a 3% notification threshold be introduced will come into force on 1 July 2013.

In addition, any person with a capital interest or voting rights in KPN of at least 5% will be required to notify the AFM of any changes in the composition (actual or potential) of this interest annually within four weeks from 31 December at 24:00 hours.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, inter alia, be taken into account: (i) shares and voting rights directly held (or acquired or disposed of) by any person; (ii) shares and voting rights held (or acquired or disposed of) by such person's controlled entity or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement; (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights against a payment; (iv) shares which such person (directly or indirectly) or third party referred to above, may acquire pursuant to any option or other right to acquire shares; (v) shares which determine the value of certain cash settled financial instruments such as contracts for difference and total return swaps; (vi) shares that must be acquired upon exercise of a put option by a counterparty; and (vii) shares which are the subject of another contract creating an economic position similar to a direct or indirect holding in those shares. Special attribution rules apply to shares and voting rights which are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of shares can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger the reporting obligations as if the pledgee or beneficial owner were the legal holder of the shares.

For the same purpose, the following instruments qualify as "shares": (i) shares, (ii) depositary receipts for shares (or negotiable instruments similar to such receipts), (iii) negotiable instruments for acquiring the instruments under (i) or (ii) (such as convertible bonds), and (iv) options for acquiring the instruments under (i) or (ii).

Each person holding a net short position attaining 0.2% of the issued share capital of a Dutch listed company must report it to the AFM. Each subsequent increase of this position by 0.1% above 0.2% will also have to be reported. Each net short position equal to 0.5% of the issued share capital of a Dutch listed company and any subsequent increase of that position by 0.1% will be made public via the AFM short selling register. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set off. A short transaction in a share can only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third party that the shares have been located.

Pursuant to the Dutch Financial Supervision Act, KPN is required to inform the AFM immediately if KPN's issued share capital or voting rights changes by 1% or more since KPN's previous notification. Other changes to KPN's capital or voting rights need to be notified within eight days after the end of the quarter in which the change occurred. Furthermore, each member of the Board of Management and Supervisory Board must immediately give written notice to the AFM by means of a standard form of any change in his or her holding of Shares and voting rights in KPN.

The AFM keeps a public registry of and publishes all notifications made pursuant to the Dutch Financial Supervision Act at its website www.afm.nl.

In connection with the Offering, each of the Banks and any of their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Banks or any of their respective affiliates acting in such capacity. None of the Banks intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition certain of the Banks or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares.

Market abuse regime

KPN's insiders as described in Article 5:60 of the Dutch Financial Supervision Act are obliged to notify the AFM when they carry out or cause to be carried out, for their own account, a transaction in shares or in securities of which the value is at least in part determined by the value of the shares. Insiders of KPN as described in Article 5:60 of the Dutch Financial Supervision Act include (i) members of the Board of Management and Supervisory Board, and (ii) persons who have a managerial position within KPN and in that capacity are authorized to make decisions which have consequences for the future development and prospects of KPN and can have access to inside information on a regular basis.

In addition, persons designated by the Dutch Market Abuse Decree who are closely associated with the members of the Board of Management and Supervisory Board or any other insider referred to above must notify the AFM of the existence of any transaction conducted for their own account relating to the shares of KPN or securities of which the value is at least in part determined by the value of such shares. The Dutch Market Abuse Decree designates the following categories of persons as being closely related for the purposes of the Dutch Market Abuse Decree: (i) the spouse or any partner considered by national law as equivalent to a spouse, (ii) dependent children, (iii) other relatives who have shared the same household for at least one year at the relevant transaction date and (iv) any legal person, trust or partnership, among other things, managed or controlled by members of the Board of Management and Supervisory Board or any other insiders referred to above.

This notification must be made no later than the fifth business day following the transaction date. The notification may be delayed until the moment that the value of the transactions performed for that person's own account, together with the transactions carried out by the persons associated with that person, reach or exceed an amount of EUR 5,000 in the calendar year in question. Non-compliance with the reporting obligations under the Dutch Financial Supervision Act could lead to criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with the reporting obligations under the Dutch Financial Supervision Act may lead to civil sanctions.

TAXATION

The Netherlands

Introduction

The following summary outlines certain principal Dutch tax consequences of the acquisition, holding, redemption and disposal of Ordinary Shares and Rights and the receipt of Unexercised Rights Payments, but does not purport to be a comprehensive description of all Dutch tax considerations that may be relevant. For purposes of Dutch tax law, a holder of Ordinary Shares or Rights may include an individual or entity who does not have the legal title of these Ordinary Shares or Rights, but to whom nevertheless the Ordinary Shares or Rights or the income thereof is attributed on the basis of such individual or entity having an interest in the Ordinary Shares or Rights or the income thereof or based on specific statutory provisions.

This summary is therefore intended as general information only and each potential investor should consult a professional tax adviser about the tax consequences of the acquisition, holding, redemption and disposal of Ordinary Shares and Rights, and the receipt of Unexercised Rights Payments and the exercise of Rights.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Dutch tax consequences for:

(a) holders of Ordinary Shares or Rights holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in KPN and holders of Ordinary Shares or Rights of whom a certain related person holds a substantial interest in KPN. Generally speaking, a substantial interest in KPN arises if a person, alone or, where such person is an individual, together with his or her partner (a statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5% or more of the total issued capital of KPN or of 5% or more of the issued capital of a certain class of shares of KPN, (ii) rights to acquire, directly or indirectly, such interest, or (iii) certain profit *sharing* rights in KPN;

(b) investment institutions (*fiscale beleggingsinstellingen*);

(c) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are not subject to or exempt from Dutch corporate income tax;

(d) persons to whom Ordinary Shares or Rights and the income therefrom are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Dutch Gift and Inheritance Tax Act 1956 (*Successiewet 1956*);

(e) entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba;

(f) holders of Ordinary Shares or Rights which are not considered the beneficial owner (*uiteindelijk gerechtigde*) of these Ordinary Shares or Rights or the benefits derived from or realized in respect of these Ordinary Shares or Rights;

(g) individuals to whom Ordinary Shares or Rights or the income therefrom are attributable to employment activities which are taxed as employment income in the Netherlands; and

(h) (corporate holders of Ordinary Shares who qualify for the participation exemption (*deelnemingsvrijstelling*). Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption if it represents an interest of 5% or more of the nominal paid-up share capital and is not considered a portfolio investment which is not a qualifying portfolio investment (*kwalificerende beleggingsdeelneming*).

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable there.

Dividend tax

Withholding of dividend tax

The issuance of Rights by KPN and payments of Unexercised Rights Payments by the Underwriter(s) should not be subject to Dutch dividend tax.

KPN is required to withhold 15% Dutch dividend tax in respect of dividends paid on Ordinary Shares. In the Dutch Dividend Tax Act 1965 (*Wet op de dividendbelasting 1965*) dividends are defined as the proceeds from Ordinary Shares which include:

(a) direct or indirect distributions of profit, regardless of their name or form;

(b) liquidation proceeds, proceeds on redemption of Ordinary Shares and, as a rule, the consideration for the repurchase of Ordinary Shares by KPN in excess of its average paid-in capital recognized for Netherlands dividend tax purposes, unless a particular statutory exemption applies;

(c) the nominal value of Ordinary Shares issued to a holder of Ordinary Shares or an increase in the nominal value of Ordinary Shares, to the extent that the nominal value of Ordinary Shares or the increase thereof is not funded out of KPN's paid-in capital recognized for Netherlands dividend tax purposes; and

(d) partial repayments of paid-in capital recognized for Dutch dividend tax purposes, if and to the extent there are qualifying profit (*zuivere winst*), unless the General Meeting has resolved in advance to make such repayment and provided that the nominal value of the Ordinary Shares concerned has been reduced by an equal amount by way of an amendment of KPN's articles of association.

Credit for residents of the Netherlands

If a holder of Ordinary Shares is a resident or deemed to be a resident of the Netherlands for Dutch corporate or personal income tax purposes, Dutch dividend tax which is withheld with respect to proceeds from Ordinary Shares will generally be creditable for Dutch corporate income tax or Dutch income tax purposes.

Relief or refund for non-residents of the Netherlands

If a holder of Ordinary Shares is a resident of a country other than the Netherlands, and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and that country, and such holder is a resident for the purposes of such treaty, such holder may, depending on the terms of that particular treaty, qualify for full or partial relief at source or for a refund in whole or in part of the Dutch dividend tax.

Dutch dividend tax upon redistribution of foreign dividends

Provided certain conditions are met, KPN may not be required to transfer to the Dutch tax authorities a portion of the Dutch dividend tax withheld from certain qualifying dividends distributed by KPN, if KPN has itself received dividends from certain qualifying non-Dutch subsidiaries, which dividends are exempt from Dutch corporate income tax and which dividends were subject to a withholding tax of at least 5% upon distribution to KPN. The Dutch dividend tax which KPN may not be required to transfer, is equal to the lesser of:

(a) 3% of the amount of the dividends distributed by KPN that are subject to Dutch dividend tax; and

(b) 3% of the gross amount of the dividends received during a certain period from the qualifying non-Dutch subsidiaries.

For the sake of clarity, the reduction is applied to the Dutch dividend tax that KPN must pay to the Dutch tax authorities and not to the amount of the Dutch dividend tax that KPN must withhold.

Corporate and personal income tax

Residents of the Netherlands

If a holder of Ordinary Shares or Rights is a resident of the Netherlands or deemed to be a resident of the Netherlands for Dutch corporate income tax purposes and is fully subject to Dutch corporate income tax or is only subject to Dutch corporate income tax in respect of an enterprise to which Ordinary Shares or Rights are attributable, income derived from Ordinary Shares and gains realized upon the redemption or disposal of Ordinary Shares or Rights (including the receipt of Unexercised Rights Payments) is generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual holder of Ordinary Shares or Rights is a resident of the Netherlands, deemed to be a resident of the Netherlands for Dutch personal income tax purposes or who has opted to be treated as a resident of the Netherlands for personal income tax purposes, income derived from Ordinary Shares and gains realized upon the redemption or disposal of Ordinary Shares or Rights (including the receipt of Unexercised Rights Payments) is taxable at the progressive rates (at up to a maximum rate of 52%) under the Dutch Income Tax Act 2001 if:

(a) such holder is an entrepreneur (*ondernemer*) and has an enterprise to which Ordinary Shares or Rights are attributable or such holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise Ordinary Shares or Rights are attributable; or

(b) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to Ordinary Shares or Rights that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (a) nor (b) above applies, an individual that holds Ordinary Shares or Rights will be subject to Dutch income tax on the basis of a deemed return on income from savings and investments (*sparen en beleggen*) rather than on the basis of income actually earned or realized. This deemed return on income from savings and investments has been fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year, insofar as the individual's yield basis exceeds a certain threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of Ordinary Shares or Rights less the fair market value of certain qualifying liabilities at the beginning of the calendar year. The fair market value of Ordinary Shares or Rights will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments will be taxed at a flat rate of 30%.

Non-residents of the Netherlands

If a holder of Ordinary Shares or Rights is not a resident of the Netherlands, deemed to be a resident of the Netherlands for Dutch corporate or personal income tax purposes, nor has opted to be treated as a resident of the Netherlands for personal income tax purposes, such holder is not liable to Dutch income tax in respect of income derived from Ordinary Shares and gains realized upon the redemption or disposal of Ordinary Shares or Rights including the receipt of Unexercised Rights Payments, unless:

(a) such holder is not an individual and such holder (i) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or a permanent representative Ordinary Shares or Rights are attributable, or (ii) is other than by way of securities entitled to a share in the profit of an enterprise or a co-entitlement to the net worth of an enterprise which is effectively managed in the Netherlands and to which enterprise Ordinary Shares or Rights are attributable. This income is subject to Dutch corporate income tax at up to a maximum rate of 25%;

(b) such holder is an individual and such holder (i) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative Ordinary Shares or Rights are attributable, or (ii) realizes income or gains with respect to Ordinary Shares or Rights that qualify as income from miscellaneous activities in the Netherlands which include activities with respect to Ordinary Shares or Rights that exceed regular, active portfolio management or (iii) is other than by way of securities entitled to a share in the profit of an enterprise that is effectively managed in the Netherlands and to which enterprise Ordinary Shares or Rights are attributable.

Income derived from Ordinary Shares or Rights as specified under (i) and (ii) by an individual is subject to Dutch income tax at progressive rates up to a maximum rate of 52%. Income derived from a share in the profit as specified under (iii) that is not already included under (i) or (ii) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands"). The fair market value of such share in the profit of an enterprise (which includes Ordinary Shares or Rights) will be part of the individual's Dutch yield basis.

Gift and inheritance tax

Residents of the Netherlands

Generally, gift tax or inheritance tax (*schenkbelasting of erfbelasting*) will be due in the Netherlands in respect of the acquisition of Ordinary Shares or Rights by way of a gift by, or on behalf of, or on the death of, a holder of Ordinary Shares or Rights that is a resident or deemed to be a resident of the Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956 at the time of the gift or his or her death. A gift made under a condition precedent is for purposes of the Dutch Gift and Inheritance Tax Act 1956 deemed to be made at the time the condition precedent is fulfilled and is subject to gift tax if the donor is, or is deemed to be, a resident of the Netherlands at that time.

A holder of Dutch nationality is deemed to be a resident of the Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956 if he or she has been resident in the Netherlands and dies or makes a gift within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956 if he or she has been resident in the Netherlands and makes a gift within a 12-month period after leaving the Netherlands. The same 12-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

Non-residents of the Netherlands

No gift or inheritance tax will be due in the Netherlands in respect of the acquisition of Ordinary Shares or Rights by way of a gift by, or as a result of the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956. However, inheritance tax will be due in the case of a gift of Ordinary Shares or Rights by, or on behalf of, a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands for the purposes of Dutch gift or inheritance tax, but such holder dies within 180 days after the date of the gift and at the time of his or her death is a resident or deemed to be a resident of the Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled.

Value added tax

In general, no value added tax will arise in respect of payments in consideration for the issue of Ordinary Shares or Rights (including the receipt of Unexercised Rights Payments) or in respect of a cash payment made under Ordinary Shares or Rights including the receipt of Unexercised Rights Payments, or in respect of a transfer of Ordinary Shares or Rights.

Other taxes and duties

No registration tax, customs duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty will be payable in the Netherlands by a holder of Ordinary Shares or Rights in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of Ordinary Shares or Rights including the receipt of Unexercised Rights Payments.

US Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE (IRS) CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING US FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Introduction

The following is a summary of certain US federal income tax considerations of the receipt, exercise and disposition of Rights pursuant to the Rights Offering, as well as the acquisition, ownership and disposition of Offer Shares relevant to US Holders (as defined below). This summary is based on the US Internal Revenue Code of 1986 (the **Code**), final, temporary and proposed US Treasury regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect, as well as on the income tax treaty between the United States and the Netherlands as currently in force (the **Treaty**).

This summary does not discuss all aspects of US federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organizations; (vii) partnerships, pass-through entities, or persons that hold Offer Shares through pass-through entities; (viii) holders that own (directly, indirectly or constructively) 10% or more of the voting stock of KPN; (ix) investors that hold Offer Shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for US federal income tax purposes; (x) investors that have a functional currency other than the US dollar and (xi) US expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarized below. This summary does not address tax consequences applicable to holders of equity interests in a holder of Offer Shares, US federal estate, gift or alternative minimum tax considerations, or non-US, state or local tax considerations. This summary only addresses investors that will receive Rights with respect to Ordinary Shares in the Rights Offering, and it assumes that investors will hold their Offer Shares as capital assets (generally, property held for investment).

For the purposes of this summary, a **US Holder** is a beneficial owner of Rights or Offer Shares that is for US federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organized under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is includible in gross income for US federal income tax purposes regardless of its source or (iv) a trust that is subject to US tax on its worldwide income regardless of its source.

Taxation of Rights

Receipt of Rights

KPN has not determined whether the issuance of Rights should be treated as a non-taxable distribution of Rights to acquire Offer Shares in KPN, or whether the issuance of Rights may be treated as a taxable distribution of property by KPN. US Holders should consult their tax advisers as to the proper characterization of the issuance of Rights for US federal income tax purposes.

If the issuance of Rights were not a distribution of property for US federal income tax purposes, a US Holder would not be required to include any amount in income for US federal income tax purposes as a result of the issuance. In such a case, if, on the date Rights are issued, the fair market value of the Rights allocable to a US Holder is less than 15% of the fair market value of the Ordinary Shares with respect to which such Rights are issued, the Rights will have a zero basis for US federal income tax purposes unless such US Holder affirmatively elects to allocate basis in proportion to the relative fair market value of such US Holder’s Ordinary Shares and the Rights, determined on the date of issuance. This election must be made in the tax return of the US Holder for the taxable year in which the Rights are issued.

If, on the date Rights are issued, the fair market value of the Rights attributable to a US Holder is 15% or greater than the fair market value of the Ordinary Shares with respect to which the Rights are issued, then the basis in such US Holder’s Ordinary Shares must be allocated between such Ordinary Shares and the Rights issued in proportion to their fair market values determined on the date the Rights are issued. This general rule will apply with respect to Rights only if the Rights are exercised or sold.

If a taxable distribution of property were considered to be made by KPN, the issuance of Rights to a US Holder would generally be taxable as foreign source dividend income. In such a case, a US Holder would have a tax basis in the Rights equal to the amount treated as a dividend distribution, and a US Holder’s holding period in the Rights would begin on the date the Rights were received. For the US federal income taxation of distributions paid by KPN, refer to the discussion below in “—Taxation of Offer Shares—Distributions”.

Sale, exchange or other disposition of Rights

A US Holder will recognize capital gain or loss on the sale, exchange or other disposition of Rights (including a sale of Rights on its behalf) in an amount equal to the difference between such US Holder’s adjusted tax basis in the Rights and the US dollar value of the amount realized (as determined for US federal income tax purposes) from the sale, exchange or other disposition. Capital gains of individuals and certain other non-corporate US Holders derived from capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to significant limitations. Any gain or loss generally will be treated as arising from US sources.

If the issuance of Rights were treated as a non-taxable distribution of Rights, however, the holding period of the US Holder in the Rights should include its holding period in the Ordinary Shares with respect to which the Rights were distributed. If the issuance of Rights were treated as a taxable distribution of property, the holding period of the US Holder in the Rights would begin on the date the Rights were received. For the US federal income taxation of an amount realized in non-US currency from a sale, exchange or other disposition of Rights, refer to the discussion below in “Taxation of Offer Shares—Sale, exchange or other disposition”.

Exercise of Rights and receipt of Offer Shares

A US Holder who receives Rights will not ordinarily recognize taxable income upon the receipt of Offer Shares pursuant to the exercise of Rights. Such a US Holder will have a tax basis in the Offer Shares equal to the sum of such US Holder's tax basis in the Rights exercised to obtain the Offer Shares and the US dollar value of the Issue Price on the exercise date. Such a US Holder's holding period in the Offer Shares received generally will begin on the date the Rights are exercised.

Expiration of Rights

If the issuance of Rights were treated as a non-taxable distribution of Rights, and a US Holder who receives Rights allows the Rights to expire without selling or exercising them (and such US Holder does not receive any proceeds from the sale of Rights on its behalf), such US Holder should not recognize any loss upon the expiration of the Rights.

If the issuance of Rights were treated as a taxable distribution of property, however, and a US Holder who receives Rights allows the Rights to expire without selling or exercising them (and such US Holder does not receive any proceeds from the sale of Rights on its behalf), such US Holder should recognize a capital loss treated as arising from US sources upon the expiration of the Rights. The deductibility of capital losses is subject to significant limitations.

Taxation of Offer Shares

Distributions

A distribution made by KPN on the Offer Shares (including amounts withheld in respect of foreign income tax, if any) generally will be treated as a dividend includible in the gross income of a US Holder as ordinary income to the extent that it is paid out of KPN's current or accumulated earnings and profits (as determined for US federal income tax purposes). Such distributions will not be eligible for the dividends received deduction allowed to corporations. KPN does not expect to maintain calculations of earnings and profits for US federal income tax purposes. Therefore, a US Holder should expect that such distribution will generally be treated as a dividend.

"Qualified dividend income" received by individual and certain other non-corporate US Holders may be eligible for a preferential income tax rate if (i) KPN is a "qualified foreign corporation" (as defined below) and (ii) such dividend is paid on Offer Shares that have been held by such US Holder for at least 61 days during the 121-day period beginning 60 days before the *ex*-dividend date. KPN generally will be a "qualified foreign corporation" if (1) it is either (a) eligible for the benefits of the Treaty, or (b) if the stock with respect to which such distribution is paid is readily tradable on an established securities market in the United States, and (2) it is not a passive foreign investment company (as defined below) in the taxable year of the distribution or the immediately preceding taxable year. KPN expects to be eligible for the benefits of the Treaty. In addition, as discussed below under "Passive foreign investment company rules", KPN does not believe it was a PFIC for the taxable year ending 31 December 2012 and does not expect to become a PFIC in the current taxable year or for any future taxable years. US Holders should consult their tax advisers whether distributions on the Offer Shares will be eligible for a preferential income tax rate on "qualified dividend income" under US federal income tax law.

Distributions on the Offer Shares generally will constitute income from sources outside the United States for foreign tax credit limitation purposes. The amount of any distribution of property other than cash will be the fair market value of the property on the date of the distribution.

If payments of distributions by KPN to US holders are subject to Dutch dividend withholding tax, subject to certain limitations, a US Holder will generally be entitled to a credit against its US federal income tax liability, or a deduction in computing its US federal taxable income, for any Dutch income taxes withheld by KPN. Under certain circumstances, however, KPN may not be required to transfer to the Dutch tax authorities a portion of Dutch dividend tax withheld, and any such portion will likely not qualify as a creditable tax for US foreign tax credit purposes. KPN may make available information required for a US Holder to determine the portion of the amount withheld that is likely to be ineligible for the foreign tax credit. The limitation on foreign taxes eligible for US foreign tax credit is calculated separately with respect to specific classes of income. Income received with respect to the Offer Shares will constitute "passive category income" or "general category income". For purposes of calculating a US Holder's foreign tax credit limitation, the amount of foreign source dividend income subject to the reduced tax rate described above must be reduced by the "rate differential portion" of such dividend. The rules relating to foreign tax credits and timing thereof are complex. US Holders should consult their tax advisers regarding the availability of foreign tax credits under their particular circumstances.

The US dollar value of any distribution made by KPN in foreign currency must be calculated by reference to the exchange rate in effect on the date of receipt of such distribution by the US Holder, regardless of whether the foreign currency is in fact converted into US dollars. If the foreign currency so received is converted into US dollars on the date of receipt, such US Holder generally will not recognize foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into US dollars on the date of receipt, such US Holder will have a basis in the foreign currency equal to its US dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Sale, exchange or other disposition

A US Holder generally will recognize gain or loss for US federal income tax purposes upon a sale, exchange or other disposition of its Offer Shares in an amount equal to the difference between the amount realized from such sale or disposition and the US Holder's adjusted tax basis in such Offer Shares, as determined in US dollars. Such gain or loss will be capital gain or loss and will be long-term capital gain (taxable at a reduced rate for non-corporate US Holders, such as individuals) or loss if, on the date of sale, exchange or other disposition, such Offer Shares were held by such US Holder for more than one year. The deductibility of capital losses is subject to significant limitations. Such gain or loss realized generally will be treated as derived from US sources.

A US Holder's tax basis in an Offer Share will generally be its US dollar cost. The US dollar cost of an Offer Share purchased with foreign currency will generally be the US dollar value of the purchase price on the date of purchase or, if such US Holder is a cash basis or electing accrual basis taxpayer and the Offer Shares are treated as being traded on an "established securities market" for this purpose, the Settlement Date.

A US Holder that receives foreign currency from a sale, exchange or other disposition of Offer Shares generally will realize an amount equal to the US dollar value of the foreign currency on the date of sale or disposition or, if such US Holder is a cash basis or electing accrual basis taxpayer and the Offer Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the Offer Shares are so treated and the foreign currency received is converted into US dollars on the settlement date, a cash basis or electing accrual basis US Holder generally will not recognize foreign currency gain or loss on the conversion. If the foreign currency received is not converted into US dollars on the settlement date, the US Holder will have a basis in the foreign currency equal to the US dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Passive foreign investment company rules

In general, a corporation organized or incorporated outside the United States is a passive foreign investment company (a **PFIC**) in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75% of its gross income is classified as "passive income" or (ii) at least 50% of the average quarterly value attributable to its assets produce or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on the present nature of its activities, including the planned Rights Offering, and the present composition of its assets and sources of income, KPN believes that it was not a PFIC for the taxable year ending on 31 December 2012 and does not expect to become a PFIC for the current year or for any future taxable year. There can be no assurances, however, that KPN will not be considered to be a PFIC for any particular year because PFIC status is factual in nature, generally cannot be determined until the close of the taxable year in question, and is determined annually. If KPN is classified as a PFIC in any year that a US Holder is a shareholder, KPN generally will continue to be treated as a PFIC for that US Holder in all succeeding years, regardless of whether KPN continues to meet the income or asset test described above. If KPN were a PFIC in any taxable year, materially adverse US federal income tax consequences could result for US Holders.

US information reporting and backup withholding tax

A US Holder may be subject to information reporting unless it establishes that payments to it are exempt from these rules. Payments that are subject to information reporting may be subject to backup withholding if a US Holder does not provide its taxpayer identification number and otherwise comply with the backup withholding rules. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a US Holder's US federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the IRS.

Under US federal income tax law and regulations, certain categories of US persons must file information returns with respect to their investment in the equity interests of a foreign corporation. A US person that purchases for cash Offer Shares will be required to file IRS Form 926 or similar form if the transfer, when aggregated with all transfers made by such person (or any related person) within the preceding 12 month period, exceeds USD 100,000. In the event a US Holder fails to file any such required form, the US Holder could be required to pay a penalty equal to 10% of the gross amount paid for such Offer Shares up to a maximum penalty of USD 100,000.

Individual US Holders may be required to report to the IRS certain information with respect to their beneficial ownership of the Offer Shares not held through an account with a financial institution. Investors who fail to report required information could be subject to substantial penalties.

MARKET INFORMATION

Share price information

KPN's outstanding Ordinary Shares are traded on NYSE Euronext Amsterdam under the symbol "KPN". The following table sets out the high and low closing prices for the Ordinary Shares for the periods indicated as reported by NYSE Euronext Amsterdam, as well as the average daily trading volume.

	Price (Closing) High (EUR)	Low (EUR)	Average Daily Trading Volume (Number of Ordinary Shares)
2010			
Q1	12.28	11.44	6,823,028
Q2	11.99	10.16	8,442,480
Q3	11.50	10.28	5,397,645
Q4	12.06	10.83	6,305,066
2011			
Q1	12.04	11.06	7,124,559
Q2	12.27	9.82	8,748,020
Q3	10.16	8.99	9,127,825
Q4	10.15	8.48	6,640,167
2012			
Q1	9.32	7.75	7,402,215
Q2	8.27	6.37	11,671,478
Q3	7.56	5.95	6,641,601
Q4	6.18	3.60	10,420,601
2013			
January	4.59	3.72	13,401,698
February	4.22	2.56	21,497,455
March	3.03	2.61	11,335,433
April (through 24 April)	2.99	2.51	13,614,958

Market regulation

The market regulator in the Netherlands is the AFM, insofar as the supervision of market conduct is concerned. The AFM has supervisory powers with respect to the application of takeover regulations.

Pursuant to the implementation of the Prospectus Directive in the Netherlands on 1 July 2005, the AFM is the competent authority for approving all prospectuses published for admission of securities to trading on NYSE Euronext Amsterdam (except for prospectuses approved in other member states of the European Economic Area that have implemented the Prospectus Directive that are used in the Netherlands in accordance with applicable passporting rules) and due to the implementation of the Market Abuse Directive (2003/6/EC) and related Commission Directives on 1 October 2005, the AFM has taken over from NYSE Euronext Amsterdam its supervisory powers with respect to publication of inside information by listed companies.

The surveillance unit of NYSE Euronext Amsterdam continues to monitor and supervise all trading operations.

THE OFFERING

Introduction

KPN is offering 2,838,732,182 Offer Shares in the Offering at the Issue Price of EUR 1.06 per Offer Share, on the basis of two Offer Shares for every one existing Ordinary Share. Shareholders on register at the Record Date are being granted Rights in the Rights Offering, that will entitle Shareholders that qualify as Eligible Persons to subscribe for Offer Shares at the Issue Price. The mere granting of Rights to a Shareholder does not constitute an offer of Offer Shares. No offer of Offer Shares is being made to Shareholders who are not Eligible Persons and are therefore not permitted to exercise the Rights granted to them. KPN, as holder of Ordinary Shares in treasury, will not be granted any Rights.

Shareholders who transfer, do not exercise or who are not permitted to exercise, any of their Rights granted under the Rights Offering will suffer a substantial dilution of their proportionate ownership and voting rights of approximately 66.7% as a result of the issue of the Offer Shares. However, such Shareholders may receive valuable consideration on the sale of their Rights or on the placement of the Offer Shares underlying unexercised Rights.

After the Exercise Period for the Rights has ended, the Rump Shares will be offered for sale by the Joint Global Coordinators by way of private placements with institutional and professional investors in the Netherlands and certain other jurisdictions at a price at least equal to the Issue Price and any expenses related to procuring such subscribers (including any value added tax). The Rump Offering will be subject to the terms and conditions of the Underwriting Agreement. The Rump Offering is expected to commence on or about 15 May 2013 at 07:30 CET and to end no later than 17:30 CET on or about 15 May 2013.

The Banks shall, subject to the satisfaction of conditions contained in, and on the terms of, the Underwriting Agreement, procure subscribers for or themselves subscribe and pay for any Offer Shares not subscribed and paid for through the exercise of Rights in the Rights Offering or sold in the Rump Offering. See "Plan of Distribution——Underwriting arrangements".

After the Exercise Period has ended, KPN will announce the results of the Rights Offering and the commencement of the Rump Offering (if any) by means of a press release. After the Rump Offering (if any) has ended, KPN will announce the results of the Rump Offering by means of a press release, including the aggregate number of Offer Shares subscribed for in the Rump Offering and any Excess Amount to be distributed.

The statutory pre-emptive rights of the Shareholders have been excluded with respect to the Offering, since KPN is not taking any action to permit a public offering of the Rights or the Offer Shares in any jurisdiction outside the Netherlands. Instead, Shareholders, as of the Record Date are being granted Rights that will entitle them, if they are Eligible Persons, to subscribe for the Offer Shares at the Issue Price.

Selling and transfer restrictions

KPN urges each potential investor to carefully read the restrictions described in "Selling and Transfer Restrictions". The making or acceptance of an offer to sell Rights or Offer Shares to persons with registered addresses in, or who are resident or located in, or citizens of, countries other than the Netherlands may be affected by the laws or regulations of the relevant jurisdiction. The mere granting of Rights to a Shareholder does not constitute an offer of Offer Shares. No offer of Offer Shares is being made to Shareholders who are not Eligible Persons and are therefore not permitted to exercise the Rights granted to them. Accordingly, any such person who is in any doubt as to his position should consult an appropriate professional advisor without delay.

KPN reserves the right, with sole and absolute discretion, to treat as invalid any subscription or purported subscription which appears to it or its agents:

- to have been executed, effected or dispatched from any jurisdiction other than the Netherlands, including the United States, Australia or Japan, unless KPN is satisfied that such action would not result in the contravention of any registration requirement or other legal regulation in any jurisdiction;
- to involve a potential breach or violation of the laws of any jurisdiction;
- to involve an acceptance, or purported acceptance, that may violate applicable legal or regulatory requirements or may be inconsistent with the procedures and terms set out in this Prospectus; or
- to purport to exclude or modify any of the representations and warranties required or deemed to be made by an exercising Right holder, as set out in "Selling and Transfer Restrictions".

Expected timetable

Subject to acceleration or extension of the timetable for the Offering, the timetable below lists certain expected key dates for the Offering:

Event	Time and Date
Record Date	17:40 CET on 25 April 2013
Start of *ex*-Rights trading in the Shares	09:00 CET on 26 April 2013
Start of Exercise Period	09:00 CET on 26 April 2013
Start of trading in the Rights	09:00 CET on 26 April 2013
End of trading in the Rights	17:40 CET on 13 May 2013
End of Exercise Period	15:00 CET on 14 May 2013
Start of Rump Offering	07:30 CET on or about 15 May 2013
End of Rump Offering	no later than 17:30 CET on or about 15 May 2013
Allotment of the Offer Shares	15 May 2013
Issue of Ordinary Shares	17 May 2013
Settlement Date	17 May 2013
Listing of, and start of trading in, the Offer Shares	09:00 CET on 17 May 2013

The last date and/or time before which notification of exercise instructions may be validly given by the holder of any Right may be earlier than the date and/or time specified above as the end of the Exercise Period, depending on the financial intermediary through which such Rights are held.

KPN may adjust the dates, times and periods given in the timetable and throughout this Prospectus. If KPN should decide to adjust dates, times or periods, it will notify NYSE Euronext Amsterdam and the AFM and issue a press release and, if required, place an advertisement in a Dutch national daily newspaper. Any other material alterations will be published in a press release on KPN's website and in a supplement to this Prospectus (if required) that is subject to the approval of the AFM.

Rights Offering

Rights

Subject to applicable securities laws, each person holding Ordinary Shares immediately following the close of trading in the Ordinary Shares on NYSE Euronext Amsterdam at 17:40 CET on the Record Date will be entitled to one Right for each Ordinary Share held. An Eligible Person (whether a Shareholder on the Record Date or a subsequent transferee of Rights) will be entitled to subscribe for two Offer Shares for every one Right held. Rights can only be exercised in multiples of one. No fractional Offer Shares will be issued. Eligible Persons may sell any excess Rights or acquire additional Rights to subscribe for a whole number of Offer Shares on NYSE Euronext Amsterdam in the trading period commencing at 09:00 CET on 26 April 2013 and ending at 17:40 on 13 May 2013.

A financial institution may not acknowledge the receipt of any Rights, and KPN reserves the right to treat as invalid the exercise, purported exercise or transfer of any Rights, which may involve a breach of the laws or regulations of any jurisdiction or if it believes, or its agents believe, that the same may violate applicable legal or regulatory requirements or may be inconsistent with the procedures and terms set out in this Prospectus or in breach of the representations and warranties to be made by an accepting holder, as described herein.

If a Shareholder holds Ordinary Shares on the Record Date, the financial intermediary through which it holds Ordinary Shares will customarily provide that Shareholder with details of the total number of Rights to which that Shareholder will be entitled, subject to applicable securities laws. A Shareholder should contact its financial intermediary if it is entitled to receive Rights but has received no information from its financial intermediary with respect to the Offering.

If a person holds Ordinary Shares and its Ordinary Shares are registered in KPN's shareholders' register on the Record Date, that person will receive rights to subscribe for Offer Shares and will be sent a letter by KPN, informing that person of the number of Rights to which it is entitled and of the procedures that it must follow to exercise or trade its Rights. Upon exercise of the Rights granted to that person, that person will receive Offer Shares in accordance with and subject to the terms and conditions of this Prospectus.

The statutory pre-emptive rights of the Shareholders have been excluded with respect to the Offering.

Only Shareholders who qualify as Eligible Persons as of the Record Date will be entitled to take up, exercise, sell or otherwise transfer Rights pursuant to the grant of Rights by KPN. Rights that are credited to the account of an Ineligible Person will not constitute an offer of the Offer Shares to such person and will not confer any rights upon such person, including the right to take up, exercise, sell or otherwise transfer such credited Rights. Receipt of this Prospectus by an Ineligible Person shall not, subject to certain exceptions, constitute an offer of Offer Shares to such person.

Record Date

The Record Date for determining the holders of the outstanding Ordinary Shares who will receive Rights (subject to applicable securities laws) is immediately following the close of trading in Ordinary Shares on NYSE Euronext Amsterdam at 17:40 CET on 25 April 2013. Until the close of trading in the Ordinary Shares on NYSE Euronext Amsterdam on the Record Date, the Ordinary Shares will trade *cum*-Rights. From 09:00 CET on 26 April 2013, the Ordinary Shares will trade *ex*-Rights.

Listing and trading of Rights

KPN expects trading of the Rights on NYSE Euronext Amsterdam to commence at or around 09:00 CET on 26 April 2013 and to end at 17:40 CET on 13 May 2013, barring unforeseen circumstances. The Rights will be traded under the symbol "KPNR". The transfer of Rights will take place through the book-entry systems of Euroclear Nederland. Persons interested in trading, buying or selling Rights should be aware that the exercise of Rights by holders who are located in countries other than the Netherlands is subject to restrictions as described under "Selling and transfer restrictions".

The Rights are traded under the following characteristics:

Symbol:	KPNR
ISIN code:	NL0010421525

Shareholders who are Eligible Persons and wish to sell all or part of their Rights and are holding their Ordinary Shares through a financial intermediary, should instruct the financial intermediary through which they hold their Rights in accordance with the instructions received from it. Shareholders who are Eligible Persons may also instruct their financial intermediary to buy or sell Rights on their behalf. Shareholders who are interested in trading, buying or selling Rights should be aware that they may be restricted from buying, selling and/or exercising Rights and acquiring Offer Shares if they are located in a jurisdiction other than the Netherlands and therefore are not eligible to participate in the Offering. See "Selling and transfer restrictions".

Exercise period

Subject to the restrictions set out below, an Eligible Person (whether a Shareholder on the Record Date or a subsequent transferee of Rights) may subscribe for Offer Shares by exercising his Rights from 09:00 CET on 26 April 2013 until 15:00 CET on 14 May 2013, which is the end of the Exercise Period. **The last date and/or time before which notification of exercise instructions may be validly given by holders of Rights may be earlier, depending on the financial intermediary through which their Rights are held**. After the Exercise Period, Eligible Persons will no longer be able to exercise their Rights. At that time, any unexercised Rights will continue to be reflected in the Shareholders' securities account solely for the purpose of the distribution of the Excess Amount, if any. Once Rights have been validly exercised, such exercise cannot be revoked or modified, unless KPN amends this Prospectus in any material respect leading to a supplement to this Prospectus within the meaning of Article 5:23 of the Dutch Financial Supervision Act being published, in which event the holder will have the right, exercisable within two business days after publication of the supplement, to revoke or modify the exercise. Even if the market price of the Ordinary Shares fluctuates below the Issue Price after the Rights have been exercised, the Issue Price for any Offer Shares subscribed for will be payable. Upon exercise of the Rights, such Rights must be delivered to the Shareholder's financial intermediary, the financial intermediary of the subsequent transferee of Rights, or the investor's financial intermediary.

Subscription and payment

An Eligible Person (whether a Shareholder on the Record Date or a subsequent transferee of Rights) who wishes to exercise its Rights must instruct its financial intermediary in accordance with the instructions received from its financial intermediary. The financial intermediary will be responsible for collecting exercise instructions from Eligible Persons, for informing the Subscription, Listing and Paying Agent of the Eligible Person's exercise instructions and for the delivery of exercised Rights to the Subscription, Listing and Paying Agent.

Shareholders or investors who hold their Rights through a financial intermediary, should, in accordance with the instructions they receive from their financial intermediary, pay the Issue Price for each Offer Share subscribed for. The financial intermediary will pay the total Issue Price to the Subscription, Listing and Paying Agent, who will in turn pay it to KPN after deduction of applicable fees and expenses. Payment for the Offer Shares to the Subscription, Listing and Paying Agent must be made no later than the Settlement Date which is expected to be 17 May 2013. **Financial intermediaries may require the payment for the Offer Shares prior to the Settlement Date**. All questions concerning the timelines, validity and form of instructions to a financial intermediary in relation to the exercise, sale or purchase of Rights will be determined by the financial intermediary in accordance with its usual customer relations procedures or as it otherwise notifies its customers.

Neither KPN nor the Banks nor the Subscription, Listing and Paying Agent are liable for any action, or failure to act, by a financial intermediary through which Shareholders hold their Shares or Rights in connection with any subscriptions or purported subscriptions.

Rump Offering

Private placements

After the Exercise Period has ended, the Joint Global Coordinators will, subject to the terms and conditions of the Underwriting Agreement, start the Rump Offering. In the Rump Offering the Joint Global Coordinators will offer the Rump Shares (if any) for sale to institutional investors by way of private placements in the Netherlands and certain other jurisdictions, subject to the terms and conditions of the Underwriting Agreement. The Rump Shares are the Offer Shares that were issuable upon the exercise of the Rights but that were not subscribed for during the Exercise Period. Subject to the terms and conditions of the Underwriting Agreement, the Joint Global Coordinators have agreed to use their reasonable efforts to procure buyers for any and all Rump Shares through private placements in the Netherlands or certain other jurisdictions. The price per Rump Share must be at least equal to the Issue Price, plus any expenses related to procuring such purchasers (including any non-recoverable value added tax).

The Rump Offering, if any, is expected to start on or about 15 May 2013 at 07:30 CET and to end no later than 17:30 CET on or about 15 May 2013. The Banks will subscribe or pay the Issue Price for each and any Rump Share not sold in the Rump Offering and any Offer Shares for which no payment has been made by subscribers for the Offer Shares on the Settlement Date at the Issue Price, subject to the terms and conditions of the Underwriting Agreement.

Excess amount

If the total proceeds for the Rump Shares sold in the Rump Offering, after deduction of any expenses related to procuring buyers of the Rump Shares (including any non-recoverable value added tax), exceed the total Issue Price for those Rump Shares (such amount, the **Excess Amount**), each holder of a Right that was not exercised at the end of the Exercise Period will be entitled to receive, except as noted below, a part of the Excess Amount. Such holder is entitled to receive its part of the Excess Amount in cash proportionate to the number of unexercised Rights reflected in each such holder's securities account (**the Unexercised Rights Payment**). If the Excess Amount divided by the total number of unexercised Rights is less than EUR 0.01, no Unexercised Rights Payment will be made to the holders of any unexercised Rights and, instead, KPN will be entitled to the Excess Amount. The Unexercised Rights Payments, if any, will be distributed to the holders of unexercised Rights as soon as practicable following the closing of the Rump Offering by the Subscription, Listing and Paying Agent via financial intermediaries. Those payments, if any, will be credited to those holders through the book-entry systems of Euroclear Nederland. Payments will be made in Euros only, without interest and following the withholding of any applicable taxes.

If KPN has announced that an Excess Amount is available for distribution to holders of unexercised Rights and such holder has not received the Unexercised Rights Payment within a reasonable time following the closing of the Rump Offering, such holder should contact the financial intermediary through which it holds unexercised Rights. KPN cannot guarantee that the Rump Offering will take place. Should the Rump Offering take place, KPN, the Subscription, Listing and Paying Agent, the Banks or any other person procuring buyers for Rump

Shares will not be responsible for any lack of Excess Amount arising from any placement of the Rump Shares in the Rump Offering. The holders of unexercised Rights have no claim towards KPN, the Banks, the Subscription, Listing and Paying Agent or any other party in respect of any Unexercised Rights Payment.

Allotment of Offer Shares

Allotment of Offer Shares to be issued pursuant to the Offering is expected to take place on 15 May 2013. Eligible Persons who have subscribed for Offer Shares and paid the Issue Price ultimately on the Settlement Date may obtain information on the number of Offer Shares they have been allotted through their own financial intermediary. See "Plan of Distribution—Conditions to the Offering and termination rights" as to the consequences of any withdrawal of the Offering for the allotment of the Offer Shares.

Issue, payment and delivery

Shareholders or investors who hold their Rights through a financial intermediary should, in accordance with the instructions they receive from their financial intermediary, pay the Issue Price for each Offer Share subscribed for. The financial intermediary will pay the total Issue Price to the Subscription, Listing and Paying Agent, who will in turn pay it to KPN after deduction of applicable fees and expenses. Payment for the Offer Shares to the Subscription, Listing and Paying Agent must be made no later than the Settlement Date which is expected to be 17 May 2013. Financial intermediaries may require the payment for the Offer Shares prior to the Settlement Date.

Payment for and delivery of the Offer Shares is expected to take place on 17 May 2013. The Offer Shares will be issued in book-entry form and entered into the collection deposit (*verzameldepot*) and giro deposit (*girodepot*) on the basis of the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*). Delivery of Offer Shares will take place through the book-entry systems of Euroclear Nederland. The address of Euroclear Nederland is Herengracht 459-469, 1017 BS Amsterdam, the Netherlands.

Listing and trading of the Offer Shares

Application has been made for the listing and trading of the Offer Shares on NYSE Euronext Amsterdam. KPN expects that the Offer Shares will be admitted for listing and trading, and that trading in the Offer Shares will start, on NYSE Euronext Amsterdam at 09:00 CET on 17 May 2013, barring unforeseen circumstances. The outstanding Ordinary Shares are listed and will remain listed on NYSE Euronext Amsterdam under the symbol "KPN".

The Offer Shares will be traded under the following characteristics:

Symbol:	KPN
ISIN code:	NL0000009082
Common code:	011244734

All dealings in Rights and Offer Shares prior to, and after, closing of the Offering are at the sole risk of the parties concerned. Any forfeiture of Rights will be without prejudice to the validity of any settled trades in the Rights. There will be no refund of any Rights purchased in the market. NYSE Euronext Amsterdam, KPN, the Banks and the Subscription, Listing and Paying Agent do not accept any responsibility or liability with respect to any person as a result of the withdrawal of the Offering or (the related) annulment of any transactions in Rights or Offer Shares on NYSE Euronext Amsterdam.

Ranking and dividends

The Offer Shares will, upon issue, rank *pari passu* in all respects with the then outstanding Ordinary Shares and will be eligible for any dividends which KPN may declare on the Ordinary Shares after the Settlement Date. See also "Dividends and Dividend Policy—Dividend policy".

Agent

In respect of the Offering, ABN AMRO Bank N.V. is acting as Subscription, Listing and Paying Agent in the Netherlands. The address of the Subscription, Listing and Paying Agent is Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands.

Governing law

The Rights and the Offering are governed by and shall be construed in accordance with Dutch law. The Rights and the Offer Shares will be created in accordance with Dutch law and the Articles of Association.

Non-Dutch stamp taxes

Purchasers of the Offer Shares may be required to pay stamp taxes and other taxes in accordance with the laws and practices of the country of purchase in addition to the Issue Price.

Costs

The costs related to the Offering are approximately EUR 72 million.

Currency

The Offering will be carried out and trading in the Rights will be effected in Euros. The Offer Shares will be denominated in Euros. Distributions, if any, will also be made in Euros.

PLAN OF DISTRIBUTION

Shareholder Commitment Letter

Pursuant to the Shareholder Commitment Letter, América Móvil committed, subject to certain conditions, to participate in the Rights Offering and to subscribe for Offer Shares *pro rata* to its current shareholding in the total issued share capital of KPN (excluding Ordinary Shares held by KPN) (i.e., approximately 29.77% of the Ordinary Shares issued (excluding Ordinary Shares held by KPN)). See "General Information—Material contracts—Shareholder Commitment Letter and relationship agreement".

Underwriting arrangements

The Joint Global Coordinators, subject to the terms and conditions of the Underwriting Agreement, have agreed to procure subscribers for the Rump Shares (if any) through private placements to qualified investors in the Netherlands and in certain other eligible jurisdictions, at a price per share that is to be determined but that is at least equal to the Issue Price plus any expenses related to procuring such subscribers (including any value added tax). The Banks shall, subject to the satisfaction of the conditions contained in, and on the terms of, the Underwriting Agreement, themselves subscribe for any Offer Shares or Rump Shares validly subscribed for in the Rights Offering or the Rump Offering, respectively, but not paid for, and any Rump Shares not validly subscribed for in the Rump Offering *pro rata* to the following underwriting commitments:

Banks	Percentage
Deutsche Bank AG, London Branch	16.70%
Goldman Sachs International	16.70%
J.P. Morgan Securities plc	16.70%
ABN AMRO Bank N.V.	7.10%
ING Bank N.V.	7.10%
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (acting as Rabobank International)	7.10%
Merrill Lynch International	4.70%
Barclays Bank PLC	4.70%
Citigroup Global Markets Limited	4.70%
UBS Limited	4.70%
BNP Paribas	2.45%
Credit Suisse Securities (Europe) Limited	2.45%
Société Générale	2.45%
UniCredit	2.45%
Total	**100%**

The Rump Shares comprise Offer Shares that were issuable upon exercise of Rights but have not been subscribed for during the Exercise Period.

The obligations of the Banks are several and not joint and each Bank shall be responsible only for its proportionate share of the remaining Rump Shares and therefore no Bank shall have any liability or obligation in respect of any default by another.

In the Underwriting Agreement, KPN has given certain customary representations, warranties and undertakings to the Banks. In addition, KPN has agreed to indemnify the Banks against certain customary liabilities in connection with the Offering.

The total underwriting commission in relation to the Offering amounts to up to EUR 47.3 million.

Deutsche Bank AG, London Branch, Goldman Sachs International and J.P. Morgan Securities plc are Joint Global Coordinators and, together with ABN AMRO Bank N.V., ING Bank N.V. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (acting as Rabobank International), are Joint Bookrunners, and Merrill Lynch International, Barclays Bank Securities PLC, Citigroup Global Markets Limited and UBS Limited are Co-Bookrunners and BNP Paribas, Credit Suisse (Europe) Limited, Société Générale and Unicredit Bank Austria AG are Co-Lead Managers.

Conditions to the Offering and termination rights

The obligations of the Banks under the Underwriting Agreement are subject to certain customary conditions precedent, including that Admission of the Offer Shares occurs no later than 17 May 2013 or such later time as the Banks and KPN may agree, and the Shareholder Commitment Letter remaining in full force and effect. The Joint Global Coordinators, on behalf of the Banks, have the right to terminate the Underwriting Agreement in certain customary circumstances including, but not limited to (i) the occurrence of a material adverse change in the condition (financial, operational, legal or otherwise), or in the earnings, business affairs or operations, solvency or prospects of KPN or the Group and (ii) certain changes in the financial, political or economic conditions.

In the event of a termination, the Offering will be withdrawn, the obligations of the Banks to procure subscribers for, or themselves subscribe and pay for any Rump Shares or Offer Shares (as the case may be) will lapse and both the exercised and unexercised Rights will be forfeited without compensation to their holders and the Offer Shares will not be offered or allocated. Any subscription payments received by KPN will be returned without interest. Any such forfeiture of Rights will be without prejudice to the validity of any settled trades in the Rights, but non-settled trades will be deemed null and void. There will be no refund in respect of any Rights purchased in the market.

All dealings in Rights prior to the closing of the Offering are at the sole risk of the parties concerned. NYSE Euronext Amsterdam, KPN, the Banks and the Subscription, Listing and Paying Agent do not accept any responsibility or liability to any person as result of the withdrawal of the Offering or (the related) annulment of any transactions in Rights on NYSE Euronext Amsterdam.

Lock-up arrangements

In connection with the Offering, KPN has agreed that it will not, directly or indirectly, issue, offer, lease, sale, grant of rights, warrants or options in respect of, or other disposition of any Ordinary Shares or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares during a period from the date of the Underwriting Agreement to 180 days from the Settlement Date (subject to certain customary exceptions, including but not limited to the issue of Ordinary Shares pursuant to any employee-stock options existing at the date hereof), except with the prior written consent of the Joint Global Coordinators.

Potential conflicts of interest

The Banks are acting exclusively for KPN and for no one else and will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than KPN for providing the protections afforded to their respective clients nor for giving advice in relation to, respectively, the Offering and the listing of the Offer Shares or any transaction or arrangement referred to herein.

The Banks and their respective affiliates have from time to time been engaged, and may in the future engage, in commercial banking, investment banking and financial advisory and ancillary transactions in the course of their business with KPN or any other of KPN's related parties for which they have received or may receive customary compensation. The Banks and/or their respective affiliates may provide such services for KPN and its affiliates in the future. In particular, ABN Amro Bank N.V., Bank of America N.A., Barclays Bank PLC, BNP Paribas, Citibank, N.A., London Branch, Credit Suisse AG, London Branch, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Deutsche Bank Luxembourg S.A., ING Bank N.V., J.P. Morgan Chase Bank, N.A., Société Générale S.A., UBS Limited and UniCredit Luxembourg S.A. are lenders under the Credit Facility. Additionally, the Banks and/or their respective affiliates, in the ordinary course of their business, have held and in the future may hold KPN's securities for investment.

As a result of acting in the capacities described above, the Banks may have interests that may not be aligned, or could potentially conflict, with investors' and KPN's interests.

SELLING AND TRANSFER RESTRICTIONS

Notice to investors

The Offering to persons resident in, or who are citizens of, a particular jurisdiction may be affected by the laws of that jurisdiction. Investors should consult their professional advisers as to whether the investor requires any governmental or any other consent or needs to observe any other formalities to enable the investor to accept, sell, exercise or purchase the Rights and/or to subscribe for the Offer Shares.

No action has been or will be taken to permit a public offering of the Rights and the Offer Shares in any jurisdiction outside the Netherlands. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus will be sent for information purposes only and should not be copied or redistributed. If an investor receives a copy of this Prospectus, the investor may not treat this Prospectus as constituting an invitation or offer to the investor of the Rights and the Offer Shares, unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Rights and the Offer Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this Prospectus or any other offering materials or advertisements, the investor should not distribute or send it to any person in or into any jurisdiction where to do so would or may contravene local securities laws or regulations. If an investor forwards this Prospectus or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this "Selling and Transfer Restrictions".

In accordance with the terms and subject to certain exceptions:

(a) the Rights being granted in the Rights Offering may be exercised only by an Eligible Person, subject to applicable securities laws;

(b) the Rights being granted or Offer Shares being offered in the Offering may not be offered, sold, resold, exercised, transferred or delivered, directly or indirectly, in or into jurisdictions outside the Netherlands where the Rights and the Offer Shares may not be offered pursuant to applicable law, including, without limitation, the United States, Australia and Japan (the **Ineligible Jurisdictions**); and

(c) this Prospectus may not be sent to:

  (i) any person residing in an Ineligible Jurisdiction or with a citizenship from an Ineligible Jurisdiction such that he cannot lawfully receive the Rights or participate in the Offering; or

  (ii) any Shareholder or any other person residing in a jurisdiction outside the Netherlands where the Rights and the Offer Shares may be offered, but to whom certain restrictions apply, as set out in this "Selling and Transfer Restrictions", as a result of which he cannot receive the Rights or lawfully participate in the Offering

(such a person being an **Ineligible Person**).

In this Prospectus, persons who are not Ineligible Persons are referred to as **Eligible Persons**.

Subject to the specific restrictions described below, investors (including, without limitation, any investor's nominees and trustees) wishing to subscribe for the Offer Shares or to trade in the Rights, must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

The information set out in this "Selling and Transfer Restrictions" is intended as a general guideline only. Investors that are in any doubt as to whether they are eligible to subscribe for the Offer Shares or to trade in the Rights, should consult their professional adviser without delay.

Representations and warranties by investors in the Offering

Subject to certain exceptions, if a person (i) takes up, delivers or otherwise transfers the Rights, (ii) exercises the Rights to subscribe for the Offer Shares or (iii) purchases, subscribes for, trades or otherwise deals in the Rights granted or the Offer Shares offered in the Offering, such person will be deemed, by accepting delivery of this Prospectus, to have made, and, in some cases, be required to make, the following representations and warranties to KPN, the Banks and the Subscription, Listing and Paying Agent and any person acting on KPN's or their behalf, unless such requirement is waived by KPN and the Joint Global Coordinators:

(a) It is not located in an Ineligible Jurisdiction.

(b) It is not an Ineligible Person.

(c) It is not acting, and has not acted, for the account or benefit of an Ineligible Person.

(d) It will not offer, sell or otherwise transfer either a Right or an Offer Share to any person located in the United States (which will be deemed to be satisfied when trading Rights or Offer Shares in the marketplace through NYSE Euronext Amsterdam).

(e) It was a Shareholder at 17:40 CET on the Record Date or such person legally acquired Rights, directly or indirectly, from such Shareholder.

A person who can make the representations and warranties described above shall be deemed an **Eligible Person** for the purposes of the Offering.

KPN, the Subscription, Listing and Paying Agent and the Banks and any persons acting on behalf of KPN, the Subscription, Listing and Paying Agent or the Banks will rely upon representations and warranties made by any person. Any provision of false information or subsequent breach of these representations and warranties may subject any person who made and breached these representations and warranties to liability. KPN, the Subscription, Listing and Paying Agent and the Banks reserve the right, in their sole and absolute discretion, to reject any purchase of Rights and Offer Shares that KPN, the Subscription, Listing and Paying Agent or the Banks believe may give rise to a breach or violation of any law, rule or regulation.

If a person is acting on behalf of an eligible holder of Rights (including, without limitation, as a nominee, custodian or trustee), such person will be required to provide the foregoing representations and warranties to KPN, the Subscription, Listing and Paying Agent and the Banks with respect to the exercise of Rights on behalf of such eligible holder. If a person does not or is unable to provide the foregoing representations and warranties, neither KPN, the Subscription, Listing and Paying Agent nor the Banks will be bound to authorize the allocation of any of the Offer Shares being offered in the Offering to such person or the person on whose behalf such person is acting; neither will they be liable for any damages incurred as a result thereof.

If a person (including, without limitation his/her nominees and trustees) is outside the Netherlands and wishes to exercise or otherwise deal in his/her Rights or subscribe for the Offer Shares, such person must satisfy himself/herself as to the observance of all applicable laws of all relevant territories, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this section are intended as a general guide only. If a person is in any doubt as to whether such person is eligible to exercise its Rights or subscribe for the Offer Shares, such person should consult a professional adviser without delay.

The Rights will initially be credited to the financial intermediaries for the accounts of all Shareholders who hold Shares in custody through such financial intermediary on the Record Date. A financial intermediary may not exercise any Right on behalf of any Ineligible Person and will be required in connection with any exercise of the Rights to certify to such effect.

Financial intermediaries are not permitted to send this Prospectus or any information about the Offering into any Ineligible Jurisdiction or to any Ineligible Persons. The crediting of Rights to the account of Ineligible Persons does not constitute an offer of the Offer Shares to such persons. Financial intermediaries, which include brokers, custodians and nominees, holding for Ineligible Persons may consider selling any and all Rights held for the benefit of such persons to the extent permitted under their arrangements with such persons and applicable law and to remit the net proceeds to the accounts of such persons.

Exercise instructions or certifications sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid and the Rights and the Offer Shares will not be delivered to addresses inside any Ineligible Jurisdiction. KPN, the Subscription, Listing and Paying Agent and the Banks reserve the right to reject any exercise (or revocation of such exercise) in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, revocation of exercise or delivery of such Rights and Offer Shares, who is unable to represent or warrant that such person is not an Ineligible Person, who is not acting on a discretionary basis for such persons, or who appears to KPN or KPN's agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction. Furthermore, KPN reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of Rights that appears to KPN to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction or if KPN believes that the same may violate or be inconsistent with applicable legal or regulatory requirements, the procedures and terms set out in this Prospectus or in breach of the representations and warranties to be made by an accepting holder, as described in this Prospectus.

Despite any other provision of this Prospectus, KPN, the Subscription, Listing and Paying Agent and the Banks reserve the right to permit any person to exercise its Rights if KPN, the Subscription, Listing and Paying Agent and the Banks, in KPN's absolute discretion, are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. Applicable exemptions in certain jurisdictions are described further below. In any such case, KPN, the Subscription, Listing and Paying Agent and the Banks do not accept any liability for any actions that any person takes or for any consequences that any person may suffer by KPN accepting that person's exercise of Rights.

For investors in the European Economic Area

In relation to each Member State which has implemented the Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**), an offer to the public of the Offer Shares through a grant of the Rights may not be made in that Relevant Member State other than the offer in the Netherlands once the Prospectus has been approved by the AFM and published in accordance with the Prospectus Directive as implemented in the Netherlands, except that, with effect from and including the Relevant Implementation Date, an offer to the public of the Offer Shares through a grant of the Rights may be made in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if it has been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than EUR 43 million and (iii) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts (if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, this exception is no longer valid);

(c) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Rights and Offer Shares shall result in a requirement for the publication by KPN of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "an offer to the public" in relation to any Rights and Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Rights to be granted and Offer Shares to be offered so as to enable an investor to decide to exercise, purchase or subscribe any Rights and Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Switzerland

The Rights and the Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Rights or the Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Issuer, the Rights or the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Rights or Shares will not be supervised by, the Swiss

Financial Market Supervisory Authority FINMA (**FINMA**), and the offer of Rights or Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (**CISA**). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Rights or Shares.

For investors in the United Kingdom

In addition to the restrictions identified above, any invitation or inducement to engage in investment activity (within the meaning of Article 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of the Rights and the Offer Shares may only be communicated or caused to be communicated in the United Kingdom in circumstances in which Article 21(1) of the Financial Services and Markets Act 2000 does not apply or if an exemption (as set out in the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005) applies.

For investors in the United States

The Rights and Offer Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States, except to QIBs pursuant to an exemption from or, in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, KPN is not extending the Rights Offering into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, this Prospectus does not constitute nor will it constitute an offer or an invitation to apply for, or an offer or an invitation to acquire, any Rights or Offer Shares in the United States. Subject to certain exceptions, this Prospectus will not be sent to any Shareholder in, or with a registered address in, the United States.

Subject to certain exceptions, any person who acquires the Rights and Offer Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this Prospectus, exercising its Rights or accepting delivery of the Rights and Offer Shares that it is not, and that at the time of acquiring the Rights and Offer Shares it will not be, in the United States or acting on behalf of, or for the account or benefit of, a person on a non-discretionary basis in the United States or any state of the United States.

Any person within the United States that acquires any Offer Shares must meet certain requirements in order to be considered Eligible Persons, and will be deemed to have represented, acknowledged and agreed that it has received a copy of this document and such other information as it deems necessary to make an investment decision and as follows (terms defined in Rule 144A or Regulation S shall have the same meaning in this section):

(a) It is a QIB and, if it is acquiring the Offer Shares as a fiduciary or agent for one or more investor accounts, (i) each such account is a QIB, (ii) it has investment discretion with respect to each such account, and (iii) it has full power and authority to make the representations, warranties, agreements and acknowledgments in this document on behalf of each such account.

(b) It will base its investment decision on this document, including the information incorporated by reference herein. It acknowledges that none of KPN, any of its affiliates or any other person (including any of the Banks or any of their respective affiliates) has made any representations, express or implied, to it with respect to KPN, the Offering, the Offer Shares or the accuracy, completeness or adequacy of any financial or other information concerning KPN, the Offering or the Offer Shares, other than (in the case of KPN only) the information contained or incorporated by reference in this document. It understands that this document has been prepared in accordance with Dutch Financial Supervision Act, which differ from US disclosure requirements. In particular, but without limitation, the financial information contained in or incorporated by reference into this document has been prepared in accordance with IFRS, and thus may not be comparable to financial statements of US companies prepared in accordance with US generally accepted accounting principles. It agrees that it will not distribute, forward, transfer or otherwise transmit this document, or any other presentational or other materials concerning the Offering (including electronic copies thereof) to any person within the United States (other than a QIB on behalf of which it acts). It acknowledges that it has read and agreed to the matters set forth under "—For investors in the United States" above.

(c) It is aware and each beneficial owner of such Offer Shares has been advised, that the sale of Offer Shares to them may be made in reliance on an exemption from the registration requirements of the Securities Act provided by Rule 144A thereunder.

(d) It acknowledges that its purchase of any Offer Shares is subject to and based upon all the terms, conditions, representations, warranties, acknowledgments, agreements and undertakings and other information contained in this Prospectus. It agrees that it (i) has no need for liquidity with respect to its investment in the Offer Shares and (b) has no reason to anticipate any change in its circumstances, financial or otherwise, which may cause or require any sale or distribution by it of all or any part of the Offer Shares.

(e) It is an institution which (i) invests in or purchases securities similar to the Offer Shares in the normal course of its business, (ii) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment in the Offer Shares, and (iii) is, and any accounts for which it is acting are, able to bear the economic risk, and able to sustain a complete loss, of such investment in the Offer Shares.

(f) It has made its own independent investigation and appraisal of the business, results, financial condition, prospects, creditworthiness, status and affairs of KPN, and it has made its own investment decision to acquire the Offer Shares. It understands that there may be certain consequences under US and other tax laws resulting from an investment in the Offer Shares, including that it must bear the economic risk of an investment in the Offer Shares for an indefinite period of time, and it will make such investigation and consult such tax, legal, currency and other advisors with respect thereto as it deems appropriate, and that it possesses such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its prospective investment in the Offer Shares.

(g) Any Offer Shares that it acquires will be for its own account (or for the account of a QIB as to which it exercises sole investment discretion and has authority to make these statements) for investment purposes, and not with a view to resale or distribution within the meaning of the US securities laws.

(h) It acknowledges and agrees that it is not acquiring the Offer Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D under the Securities Act) or directed selling efforts (as that term is defined in Regulation S under the Securities Act).

(i) It acknowledges that the Offer Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and for so long as such securities are "restricted securities" (as so defined) the securities may not be deposited into any unrestricted depositary receipt facility in respect of Offer Shares established or maintained by JPMorgan Chase Bank, N.A. or any other depositary bank.

(j) It understands that the Offer Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (i) to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (iii) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if available), or (iv) pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States. It understands that no representation has been made as to the availability of Rule 144 of the Securities Act or any other exemption under the Securities Act or any state securities laws for the offer, resale, pledge or transfer of the Offer Shares.

(k) It acknowledges and agrees that any offer, resale, pledge or other transfer made other than in compliance with the restrictions in paragraph (j) above will not be recognized by KPN in respect of the Offer Shares.

(l) It confirms that, to the extent it is purchasing Offer Shares for the account of one or more persons, (i) it has been duly authorized to make on their behalf the confirmations, acknowledgements and agreements set forth herein and (ii) these provisions constitute legal, valid and binding obligations of it and any other persons for whose account it is acting.

(m) It acknowledges and agrees that KPN, its affiliates, the Banks, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. It agrees that if any of the representations, warranties, agreements and acknowledgements deemed to be made cease to be accurate, it shall promptly notify KPN and the Banks.

(n) It hereby represents and warrants that all necessary actions have been taken to authorize the purchase by it of the Offer Shares.

Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of the US Securities Act provided by Rule 144A.

In addition, until 40 days after the commencement of the rights offer, an offer, sale or transfer of the Rights and Offer Shares within the United States by a dealer (whether or not participating in the rights offer) may violate the registration requirements of the Securities Act.

DIFC

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (**DFSA**). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

In relation to its use in the DIFC, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Shares may not be offered or sold directly or indirectly to the public in the DIFC.

Japan

The Rights and Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the **FIEL**). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

GENERAL INFORMATION

Corporate resolutions

The Offering was authorized by resolutions of the Board of Management on 4 February 2013 and the Supervisory Board on 4 February 2013. On 10 April 2013, the General Meeting designated the Board of Management as the corporate body authorized to, with the approval of the Supervisory Board, to grant rights to subscribe for Ordinary Shares (including the Rights), to issue Ordinary Shares (including the Offer Shares), to exclude the statutory pre-emptive rights of holders of Ordinary Shares and to amend the Articles of Association in order to, *inter alia,* increase the authorized share capital. On 24 April 2013, the Board of Management resolved to issue 1,419,366,091 Rights, to exclude the statutory pre-emptive rights (*voorkeursrechten*) of holders of Ordinary Shares for the purpose of the Rights Offering and to offer and admit to trading and listing on NYSE Euronext Amsterdam, the Rights, and the Ordinary Shares that will be issued pursuant to the exercise of the Rights. On 22 and 24 April 2013 the Supervisory Board gave its approval to the resolutions of the Board of Management.

On 10 April 2013, the General Meeting decided to amend the Articles of Association to the effect that the authorized share capital be amended in order to enable the issue of Ordinary Shares. It was further decided that a statutory provision regarding conflict of interest of managing directors and supervisory directors was deleted in accordance with new Dutch legislation.

Statement of significant change

There has been no significant change in the financial or trading position of KPN, including its subsidiaries and consolidated joint ventures, since 31 March 2013 up to the date of this Prospectus.

Material subsidiaries

KPN is the holding company of a group that includes the following material subsidiaries (held directly or indirectly by KPN), all of which are engaged in KPN's business:

Name	Country of incorporation	Percentage of capital and voting rights held by KPN (directly or indirectly)
KPN B.V.	The Netherlands	100
iBasis Inc.	USA	100
Getronics N.V.	The Netherlands	100
E-Plus Mobilfunk GmbH & Co KG	Germany	100
KPN Group Belgium NV	Belgium	100

Material contracts

Syndicated revolving credit agreement, standby liquidity facility and uncommitted overdraft facilities

KPN entered into the Credit Facility on 6 July 2011. The Credit Facility is an unsecured EUR 2.0 billion multi-currency syndicated revolving credit facility, including a EUR 500 million swingline facility, with fourteen original lenders (each having a commitment of EUR 142.9 million), ABN AMRO Bank N.V., Bank of America N.A., Barclays Bank PLC, BNP Paribas, Citibank, N.A., London Branch, Credit Suisse AG, London Branch, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (acting as Rabobank International), Deutsche Bank Luxembourg S.A., ING Bank N.V., J.P. Morgan Chase Bank, N.A., Société Générale, The Royal Bank of Scotland N.V. (as a lender under the Credit Facility and Facility Agent, Euro Swingline Agent and Dollar Swingline Agent (each as defined in the Credit Facility)), UBS Limited and UniCredit Luxembourg S.A. Borrowings under the Credit Facility can be used for general corporate purposes. The Credit Facility was undrawn as of 31 December 2012 and 31 March 2013.

Loans under the Credit Facility bear mandatory costs and interest. The interest rate on loans drawn under the Credit Facility is LIBOR or EURIBOR for the relevant period and a margin which depends on credit ratings of S&P/Fitch and Moody's of KPN plus mandatory costs (if any). The margin is determined according to a credit ratings grid based on the average of KPN's two highest credit ratings, which currently corresponds to 0.65% per annum.

KPN has exercised its first of two options to extent the Credit Facility for one year, and as a result, the Credit Facility terminates on 6 July 2017. The Credit facility may be further extended an additional year, subject to lender consent.

The Credit Facility does not contain any financial covenants, but does include a restriction prohibiting KPN from entering into any amalgamation, demerger, merger, corporate restructuring or reorganization, unless prior written consent has been given by a majority of the lenders or the resulting company assumes all of the rights and obligations with respect to the loans. The undertakings and events of default are customary for this type of unsecured financing. KPN has not received any default notice under the Credit Facility.

In addition, and separate from the Credit Facility, KPN entered into a standby liquidity facility with Goldman Sachs Bank USA and J.P. Morgan Limited. The standby liquidity facility was cancelled upon the issuance of the EUR Capital Securities and GBP Capital Securities (each as further described under "—Capital Securities" below). KPN also has four uncommitted overdraft facilities of EUR 50 million each, which may be cancelled at any time and do not have a specified maturity date.

The Offering does not trigger any event of default or mandatory prepayment of the facilities.

Capital Securities

On 14 March 2013, KPN issued EUR 1,100 million of the EUR Capital Securities and GBP 400 million of the GBP Capital Securities (swapped to EUR 460 million nominal value), and on 28 March 2013, KPN issued USD 600 million of the USD Capital Securities (swapped to EUR 465 million nominal value).

The Capital Securities are unsecured subordinated obligations of KPN. In the event of a winding-up, the claims of holders of Capital Securities will be subordinated to the claims of senior creditors. In addition, upon the occurrence of certain special events (including without limitation, the occurrence of a change of control of KPN, a change in the assessment criteria of a credit rating agency such that the relevant Capital Securities are no longer eligible for the same, or higher amount of, "equity credit" or if KPN is required to "gross-up" for payments made under the relevant Capital Securities as a result of a change in the tax laws or regulations of the Netherlands or any interpretation or application thereof), the Capital Securities are redeemable at the option of KPN (in whole but not in part). Events of default under the terms and conditions of the relevant Capital Securities are limited to non-payment of principal and interest due under the Capital Securities and a winding-up of KPN (unless such winding-up is for the purpose of a merger, reconstruction or amalgamation the terms of which have previously been approved by an extraordinary resolution the holder of the relevant Capital Securities).

The EUR Capital Securities are perpetual securities in respect of which there is no fixed redemption date and are redeemable at the option of KPN (in whole but not in part) on 14 September 2018 or the date falling five years after 14 September 2018, or thereafter, on each interest payment date. The EUR Capital Securities bear interest on their principal amount at a rate of 6.125% per annum from (and including) 14 March 2013 to (but excluding) 14 September 2018, payable annually in arrear, except that the first payment of interest to be made on 14 September 2013 will be in respect of the period from (and including) 14 March 2013 to (but excluding) 14 September 2013 and will amount to EUR 30.88 per EUR 1,000 in principal amount of the EUR Capital Securities. Thereafter, unless previously redeemed, the EUR Capital Securities will, in respect of each successive periods of five years (each a **EUR Capital Securities Reset Period**), bear interest at a rate equal to the sum of (i) 5.202% per annum (from 14 September 2018 to 14 September 2023), 5.452% per annum (from 14 September 2023 to 14 September 2038) and 6.202% per annum (from 14 September 2038 until the EUR Capital Securities are redeemed or purchased), and (ii) the 5-year swap rate for the relevant EUR Capital Securities Reset Period.

The GBP Capital Securities and USD Capital Securities are long-dated securities redeemable (in whole but not in part) on 14 March 2073 and 28 March 2073, respectively. They are also redeemable at the option of KPN prior to their respective maturity dates on 14 March 2020 and 28 March 2023, respectively, or the date falling five years after such dates. Thereafter, they are redeemable at the option of KPN on each interest payment date.

The GBP Capital Securities bear interest on their principal amount at a rate of 6.875% per annum from 14 March 2013 to 14 March 2020, payable annually in arrear. Thereafter, unless previously redeemed, the GBP Capital Securities will, in respect of each successive periods of five years (each a **GBP Capital Securities Reset Period**), bear interest at a rate equal to the sum of (i) 5.505% per annum (from 14 March 2020 to 14 March 2025), 5.755% per annum (from 14 March 2025 to 14 March 2040) and 6.505% per annum (from 14 March 2040 until the relevant maturity date), and (ii) the 5-year swap rate for the relevant GBP Capital Securities Reset Period.

The USD Capital Securities bear interest on their principal amount at a rate of 7.000% per annum from 28 March 2013 to 28 March 2023, payable semi-annually in arrear. Thereafter, unless previously redeemed, the USD Capital Securities will, in respect of each successive periods of five years (each a **USD Capital Securities**

Reset Period), bear interest at a rate equal to the sum of (i) 5.210% per annum (from 28 March 2023 to 28 March 2043) and 5.960% per annum (from 28 March 2043 to 28 March 2073), and (ii) the 10-year swap rate for the relevant USD Capital Securities Reset Period.

Following the occurrence of (i) a change of control of KPN or (ii) if within six months after the issued date of the Capital Securities KPN has not completed an equity offering with certain pre-determined specifications or if it announces its decision not to pursue such an equity offering, if KPN does not elect to redeem the Capital Securities, the then prevailing interest rate per annum (and each subsequent interest rate per annum) will increase by an additional 5% per annum.

KPN may, at its discretion, elect to defer all or part of any interest payment under the Capital Securities which is otherwise scheduled to be paid on an interest payment date (such deferred interest payment together with any further interest thereon, being **Arrears of Interest**). Any deferred interest payment shall itself bear interest at the interest rate prevailing from time to time. Arrears of Interest may be satisfied at any time (in whole or in part) at the option of KPN but must be satisfied on each mandatory settlement date, which includes a day on which a dividend (either interim or final), other distribution or payment was resolved on, declared or paid in respect of the Ordinary Shares, or the repurchase or acquisition of any Ordinary Shares by KPN.

The Capital Securities are listed on Euronext Amsterdam.

Reggefiber joint venture

In 2008, KPN entered into a joint venture agreement with Reggefiber B.V. (which entity was later replaced after a restructuring by Reggeborgh) as KPN's partner in the joint venture company, Reggefiber. Upon the incorporation of Reggefiber, Reggeborgh contributed EUR 12 million, its existing FttH infrastructure and shares in its direct and indirect subsidiaries in exchange for an initial share ownership of 59% (held through Reggefiber Holding B.V.), and KPN contributed EUR 100 million and its fiber access network in Enschede in exchange for an initial share ownership of 41%. The purpose of the joint venture is the installment and exploitation of the FttH networks on an open-access model in the Netherlands.

In November 2012, KPN exercised its option to buy an additional 10% in Reggefiber for EUR 99 million, thus increasing its share ownership in Reggefiber to 51%. As a result, KPN and Reggeborgh now have joint control. The joint venture agreement contains a call option permitting KPN to buy an additional 9% of Reggefiber's share capital from Reggeborgh and a put option permitting Reggeborgh to sell such additional 9% share capital to KPN. The Call/Put Arrangement will become exercisable upon the earlier of 1 January 2014 or upon the achievement of 1.5 million homes connected to the Reggefiber FttH network. Completion of the share transfer pursuant to the exercise of the Call/Put Arrangement by either party, will be subject to the approval of the ACM. The payment required of KPN, should either party exercise the Call/Put Arrangement, will range from EUR 116 million to EUR 161 million, depending on the reduction of average per home FttH activation capital expenditure per home at the time of payment as compared to prior periods. Upon reaching the 60% ownership of Reggefiber's share capital, KPN will be in control of Reggefiber.

In February 2011, KPN and Reggeborgh (as lenders) and Reggefiber (as borrower) entered into a subordinated intercompany loan agreement, through which, subject to certain requirements being met, KPN and Reggeborgh will each be obligated to grant over the three year period between 2011 and 2013 shareholder loans to Reggefiber of a maximum principal amount of EUR 455 million and EUR 504 million, respectively, which maximum amounts may be increased to cover any start-up losses of Reggefiber or its subsidiaries. As of 1 January 2014, KPN will be solely responsible for 100% of Reggefiber's new financing requirements. If the Call/Put Arrangement is exercised, the shareholder loans Reggeborgh made available to Reggefiber will be assigned to KPN against payment of a price equal to the total outstanding principal amount on those loans plus outstanding interest. The shareholder loans bear interest of 6% until 1 January 2014 and EURIBOR plus 3% thereafter. Until 1 January 2014, the interest will be added to the total amount of the outstanding shareholder loans and from 1 January 2014 the interest will be payable by Reggefiber at the end of each calendar year, with the possibility to capitalize the interest, subject to the financial situation of Reggefiber. The shareholder loans are scheduled to be repaid in full on 1 January 2019. If any shareholder loans have not been repaid by then, the interest on those loans may increase to EURIBOR plus 6%.

The joint venture agreement provides that, upon the exercise of the Call/Put Arrangement, Reggeborgh will immediately be able to exercise the Put Option. The Put Option will be effective for seven years from the date KPN reaches the 60% ownership threshold. The price KPN will be required to pay for the remaining 40% stake of Reggefiber, upon Reggeborgh's exercise of the Put Option, will be the market value of those shares at the time the Put Option is exercised. However, during the period commencing three and a half years after the date on which the Call/Put Arrangement has been exercised by either party, and ending five years after the Call/Put Arrangement has been exercised, Reggeborgh also has the option to require KPN to pay it a fixed amount of EUR 647 million for the remaining 40% should this amount be higher than the market value of the shares.

Reggefiber has a two tier board. The board of management consists of four members which are appointed by Reggeborgh, with a right of veto by KPN. If KPN reaches 60% ownership of Reggefiber's share capital, the members of the board of management will be appointed by KPN, with a right of veto by Reggeborgh.

The supervisory board consists of three supervisory directors. KPN is authorized to nominate a supervisory director A and Reggeborgh is authorized to nominate a supervisory director B. A supervisory director C who is also the chairman of the supervisory board is appointed on the basis of a joint nomination by KPN and Reggeborgh. Upon having reached the 60% ownership threshold, KPN will be authorized to solely nominate the supervisory director C. In general, resolutions of the supervisory board may be passed by an absolute majority in a meeting where the supervisory directors A and B are represented.

Resolutions of the general meeting of Reggefiber are adopted by an absolute majority of votes, unless the articles of association of Reggefiber or the joint venture agreement provides otherwise. Pursuant to the articles of association of Reggefiber, certain resolutions, such as, *inter alia*, amendment of the articles of association, dissolution of the company and legal (de)merger, require a unanimous decision of the general meeting in which the entire issued capital of the company is represented.

Shareholder Commitment Letter and relationship agreement

América Móvil and KPN signed the Shareholder Commitment Letter on 20 February 2013. Please see "Plan of Distribution—Shareholder Commitment Letter".

América Móvil's *pro rata* participation in the Rights Offering and under the Shareholder Commitment Letter is dependent on, among other things:

- KPN fully complying with and KPN continuing to fully comply with its obligations under that letter and the relationship agreement between KPN and América Móvil dated 20 February 2013;
- KPN not being downgraded two notches or more by Moody's or at all by S&P or Fitch;
- The standby underwriting agreement among KPN, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc and Goldman Sachs International dated 20 February 2013 not being terminated; and
- There having been no material adverse change in the general affairs, business condition (financial or otherwise), results of operations, properties, assets, liquidity, solvency or prospects of KPN and its subsidiaries.

On 20 February 2013, KPN and América Móvil also entered into a relationship agreement, governing the long-term relationship between both parties. KPN and América Móvil will look to further develop their relationship by leveraging the financial, commercial and operational expertise of both parties. The relationship agreement takes into account the interests of all shareholders and other stakeholders of KPN.

The relationship agreement between KPN and América Móvil provides for the following:

- América Móvil shall be entitled to designate two individuals for appointment to the Supervisory Board at the annual General Meeting. Following the approval of the annual General Meeting, the appointment shall be effective as per the date of the annual General Meeting. Upon appointment of these nominees, the Supervisory Board will continue to consist of eight members;
- Each committee of the Supervisory Board will have at least one member of the Supervisory Board designated by América Móvil;
- América Móvil is entitled to have two designees as members of the Supervisory Board as long as América Móvil holds 20% or more of KPN's share capital, and at least one designee as member of KPN's Supervisory Board as long as América Móvil holds 10% or more of KPN's share capital;
- KPN will have access to the strategic experience and commercial and financial expertise of América Móvil through the formation of working groups, consisting of senior representatives of both parties, that will advise the Board of Management on operational and financial matters, including preparation of annual business plans and budgets of KPN and subsidiaries;

- KPN and América Móvil continue to investigate potential areas of business cooperation, such as joint procurement, international mobile roaming and international transit, with the aim to realize mutually beneficial cost savings;
- América Móvil may recommend qualified individuals to join KPN's management teams as well as explore cross posting of employees.
- América Móvil has agreed to a standstill and, subject to customary carve-outs, will not increase its shareholding to 30% or more of the voting rights attached to KPN's share capital during the course of the relationship agreement;
- In case of an announcement of an offer for any outstanding share capital of KPN or a transaction that would result in a change of control of KPN or a material subsidiary of KPN or an offer or series of offers for certain property of KPN valued in excess of EUR 200 million, the standstill may immediately be terminated by América Móvil; and
- The term of the relationship agreement is indefinite. Both parties may terminate the relationship agreement with two months' notice; however, KPN has agreed not to terminate the relationship agreement during its first two years unless América Móvil materially breaches the relationship agreement.

Availability of documents

As of the date of this Prospectus, and as the date of any supplement to this Prospectus, copies of the following documents will be available for inspection:

- The Articles of Association;
- Consolidated Financial Statements, including the auditor's report; and
- Prospectus and any supplement to this Prospectus (if any).

Copies (in print) of the Consolidated Financial Statements and the Articles of Association are available free of charge at KPN's head office at Maanplein 55, 2516 CK, The Hague, the Netherlands during normal business hours and in electronic form from KPN's website at www.kpn.com. The Articles of Associations are available at www.kpn.com/corporate/aboutkpn/Investor-Relations/corporate-governance/legal-structure.htm. The Consolidated Financial Statements are available at www.kpn.com/corporate/aboutkpn/Company-profile/annual-report.htm.

Copies (in print) of this Prospectus and any supplement to this Prospectus (if any) may be obtained by Eligible Persons at no cost from the date of this Prospectus at KPN's head office. Alternatively, this Prospectus can also be accessed by Eligible Persons electronically on the website of KPN at www.kpn.com. The Prospectus is available at: http://www.kpn.com/corporate/aboutkpn/Investor-Relations/financing/documentation.htm.

Independent auditor

The Consolidated Financial Statements as of and for each of the years in the three-year period ended 31 December 2012, 2011 and 2010, in each case incorporated by reference into this Prospectus, were audited and the Consolidated Financial Statements as of and for the three months ended 31 March 2013 were reviewed by PricewaterhouseCoopers Accountants N.V., independent auditors, as stated in its reports thereon appearing in the accounts incorporated by reference. Each of the auditor's reports for 2012, 2011 and 2010 is unqualified.

The auditor of KPN is independent of KPN.

The address of PricewaterhouseCoopers Accountants N.V. is Thomas R. Malthusstraat 5, 1066 JR, Amsterdam. The auditor, who signs on behalf of PricewaterhouseCoopers Accountants N.V., is a member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*). PricewaterhouseCoopers Accountants N.V. and has given, and has not withdrawn, its consent to the inclusion or incorporation by reference of its reports in this Prospectus in the form and context in which they are included.

Rating agencies

S&P, Fitch and Moody's will continue to assign ratings to KPN. These ratings will be made public in separate communications by the rating agencies and KPN respectively.

S&P, Fitch and Moody's are established in the European Community and, as of the date of this Prospectus, are registered as credit rating agencies in accordance with the Regulation (EC) no 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the **CRA Regulation**). The assignment of ratings to the Ordinary Shares is not a recommendation to invest in the Ordinary Shares and may be revised, suspended or withdrawn at any time.

DEFINITIONS

The following definitions are used throughout this Prospectus.

2010 PD Amending Directive	The Directive 2010/73/EC of the European Parliament and of the Council of the European Union amending the Prospectus Directive, including all relevant implementing measures.
AFM	The Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*).
Articles of Association	The articles of association of KPN as applicable on the date of this Prospectus.
Banks	Deutsche Bank AG, London Branch, Goldman Sachs International, J.P. Morgan Securities plc., ABN AMRO Bank N.V., ING Bank N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (acting as Rabobank International), Merrill Lynch International, Barclays Bank PLC, Citigroup Global Markets Limited, UBS Limited, BNP Paribas, Credit Suisse Securities (Europe) Limited, Société Générale and UniCredit Bank Austria AG.
Board of Management	The Board of Management (*raad van bestuur*) of KPN.
Capital Securities	The EUR Capital Securities, the GBP Capital Securities and the USD Capital Securities.
CET	Central European time.
Committed Shareholder	América Móvil, S.A.B. De C.V.
Consolidated Financial Statements	Audited consolidated financial statements (including the notes and auditor's report) of the Group as of and for the years ended 31 December 2012, 2011 and 2010 and the Group's unaudited consolidated interim financial statements as of and for the three months ended 31 March 2013 and 2012 incorporated by reference herein.
Dutch Civil Code	The Dutch Civil Code *(Burgerlijk Wetboek)* and rules promulgated thereunder.
Dutch Corporate Governance Code	The Dutch Corporate Governance Code *(Nederlandse Corporate Governance Code)* published by the Dutch Corporate Governance Committee on 9 December 2003, including amendments after that date.
Dutch Financial Supervision Act	The Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder.
Dutch Market Abuse Decree	The Dutch Decree on Market Abuse pursuant to the Dutch Financial Supervision Act (*Besluit Marktmisbruik Wft*).
Eligible Persons	Shareholders on the Record Date, subsequent transferees of the Rights, and others, in each case who are able to give the representations and warranties set out in "Selling and Transfer Restrictions".
EMU	Economic and Monetary Union.
EU	The European Union.
EUR	The currency of the European Monetary Union.

EUR Capital Securities	The EUR 1,100 million of Euro-denominated perpetual capital securities issued by KPN on 14 March 2013.
Euroclear	Euroclear Bank S.A./N.V. as operator of the Euroclear System.
Euroclear Nederland	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. trading as Euroclear Nederland, the Dutch depositary and settlement institute, a subsidiary of Euroclear.
Excess Amount	The difference between the aggregate proceeds for the Rump Shares offered and sold in the Rump Offering, minus any expenses related to procuring the purchasers under the Rump Offering (including any non-recoverable value added tax) and the total Issue Price for such Rump Shares.
Exchange Act	The United States Securities Exchange Act of 1934, as amended.
Exercise Period	Period from 09:00 CET on 26 April 2013 until 15:00 CET on 14 May 2013.
Fitch	Fitch Ratings Ltd.
FTEs	Full-time equivalents of KPN's own personnel.
GBP Capital Securities	The GBP 400 million of pound sterling-denominated long-dated capital securities issued by KPN on 14 March 2013.
General Meeting	KPN's general meeting of holders of Shares, being the corporate body, or where the context require so, the physical meeting.
Group	All references to the Group are to Koninklijke KPN N.V. and, as the context requires, any or all of its subsidiaries and consolidated joint ventures, taken as a whole.
IFRS	International Financial Reporting Standards as adopted by the European Union.
Ineligible Jurisdiction	Jurisdictions outside the Netherlands wherein the Rights and the Offer Shares are not being offered or where the Rights and the Offer Shares are being offered only pursuant to available exemptions, including, without limitation, the United States, Australia and Japan.
Ineligible Person	Any person residing in an Ineligible Jurisdiction or with a citizenship from an Ineligible Jurisdiction such that he cannot lawfully participate in the Offering; or any Shareholder or any other person residing in a jurisdiction outside the Netherlands wherein the Rights and the Offer Shares may be offered, but to whom certain restrictions apply, as set out in "Selling and Transfer Restrictions", as a result of which he cannot lawfully participate in the Offering.
Issue Price	EUR 1.06.
Joint Bookrunners	Deutsche Bank AG, London Branch, Goldman Sachs International, J.P. Morgan Securities plc., ABN AMRO Bank N.V., ING Bank N.V. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (acting as Rabobank International)
Joint Global Coordinators	Deutsche Bank AG, London Branch, Goldman Sachs International and J.P. Morgan Securities plc.
KPN	All references to KPN are to Koninklijke KPN N.V. and, as the context requires, any or all of its subsidiaries and consolidated joint ventures, taken as a whole.

Management By-Laws	The internal regulations adopted by the Board of Management as most recently amended on 12 April 2012.
Member State	A member state of the European Economic Area.
Moody's	Moody's Investors Service Limited.
NYSE Euronext Amsterdam	NYSE Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V.
Offer Shares	2,838,732,182 new Ordinary Shares issued under the Offering.
Offering	The Rights Offering together with the Rump Offering.
Ordinary Shares	Ordinary shares in the capital of KPN with a nominal value of EUR 0.24 each.
Preference Shares	Preference shares B in the capital of KPN with a nominal value of EUR 0.24 each.
Prospectus	This prospectus dated 25 April 2013.
Prospectus Directive	The Directive 2003/71/EC of the European Parliament and of the Council of the European Union (and amendments thereto, including the 2010 PD Amendment Directive, to the extent implemented in the Relevant Member State), including all relevant implementing measures.
QIBs	Qualified institutional buyers, as defined in Rule 144A.
Record Date	17:40 CET on 25 April 2013.
Regulation S	Regulation S under the Securities Act.
Relevant Implementation Date	The date on which the Prospective Directive is implemented in the Relevant Member State.
Relevant Member State	Each Member State that has implemented the Prospectus Directive.
Rights	Transferable subscription entitlements to subscribe for Offer Shares.
Rights Offering	The offering of Offer Shares through the grant of Rights to Shareholders who are Eligible Persons to subscribe for Offer Shares against the Issue Price.
Rule 144A	Rule 144A under the Securities Act.
Rump Offering	Private placements of the Rump Shares in the Netherlands and elsewhere.
Rump Shares	The Offer Shares that have not been subscribed for during the Exercise Period.
S&P	Standard & Poor's Financial Services LLC.
SEC	United States Securities and Exchange Commission.
Securities Act	The United States Securities Act of 1933, as amended.
Settlement Date	17 May 2013.
Shareholders	The holders of Ordinary Shares.
Shares	The Ordinary Shares and the Preference Shares.

Subscription, Listing and Paying Agent	ABN AMRO Bank N.V.
Supervisory Board	The supervisory board (*raad van commissarissen*) of KPN.
Supervisory Board By-Laws	The internal regulations of the Supervisory Board, as most recently amended on 26 October 2009.
Underwriting Agreement	The agreement between KPN and the Banks dated 25 April 2013.
Unexercised Rights Payment	The part of the Excess Amount in cash proportionate to the number of unexercised Rights reflected in a holder's securities account a holder is entitled to receive.
United States	The United States of America.
USD Capital Securities	The USD 600 million of US dollar-denominated long-dated capital securities issued by KPN on 28 March 2013.

GLOSSARY

2G	Second Generation Mobile System, which is based on the GSM universal standard.
3G	Third Generation Mobile System, which is based on the UMTS universal standard.
4G	Fourth Generation Mobile System, which is based on the LTE universal standard.
ACM *(Autoriteit Consument & Markt)*	The Netherlands Authority for Consumers & Markets, which is the result of merger of the Netherlands Consumer Authority, the NMa and OPTA on 1 April 2013.
AT *(Agentschap Telecom)*	The Radio communications Agency, which is part of the Dutch Ministry of Economic Affairs.
BIPT *(Belgisch instituut voor Postdiensten en Telecommunicatie)*	The Belgian Institute for Postal Services and Telecommunications is the telecommunications regulator in Belgium.
Broadband	Broadband refers to telecommunication that provides multiple channels of data over a single communications medium, typically using some form of frequency or wave division multiplexing.
BNetzA *(Bundesnetzagentur für Elektrizität, Gas, Telekommunikation, Post und Eisenbahnen)*	The Federal Network Agency is the telecommunications regulator in Germany.
CBb *(College van Beroep voor het bedrijfsleven)*	The Trade and Industry Appeals Tribunal in the Netherlands.
Churn	A term common to the telecommunications industry, referring to the frequency with which customers of a given telecommunications provider disconnect from that provider's services, generally in favor of competitors, over a given period of time.
Cloud services	Cloud services are standardized IT capability (services, software or infrastructure) delivered via internet technologies in a pay-per-use, self-service way.
Committed ARPU	Committed ARPU is the monthly fixed revenues KPN receives per user, which are included in the customer's bundle.
Customer base	KPN defines customer base as the total number of connections or subscribers.
CvdM *(Commissariaat voor de Media)*	The Dutch Media Authority, which is authorized to supervise and enforce compliance with the DMA.
DSL (Digital Subscriber Line)	DSL is a data communication technology for bringing high-bandwidth information to homes and small businesses over ordinary copper PSTN lines.
DMA *(Mediawet)*	The Dutch Media Act.
DTA *(Telecommunicatiewet)*	The Dutch Telecommunications Act.
DVB-T (Digital Video Broadcasting—Terrestrial)	DVB-T is a transparent transmission channel, via which all types of digital signal can be broadcast. In addition to digitalized video and audio data, DVB-T allows multimedia and computer data to be broadcast.

E-VPN (Ethernet Virtual Private Network)	E-VPN is a VPN that connects two or more offices using IP-VPN and extends the benefits of ethernet technology that has traditionally been confined to the LAN.
EDGE (Enhanced Data rates for GSM Evolution)	EDGE is a technology, which elevates GPRS download speeds to above 100 kbps.
Fiber-optic cable	Fiber-optic cable is a transmission medium composed of extremely pure and uniform glass. Digital signals are transmitted across fiber-optic cable as pulses of light. While signals transmitted over fiber-optic cable travel at the same speed as those transmitted over traditional copper cable, fiber optic cable benefits from greater transmission capacity and lower distortion of signals transmitted.
FttH (Fiber-to-the-Home)	FttH is an access network architecture in which the final part of the connection to the home is optical fiber.
FttO (Fiber-to-the-Office)	FttO is a fiber connection for business customers to the customers' office.
GHz (Gigahertz)	GHz is one billion hertz (a unit of frequency).
GPRS (General Packet Radio Service)	GPRS is an application that enables data packet switching via GSM networks as well as via existing voice communication. GPRS is based on and complements GSM.
GSM (Global System for Mobile communications)	GSM is a second generation, digital mobile telephone system that is widely used in Europe and other parts of the world to send and receive voice and data.
HDTV (High-Definition Television)	HDTV is high definition TV, which is a TV format requiring higher bandwidths.
Hertz	Hertz is a unit of frequency of one cycle per second.
Homes activated	KPN defines homes activated as the number of homes that are connected through fiber and have a subscriber contract with a service provider.
Homes passed	KPN defines homes passed as the number of homes that a service provider has capability to connect in a service area through fiber.
HSDPA (High-Speed Downlink Packet Access)/HSPA+ (Evolved High-Speed Packet Access)	HSDPA and HSPA+ are mobile telephony protocols that, as an evolution of UMTS, are designed to increase the available data rate by a factor 5 or more.
ICT (Information and Communication Technology)	ICT the unification and integration of communications telecommunications (telephone lines and wireless signals) and other technology such as computers, enterprise software, middleware, storage, and audio-visual systems.
IP (Internet Protocol)	Internet Protocol is a protocol used for communicating data across a packet-switched network. It is used for transmitting data over the internet and other similar networks. The data is broken down into data packets, each data packet is assigned an individual address, then the data packets are transmitted independently and finally reassembled at the destination.
IPTV (Internet Protocol Television)	IPTV is a system through which TV services are delivered using the internet protocol suite over a packet-switched network such as the internet.

IP-VPN (Internet Protocol Virtual Private Network)	IP-VPN offers a secured and private network using IP-based infrastructure.
ISDN (Integrated Services Digital Network)	ISDN is a worldwide digital communications network evolving from existing telephone services. A standard ISDN connection consists of three channels, i.e., two B channels to carry data and voice at a speed of 64 Kbps and one D channel to carry control information at a speed of 16 Kbps.
ISP (Internet Service Provider)	An ISP is company that provides individuals and companies access to the internet.
LAN (Local Area Network)	A LAN is a network designed to move data between stations within a campus.
LTE (Long Term Evolution)	LTE refers to a new mobile telephony technology that succeeds 3G. 3GPP (Third Generation Partnership Project) Long Term Evolution, is a new high performance air interface for cellular mobile communication systems. LTE is the last step toward the fourth generation (4G) of radio technologies designed to increase the capacity and speed of mobile telephone networks.
M2M (Machine-to-Machine)	M2M refers to the data communication between wireless and wired systems and other wireless and wired systems.
Market share	Market share is the percentage or proportion of the total available market that is being serviced by KPN.
Mbps (Megabits per second)	Mbps is a unit of data transfer rate equal to 1,000,000 bits per second. The bandwidths of broadband networks are often indicated in Mbps.
MHz (Megahertz)	MHz is one million hertz (a unit of frequency).
MDF (Main Distribution Frame) access	MDF access allows other telecommunications companies to access the local network, enabling them to connect with their customers through KPN's main distribution frames.
MMS (Multimedia Messaging Service)	MMS is an evolution of SMS that enables users to send multimedia content including images, audio and video clips to other users.
MNO (Mobile Network Operator)	An MNO is a company that has frequency allocations and all the required infrastructure to run an independent mobile network, as opposed to an MVNO.
MTA tariff (Mobile Terminating Access tariff)	The MTA is the tariff charged by mobile operators for the termination of incoming telephone traffic (originating from either a fixed or a mobile network) on their network.
MVNO (Mobile Virtual Network Operator)	An MVNO is a mobile operator that does not have its own spectrum or its own network infrastructure. Instead, MVNOs have business arrangements with traditional mobile operators to buy minutes of use to sell to their own customers.
NMa *(Nederlandse Mededingingsautoriteit)*	NMa was the Dutch anti-trust authority responsible for monitoring compliance with anti-trust rules until it was merged with the Netherlands Consumer Authority and OPTA to form the ACM on 1 April 2013.
NPS (Net Promoter Score)	NPS is a method for measuring customer satisfaction based on whether customers would recommend KPN to friends or family.
Open access	Open access is a model where an operator is required by regulation to provide access to its network to wholesale customers at capped prices.

OPTA *(Onafhankelijke Post en Telecommunicatie Autoriteit)*	OPTA, or The Independent Post and Telecommunications Authority, was the telecommunications regulator in the Netherlands until it was merged with the Netherlands Consumer Authority and the NMa to form the ACM on 1 April 2013.
PSTN (Public Switched Telephone Network)	PSTN is the traditional telephone system that runs through copper cables (voice up to 64 Kbps, data up to 56 Kbps).
Quadruple-play	Quadruple-play is the bundling of fixed-mobile (retail voice, landline internet and mobile services) with TV services.
RGU (Revenue Generating Unit)	KPN defines RGU as the total of all subscribers receiving standard cable, broadband internet or telephony services over KPN's network at a given date. Thus, one subscriber who receives a bundle of KPN's services (telephony, internet and TV) would be counted as three RGUs.
Roaming	Roaming is the transfer of mobile traffic from one network to another, referring to the exchange of mobile international traffic.
SIM card (Subscriber Identity Module card)	A SIM is a chip card inserted into a mobile phone, which contains information such as telephone numbers and memory for storing a directory.
Smartphone	A smartphone is a mobile phone built on a mobile computing platform and includes high-resolution (touch) screens, web browsers that can access and properly display standard web pages and high-speed data access via Wi-Fi and mobile broadband.
SMS (Short Message Service)	SMS is a service for sending messages of up to 160 characters to mobile phones that use GSM communications.
Subscribers	KPN calculates subscribers as an end-user with a connection to its mobile or fixed network and/or service platform. A subscriber is included in the subscriber base if there is a direct or indirect billing relationship, either prepaid or postpaid, unless the connection is owned by an MVNOs or through fixed-line access parties or if the connection has been inactive for a specific time period (prepaid or postpaid without contract).
Triple-play	Triple-play is the bundling of telephone, internet and TV products into one contract.
Uncommitted ARPU	Uncommitted ARPU refers to out of bundle revenues.
UMTS (Universal Mobile Telecommunications System)	UMTS is one of the major third generation mobile communications systems being developed. UMTS is suited to deliver voice, text, music and animated images. Data can be sent via UMTS at approximately 6 times the speed of ISDN.
VDSL (Very-high-bitrate Digital Subscriber Line)	VDSL is a DSL technology providing faster data transmission over a single flat untwisted or twisted pair of copper wires. VDSL is capable of supporting high bandwidth applications such as HDTV, as well as telephony services (Voice over IP) and general internet access, over a single connection.
VPN (Virtual Private Network)	A VPN is a virtual network constructed from logic connections that are separated from other users.
VoIP (Voice over IP)	VoIP is voice traffic transported over an IP-based data network. It enables new ways of communicating, such as combinations of telephony, messaging and videoconferencing.

WBA (Wholesale Broadband Access) WBA is the rental by broadband internet service providers for access to KPN's networks to supply broadband internet access to their end customers. The broadband internet service provider charges its end customer for the combined WBA it purchases from KPN along with its service fees.

WLR (Wholesale Line Rental) WLR is the rental by telecommunication service providers of access to KPN's networks to supply telecommunication services to their customers. The telecommunication service provider charges its end customer for the combined WLR it rents from KPN along with its service fees.

Wi-Fi Wi-Fi is a technology that allows an electronic device to exchange data wirelessly over a computer network, including broadband internet connections. Wi-Fi is a trademark of the Wi-Fi Alliance.

ISSUER

Koninklijke KPN N.V.
Maanplein 55
2516 CK The Hague
The Netherlands
T: +31 (0)70 343 43 43
www.kpn.com

LEGAL ADVISERS TO THE ISSUER

As to Dutch law	As to English and US law
Allen & Overy LLP Apollolaan 15 1077 AB Amsterdam The Netherlands	**Allen & Overy LLP** One Bishops Square London E1 6AD United Kingdom

INDEPENDENT AUDITORS

PricewaterhouseCoopers Accountants N.V.
Thomas R. Malthusstraat 5
1066 JR Amsterdam
The Netherlands

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom	**Goldman Sachs International** Peterborough Court 133 Fleet Street London EC4 2BB United Kingdom	**J.P. Morgan Securities plc** 25 Bank Street Canary Wharf London EC2V RF United Kingdom

JOINT BOOKRUNNERS

ABN AMRO Bank N.V. Gustav Mahlerlaan 10 1082 PP Amsterdam The Netherlands	**ING Bank N.V.** Bijlmerplein 888 1102 MG Amsterdam The Netherlands	**Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (acting as Rabobank International)** Croeselaan 18 3521 CB Utrecht The Netherlands

CO-BOOKRUNNERS

Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB United Kingdom	**Citigroup Global Markets Limited** 33 Canada Square Canary Wharf London E14 5LB United Kingdom	**Merrill Lynch International** 2 King Edward Street London EC1A 1HQ United Kingdom	**UBS Limited** 1 Finsbury Avenue London EC2M 2PP United Kingdom

CO-LEAD MANAGERS

BNP PARIBAS 16, boulevard des Italiens 75009 Paris France	**Credit Suisse Securities (Europe) Limited** One Cabot Square London E14 4QJ United Kingdom	**Société Générale** 29 Boulevard Haussmann 75009 Paris France	**UniCredit Bank Austria AG** Schottengasse 6-8 1010 Vienna Austria

LEGAL ADVISERS TO THE BANKS

As to Dutch law	As to English and US law
Linklaters LLP Zuidplein 180 1077 XV Amsterdam The Netherlands	**Linklaters LLP** One Silk Street London EC2Y 8HQ United Kingdom

SUBSCRIPTION, LISTING AND PAYING AGENT

ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

Printed by RR Donnelley, 522460

kpn

2 (two) for 1 (one) rights issue of 2,838,732,182 new ordinary shares at an issue price of EUR1.06 for each ordinary share