



1 April 2014

## Koninklijke KPN N.V.

*(Incorporated in The Netherlands as a public limited company with its corporate seat in the Hague)*

### Global Medium Term Note Programme

Under the Global Medium Term Note Programme (the **Programme**) described in this Prospectus, Koninklijke KPN N.V. (the **Issuer**, which expression shall include any Substituted Debtor (as defined in Condition 16), the **Company** or **KPN**) may from time to time issue notes (the **Notes**, which expression shall include Senior Notes and Subordinated Notes (each as defined below)) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). Subject as set out herein, the Notes will not be subject to any maximum maturity but will have, in the case of Senior Notes, a minimum maturity of one month.

The Notes will be issued on a continuing basis to one or more of the Dealers specified herein and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a **Dealer** and together the **Dealers**). The Dealer or Dealers with whom the Issuer agrees or proposes to agree on the issue of any Notes is or are referred to as the **relevant Dealer** in respect of those Notes.

Application has been made to Euronext Amsterdam N.V. for Notes issued under the Programme up to the expiry of 12 months from the date of this Prospectus to be admitted to trading on NYSE Euronext in Amsterdam (**Euronext Amsterdam**).

References in this Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading and listing on Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). In addition, Notes issued under the Programme may be listed or admitted to trading, as the case may be, on any other stock exchange or market specified in the applicable Final Terms. Application may also be made to have certain Series of Notes accepted for trading in the Private Offerings, Resales and Trading through Automated Linkages System (**PORTAL**) of the National Association of Securities Dealers, Inc. The Issuer may also issue unlisted Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the **Securities Act**) or any U.S. state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state or other jurisdiction of the United States. Accordingly, the Notes are only being offered and sold to non-U.S. persons outside the United States in offshore transactions in reliance upon Regulation S under the Securities Act, and, in the United States, only to Institutional Accredited Investors (**IAIs**) or "qualified institutional buyers" (**QIBs**) as defined in, and in reliance upon, Rule 144A under the Securities Act (**Rule 144A**). See *Form of the Notes* for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see *Subscription and Sale and Transfer and Selling Restrictions*.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

This Prospectus is issued in replacement of an earlier prospectus dated 24 June 2013.

#### *Arranger*

**The Royal Bank of Scotland**

#### *Dealers*

**ABN AMRO**  
**Barclays**  
**Citigroup**  
**Deutsche Bank**  
**J.P. Morgan**  
**Société Générale Corporate & Investment Banking**  
**UBS Investment Bank**

**BofA Merrill Lynch**  
**BNP PARIBAS**  
**Credit Suisse**  
**ING**  
**Rabobank International**  
**The Royal Bank of Scotland**  
**UniCredit Bank**

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**) as amended (which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**)) to the extent that such amendments have been implemented in a Member State of the European Economic Area.

## U.S. INFORMATION

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations (see *Subscription and Sale and Transfer and Selling Restrictions*). Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

This Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs and Institutional Accredited Investors (each as defined under *Form of the Notes*) for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised.

Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Purchasers of Definitive IAI Registered Notes (as defined under *Form of the Notes*) will be required to execute and deliver an IAI Investment Letter (as defined under *Terms and Conditions of the Notes*). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together **Legended Notes**) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in *Subscription and Sale and Transfer and Selling Restrictions*. Unless otherwise stated, terms used in this paragraph have the meanings given to them in *Form of the Notes*.

## 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 CHAPTER 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 PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

## AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are 'restricted securities' within the meaning of the Securities Act, the Issuer has undertaken in an Amended and Restated Agency Agreement dated 1 April 2014 (the **Agency Agreement**) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as 'restricted securities' within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or

15(d) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

The Issuer is a public limited liability company incorporated under the laws of the Netherlands. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside the Netherlands upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside the Netherlands predicated upon civil liabilities of the Issuer or such directors and officers under laws other than the Netherlands law, including any judgment predicated upon United States federal securities laws.

#### **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

The risks and uncertainties include:

- the Issuer's ability to achieve and manage the growth of its business;
- the performance of the markets in the Netherlands and the wider region in which the Issuer operates;
- the Issuer's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;
- the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects; and
- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate.

Any forward looking statements contained in this Prospectus speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

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To the extent that the provisions of Directive 2003/6/EC of the European Parliament and of the Council (the **Market Abuse Directive**) are required to be observed, in connection with the issue of any Tranche of Notes, the Dealer or Dealers named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any such stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

To the extent that the provisions of the Market Abuse Directive are not required to be observed in connection with the issue of any Tranche of Notes, then in connection with the issue and distribution of any Tranche of Notes, the Dealer or Dealers named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there may be no obligation on the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) to do this. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

## SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as “Elements”. These 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 the Notes and the 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 a summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary explaining why it is not applicable.

### Section A – Introduction and warnings

Element	
A.1	<ul style="list-style-type: none"> <li>• <b>This summary should be read as an introduction to the Prospectus and the applicable Final Terms.</b></li> <li>• <b>Any decision to invest in any Securities should be based on a consideration of this Prospectus as a whole, including any documents incorporated by reference and the applicable Final Terms.</b></li> <li>• <b>Where a claim relating to information contained in the Prospectus and the applicable Final Terms is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus and the applicable Final Terms before the legal proceedings are initiated.</b></li> <li>• <b>Civil liability attaches to the Issuer solely on the basis of this summary, including any translation of it, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus and the applicable Final Terms or, following the implementation of the relevant provisions of Directive 2010/73/EU in the relevant Member State, it does not provide, when read together with the other parts of this Prospectus and the applicable Final Terms, key information in order to aid investors when considering whether to invest in the Notes.</b></li> </ul>
A.2	<p>Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a <b>Non-exempt Offer</b>.</p> <p><i>Issue specific summary:</i></p> <p><i>Consent:</i> Subject to the conditions set out below, the Issuer consents to the use of this Prospectus in connection with a Non-exempt Offer of Notes by the Managers[, <i>names of specific financial intermediaries listed in final terms,</i>] [and] [each financial intermediary whose name is published on the Issuer’s website (<a href="http://www.kpn.com/corporate/aboutkpn/Investor-Relations.htm">http://www.kpn.com/corporate/aboutkpn/Investor-Relations.htm</a>) and identified as an Authorised Offeror (as described below) in respect of the relevant Non-exempt Offer] [and any financial intermediary which is authorised to make such offers under applicable legislation implementing the Markets in Financial Instruments Directive (Directive</p>

	<p>2004/39/EC) and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p> <p><i>"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the <b>Notes</b>) described in the Final Terms dated [insert date] (the <b>Final Terms</b>) published by Koninklijke KPN N.V. (the <b>Issuer</b>). In consideration of the Issuer offering to grant its consent to our use of the Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Prospectus) and we are using the Prospectus accordingly."</i></p> <p><i>Offer period:</i> The Issuer's consent referred to above is given for Non-exempt Offers of Notes during [offer period for the issue to be specified here] (the <b>Offer Period</b>).</p> <p><i>Conditions to consent:</i> The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Offer Period; and (b) only extends to the use of this Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in [specify each relevant Member State in which the particular Tranche of Notes can be offered].</p> <p><b>IN THE EVENT THAT AN INVESTOR INTENDS TO PURCHASE OR IS PURCHASING ANY NOTES IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR OTHER THAN THE ISSUER OR ANY DEALER IT WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER. NONE OF THE ISSUER OR ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.</b></p>
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## Section B – Issuer

Element	Title	
<b>B.1</b>	Legal and commercial name of the Issuer	Koninklijke KPN N.V. ( <b>KPN</b> )
<b>B.2</b>	Domicile/ legal form/ legislation/ country of incorporation	KPN is a public company with limited liability ( <i>naamloze vennootschap</i> ) incorporated under the laws of and domiciled in the Netherlands. KPN has its corporate seat ( <i>statutaire zetel</i> ) in The Hague, the Netherlands.
<b>B.4b</b>	Trend information	Not Applicable - There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for its

		current financial year.		
B.5	Description of the Group	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
		BASE Company NV	Belgium	100
B.9	Profit forecast or estimate	Not Applicable - No profit forecasts or estimates have been made in the Prospectus.		
B.10	Audit report qualifications	Not Applicable - No qualifications are contained in any audit or review report included in the Prospectus.		
B.12	Selected historical key financial information: All key figures presented are based on KPN's continuing operations and do not include the financial results of E-Plus (unless otherwise stated). E-Plus is classified as held for sale and discontinued operations.  <b>Income Statement</b> The table below sets out summary information extracted from the Issuer's audited income statement for each of the two years ended 31 December 2013 and 31 December 2012:  Amounts in millions of euro, except for shares and per share data			
			2013	2012
		Income Statement Data		(restated IAS19R and E-Plus)
		Revenues	8,443	9,308
		Other income	29	150
		Operating profit	1,026	1,386
		Profit before income tax	262	518
		Profit for the period from continuing operations	293	314
		Profit (loss) for the period from discontinued operations	-508	451
		Profit (loss) attributable to equity holders	-222	763
		Earnings per ordinary share and per American Depositary Share (ADS) from continuing operations (non-diluted) <sup>(1)</sup>	0.07	0.14
		Earnings per ordinary share and per ADS from continuing operations on a fully diluted basis <sup>(1)</sup>	0.07	0.13
		Earnings per ordinary share and per ADS from discontinued operations (non-diluted) <sup>(1)</sup>	-0.14	0.19
		Earnings per ordinary share and per ADS from discontinued operations on a fully diluted basis <sup>(1)</sup>	-0.14	0.19

	<table><tr><td>Weighted average number of outstanding ordinary shares</td><td>3,536,302,579</td><td>2,348,443,311</td></tr><tr><td>Weighted average number of outstanding ordinary shares on a fully diluted basis</td><td>3,540,392,784</td><td>2,350,579,468</td></tr></table>	Weighted average number of outstanding ordinary shares	3,536,302,579	2,348,443,311	Weighted average number of outstanding ordinary shares on a fully diluted basis	3,540,392,784	2,350,579,468																												
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	1) Historic EPS and number of weighted average number of shares (non-diluted and fully diluted) restated following rights issue based on the adjustment of the historical share price (adjustment factor of 0.60628). Please refer to Note 8 of the Consolidated Financial Statements in the 2013 integrated Annual Report for a discussion on the method used to calculate profit or loss per share.																																		
	<p><b>Statement of Financial Position</b></p> <p>The table below sets out summary information extracted from the Issuer's audited statement of financial position as at 31 December 2013 and 31 December 2012:</p> <table><tr><td><b>Balance Sheet Data</b></td><td></td><td>(restated IAS19R)</td></tr><tr><td></td><td><b>31 December 2013</b></td><td><b>31 December 2012</b></td></tr><tr><td>Total assets (incl. assets classified as held for sale)</td><td>25,872</td><td>22,301</td></tr><tr><td>Non-current assets and disposal groups classified as held for sale</td><td>9,469</td><td>28</td></tr><tr><td>Non-current liabilities</td><td>13,677</td><td>15,104</td></tr><tr><td>Non-current provisions and deferred tax liabilities</td><td>1,191</td><td>2,155</td></tr><tr><td>Liabilities directly associated with non-current assets and disposal groups classified as held for sale</td><td>1,538</td><td>6</td></tr><tr><td>Shareholders' equity</td><td>5,250</td><td>1,283</td></tr><tr><td>Group Equity</td><td>5,303</td><td>1,334</td></tr><tr><td>Share capital (including Share premium)<sup>(2)</sup></td><td>10,018</td><td>7,061</td></tr><tr><td>Number of subscribed shares</td><td>4,270,254,664</td><td>1,431,522,482</td></tr></table>		<b>Balance Sheet Data</b>		(restated IAS19R)		<b>31 December 2013</b>	<b>31 December 2012</b>	Total assets (incl. assets classified as held for sale)	25,872	22,301	Non-current assets and disposal groups classified as held for sale	9,469	28	Non-current liabilities	13,677	15,104	Non-current provisions and deferred tax liabilities	1,191	2,155	Liabilities directly associated with non-current assets and disposal groups classified as held for sale	1,538	6	Shareholders' equity	5,250	1,283	Group Equity	5,303	1,334	Share capital (including Share premium) <sup>(2)</sup>	10,018	7,061	Number of subscribed shares	4,270,254,664	1,431,522,482
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	2) Share capital is calculated based on the nominal value of EUR 0.24 as of 31 December 2013. On 21 March 2014, the nominal value of KPN's shares has been reduced to EUR 0.04, pursuant to the decision by the Extraordinary General Meeting of Shareholders on 10 January 2014. As a result the share capital has been reduced with EUR 854 million and the other reserves have been increased with the same amount.																																		
	<p><b>Statements of no significant or material adverse change</b></p> <p>There has been no significant change in the financial or trading position, nor has there been any material adverse change in the financial position or prospects of the Issuer, including its subsidiaries and consolidated joint ventures, since 31 December 2013 up to the date of this Prospectus.</p>																																		
<b>B.13</b>	Events impacting the Issuer's solvency	Not Applicable - There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.																																	
<b>B.14</b>	Dependence upon other group entities	Not Applicable – the Issuer is not dependent on other group entities.																																	
<b>B.15</b>	Principal activities	KPN is a 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																																	



		<p>strategy and offers mobile telephony products and services to retail customers through E-Plus and BASE Company, respectively. KPN also provides wholesale network services to third parties and operates an IP-based infrastructure for international wholesale customers through iBasis.</p> <p>KPN currently divides its business operations into the Netherlands, Mobile International and iBasis. the Netherlands comprises the Consumer Residential, Consumer Mobile, Business and NetCo segments. Mobile International is divided between the Germany and Belgium segments.</p>
<b>B.16</b>	Controlling shareholders	Not Applicable – The Issuer is not aware of any shareholder or group of connected shareholders who directly or indirectly control the Issuer.
<b>B.17</b>	Credit ratings	<p>The Issuer's long-term issuer default rating from Fitch is BBB- with a stable outlook. The Issuer has a senior unsecured rating of Baa3 with a stable outlook by Moody's. S&amp;P has given the Issuer long- and short-term ratings of BBB-/A-3 f, with a stable outlook.</p> <p>Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Issuer by the relevant rating agency.</p> <p><b>Issue specific summary:</b></p> <p>[The Notes [have been/are expected to be] rated [<i>specify rating(s) of Tranche being issued</i>] by [<i>specify rating agent(s)</i>].]</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p> <p>[Not Applicable - No ratings have been assigned to the Issuer or its debt securities at the request of or with the co-operation of the Issuer in the rating process.]</p>

### Section C – Securities

Element	Title	
<b>C.1</b>	Description of Notes/ISIN	<p>The Notes described in this section are debt securities with a denomination of less than €100,000 (or its equivalent in any other currency). The Notes to be issued under the Programme may be Fixed Rate Notes, Floating Rate Notes, or Zero Coupon Notes or a combination of the foregoing.</p> <p><b>Issue specific summary:</b></p> <p>The Notes are [£/€/U.S.\$/other] ● [● per cent./Floating Rate/Zero Coupon] Notes due ●.</p>

		<p>International Securities Identification Number (ISIN): ●</p> <p>[The Notes will be consolidated and form a single series with [<i>identify earlier Tranches</i>] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, which is expected to occur on or about [<i>date</i>]]]</p>
C.2	Currency	<p>Subject to compliance with all applicable laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer at the time of issue.</p> <p><b>Issue specific summary:</b></p> <p>The currency of this Series of Notes is [Pounds Sterling (£)/Euro (€)/U.S. dollars (U.S.\$)/Other (●)].</p>
C.5	Restrictions on transferability	Not Applicable. The Notes will be freely transferable.
C.8	Rights attached to the Notes, including ranking and limitations on those rights	<p>Notes issued under the Programme will have terms and conditions relating to, among other matters:</p> <p><b>Status and Subordination</b></p> <p>Notes may be issued on either a senior or a subordinated basis.</p> <p>Notes issued on a senior basis constitute direct, unconditional, unsubordinated obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.</p> <p>The Subordinated Notes (being those Notes that specify their status as Subordinated) and the Coupons relating to them constitute unsecured and subordinated obligations of the Issuer and rank <i>pari passu</i> and without any preference among themselves. In the event of, <i>inter alia</i>, the insolvency or liquidation of the Issuer, the payment obligations of the Issuer under or in respect of the Subordinated Notes and the Coupons relating to them shall rank in right of payment after unsubordinated unsecured creditors of the Issuer, and any set-off by holders of a Subordinated Note shall be excluded until all obligations of the Issuer vis-à-vis its unsubordinated unsecured creditors have been satisfied.</p> <p><b>Issue specific summary:</b></p> <p>This Series of Notes is issued on a [senior/subordinated] basis.]</p>

		<p><b><i>Taxation</i></b></p> <p>Payments in respect of the Notes will, as specified in the applicable Final Terms, be made either subject to withholding of applicable Dutch taxes (if any) or without withholding or deduction for or on account of taxes levied in the Netherlands, subject to certain exceptions (including the IPMA Standard EU Exception).</p> <p><b><i>Issuer's negative pledge</i></b></p> <p>The terms of the Senior Notes contain a negative pledge provision which, for so long as any Senior Notes are outstanding or any relative Coupons remain outstanding, prohibits the Issuer from creating or having outstanding any lien, pledge or other charge upon the whole or part of its assets or revenues to secure any present or future Public Debt of the Issuer without at the same time securing the Senior Notes equally and rateably with such Public Debt or providing such other security as the Senior Noteholders may approve by an Extraordinary Resolution.</p> <p><b><i>[Events of default - Senior Notes]</i></b></p> <p>The terms of the Senior Notes will contain, amongst others, the following events of default:</p> <ul style="list-style-type: none"> <li>(a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time;</li> <li>(b) non-performance or non-observance by the Issuer of any of its other obligations under the conditions of the Notes continuing for a specified period of time;</li> <li>(c) failure by the Issuer of due repayment of an amount of borrowed money in excess of a specified amount continuing for a specified period of time; and</li> <li>(d) events relating to the insolvency or winding up of the Issuer; and</li> <li>(e) cessation of the whole or substantially the whole of the Issuer's business, subject to certain exceptions approved by an extraordinary resolution of the Noteholders.]</li> </ul> <p><b><i>[Events of Default – Subordinated Notes]</i></b></p> <p>The terms of the Subordinated Notes contain the following event of default:</p>
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		<p>(a) events relating to the insolvency or winding up of the Issuer.]<sup>1</sup></p> <p><b>Meetings</b></p> <p>The conditions of the Notes will contain provisions for calling meetings of holders of such Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p><b>Governing law</b></p> <p>The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, the laws of the Netherlands.</p>
C.9	Interest/Redemption	<p><b>Interest</b></p> <p>Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate or a floating rate.</p> <p><b>Issue specific summary:</b></p> <p>The Notes bear interest [from their date of issue/from ●] at the fixed rate of ● per cent. per annum. The yield of the Notes at their issue price is ● per cent. Interest will be paid [annually] in arrear on ● in each year. The first interest payment will be made on ●].</p> <p>[The Notes bear interest [from their date of issue/from ●] at floating rates calculated by reference to [<i>specify reference rate for Notes being issued</i>] [plus/minus] a margin of ● per cent. Interest will be paid [semi-annually] in arrear on ● and ● in each year, subject to adjustment for non-business days. The first interest payment will be made on ●.</p> <p>[The Notes do not bear any interest [and will be offered and sold at a discount to their nominal amount].]</p> <p><b>Redemption</b></p> <p>The terms under which Notes may be redeemed (including the maturity date and the price at which they will be redeemed on the maturity date as well as any provisions relating to early redemption) will be agreed between the</p>

<sup>1</sup> Select the first option if the Notes are Senior Notes and the second option if the Notes are Subordinated Notes.

		<p>Issuer and the relevant Dealer at the time of issue of the relevant Notes.</p> <p><b>Issue specific summary:</b></p> <p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [●] at [100] per cent. of their nominal amount.</p> <p>The Notes may be redeemed early for taxation reasons [and [at the option of the Issuer]/[at the option of the Issuer for refinancing reasons]/[at the option of the Issuer at their relevant Make-whole Redemption Amount]/[at the option of the Noteholders]] or following an event of default at par.</p> <p><b>Representative of holders</b></p> <p>Not Applicable – No representative of the Noteholders has been appointed by the Issuer.</p>
<b>C.10</b>	Derivative component in the interest payments	Not applicable – There is no derivative component in the interest payments.
<b>C.11</b>	Listing and Admission to trading	<p>Application has been made to Euronext Amsterdam for Notes issued under the Programme up to the expiry of 12 months from the date of this Prospectus to be admitted to trading on Euronext Amsterdam.</p> <p>The Notes may be listed on such other or further stock exchange or stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer in relation to each issue. Unlisted Notes may also be issued.</p> <p><b>Issue specific summary:</b></p> <p>[Application has been][is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [NYSE Euronext in Amsterdam]/[other regulated market]. [The Notes are not intended to be admitted to trading on any market.]</p>

## Section D – Risks

Element	Title	
<b>D.2</b>	Key risks regarding the Issuer	<p><b>Risks associated with competition</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>

		<ul style="list-style-type: none"> <li>• The sectors in which KPN competes are subject to rapid and significant changes in technology, with which KPN may have difficulty competing successfully.</li> <li>• 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.</li> </ul> <p><b>Risks associated with KPN's business and the telecom industry</b></p> <ul style="list-style-type: none"> <li>• KPN's results of operations and financial condition depend on economic conditions in the Netherlands, Germany and Belgium.</li> <li>• KPN's success depends upon maintaining and improving its networks, systems and operations.</li> <li>• KPN's challenger strategy in Germany and Belgium may not be successful.</li> <li>• Rating agency action could materially adversely affect KPN's share price as well as KPN's ability to obtain future financing and the terms of that financing.</li> <li>• 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.</li> <li>• 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.</li> <li>• KPN depends on the ability to attract and retain key personnel without whom KPN may not be able to manage its business effectively.</li> <li>• KPN operates in a capital-intensive business and may not have sufficient liquidity to fund its capital expenditures and investments over the longer term.</li> <li>• KPN is subject to risks from legal and similar proceedings, particularly relating to KPNQwest and Reggefiber.</li> </ul>
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		<ul style="list-style-type: none"> <li>• 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.</li> <li>• KPN's pension liability may reduce KPN's cash flows, profitability, financial condition, net assets, distributable reserves and KPN's ability to pay dividends.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Risks in relation to outsourcing of services may adversely affect KPN's business and may cause higher costs than initially anticipated.</li> <li>• KPN's financial results could be adversely affected by changes in foreign currency exchange rates.</li> <li>• KPN is subject to interest rate risk, which could result in higher interest expense in the future.</li> <li>• KPN does not provision for dismantling of certain elements of its network and any resulting cash outflows are uncertain.</li> <li>• KPN has significant deferred tax assets which may not be recoverable.</li> <li>• KPN is subject to increasing operating costs and inflation risks which may adversely affect its earnings.</li> <li>• Third parties may claim that KPN infringes their intellectual property rights, which could adversely</li> </ul>
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		<p>affect KPN's business.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 cash investments, and further restrict the availability of debt financing to KPN.</li> <li>• KPN may fail to close and finalise the sale of E-Plus which may lead to impairment risks on the assets and goodwill of E-Plus, and KPN may need to participate in future frequency auctions in Germany.</li> </ul> <p><b>Risks Relating to Regulatory and Legislative Matters</b></p> <ul style="list-style-type: none"> <li>• KPN may fail to obtain or renew its spectrum licenses in the jurisdictions in which it operates, and, KPN expects that it may participate in spectrum auctions in the future.</li> <li>• 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.</li> <li>• KPN's revenues may decline as a result of decreases in fixed and mobile termination rates.</li> <li>• KPN may be subject to increased costs or pressure on its revenues from changing regulation for international roaming charges.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
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<b>D.3</b>	Key risks regarding the Notes	<p>There are also risks associated with the Notes. These include a range of market risks (including that there may be no or only a limited secondary market in the Notes, that the value of an investor's investment may be adversely affected by exchange rate movements where the Notes are not denominated in the investor's own currency, that any credit rating assigned to the Notes may not adequately reflect all the risks associated with an investment in the Notes and that changes in interest rates will affect the value of Notes which bear interest at a fixed rate), the fact that the holder may not receive payment of the full amounts due in respect of the Notes as a result of amounts being withheld by the Issuer in order to comply with applicable law and that investors are exposed to the risk of changes in law or regulation affecting the value of Notes held by them.</p>
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### Section E – Offer

Element	Title	
<b>E.2b</b>	Use of proceeds	<p>The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit, and may also be applied for particular uses, as determined by the Issuer.</p> <p><i>Issue specific summary</i></p> <p>The net proceeds from the issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit [and[ ]].</p>
<b>E.3</b>	Terms and conditions of the offer	<p>Under the Programme, the Notes may be offered to the public in a Non-Exempt Offer in any or all of the following EEA Member States: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Norway, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.</p> <p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the applicable Final Terms. An Investor intending to purchase or purchasing any Notes in a Non-exempt Offer from an Authorised Offeror will do so, and offers and sales of such Notes to an Investor by such Authorised Offeror will be made, in accordance with the terms and conditions of the offer in place between such Authorised Offeror and such Investor including arrangements in relation to price, allocations, expenses and settlement.</p>

		<p><b><i>Issue specific summary:</i></b></p> <p>[This issue of Notes is being offered in a Non-Exempt Offer in [<i>specify particular country/ies</i>]].</p> <p>The issue price of the Notes is ● per cent. of their nominal amount.</p> <p>[<i>Summarise any public offer, copying the language from paragraph 9 of Part B of the Final Terms.</i>]</p>
<b>E.4</b>	Interest of natural and legal persons involved in the issue/offer	<p>The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.</p> <p><b><i>Issue specific summary</i></b></p> <p>The [Dealers/Managers] will be paid aggregate commissions equal to ● per cent. of the nominal amount of the Notes. Any [Dealer/Manager] and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and [its/their respective] affiliates in the ordinary course of business.</p> <p>[Other than as mentioned above,[ and save for ●,] so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests.]</p>
<b>E.7</b>	Expenses charged to the investor by the Issuer or an Authorised Offeror	<p>It is not anticipated that the Issuer will charge any expenses to investors in connection with any issue of Notes under the Programme. Other Authorised Offerors (as defined above) may, however, charge expenses to investors. Such expenses (if any) will be determined on a case by case basis but would be expected to be in the range of between 1 per cent. and 7 per cent. of the nominal amount of the Notes to be purchased by the relevant investor unless specified below with respect to a specific issue of Notes.</p> <p><b><i>Issue specific summary:</i></b></p> <p>[No expenses are being charged to an investor by the Issuer. [For this specific issue, however, expenses may be charged by an Authorised Offeror (as defined above) in the range between ● per cent. and ● per cent. of the nominal amount of the Notes to be purchased by the relevant investor.]]</p>

## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of investing in any Notes are exhaustive.*

*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 Notes. Before making an investment decision with respect to the Notes, prospective investors should consult their own financial, legal and tax advisers to carefully review and assess the risks associated with an investment in the Notes and consider such an investment decision in the context of the investor's personal circumstances.*

### **RISK FACTORS CONCERNING THE ISSUER**

#### **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.

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.

***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 behaviour, 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 IP-based connections (**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 average revenue per user (**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.

***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, which could have a material adverse effect on its business, financial condition and results of operations.

#### **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. 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 operators segment 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 segment. 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 and results of operations.

***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.

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 the German and Belgian mobile telecommunications market, 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 and continued acceleration of network roll out, requiring additional capital expenditures and investments. 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 KPN's share price as well as KPN's ability to obtain future financing and the terms of that financing.***

On 17 December 2012, Fitch downgraded KPN's long-term issuer default rating from BBB to BBB- with a stable outlook; on 6 November 2013, S&P changed the rating outlook from BBB- with credit watch positive to BBB- with a stable outlook, and on 28 March 2014, Moody's downgraded KPN's senior unsecured rating from Baa2 to Baa3 with a stable outlook. 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. The significance of each rating should be analysed 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 KPN's share price.

***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-recognised 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. 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. As defined in the FttH Reggefiber joint-venture agreement, KPN 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**). On 3 January 2014, KPN announced that the Call/Put Arrangement has been exercised. This option became exercisable on 1 January 2014 and completion is subject to approval by the Dutch Competition Authority (the **ACM**). This option represents an additional 9% equity stake in Reggefiber and will bring KPN's ownership level to 60% following completion. KPN will 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 ACM's approval and completion of the Call/Put Arrangement, KPN will obtain control with 60% ownership and Reggefiber will be consolidated in the financial statements of KPN. 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 debt facilities. This consolidation would result in KPN adding to its consolidated balance sheet Reggefiber's debt facilities, which totalled EUR 602 million as of 31 December 2013 (net of Reggefiber's cash and cash equivalents). The consolidation of Reggefiber's liabilities 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, 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 334 million as of 31 December 2013. 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 recognise 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 ceases 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.***

KPN requires significant capital expenditures and investments to improve and maintain its networks and add customers, including expenditures for equipment and related labour costs. Generally, advancements in the information and telecommunications industry (the development of faster networks and new products requiring mobile internet access) and the behaviour 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 debt facilities on its balance sheet, which totalled EUR 602 million as of 31 December 2013 (net of cash and cash equivalents and this could be significantly higher at the time of consolidation.).The consolidation of Reggefiber's liabilities could result in substantial additional leverage, raise KPN's Net Debt/Adjusted EBITDA ratio and have a negative impact on KPN's credit rating (see risk factor "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." above).

In addition, part of KPN's derivatives portfolio contains reset clauses or collateral postings 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 additional cash inflows or outflows prior to maturity.

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, 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 or capital markets 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 datacentres 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.

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'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 recognises these liabilities on KPN's consolidated balance sheet as an accrual against future obligations. 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 funding of KPN's pension funds below what is required by the Dutch Central Bank (De Nederlandsche Bank N.V.), the Dutch pension regulator, 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.

***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.***

Goodwill is impaired if the recoverable amount of the cash-generating unit to which it is allocated is lower than the carrying value of the cash-generating unit concerned including goodwill. In recent years, KPN has recognised impairment of goodwill, tangible and intangible assets. Such impairment charges, for the continuing operations, totalled EUR 40 million in the year ended 31 December 2013 and EUR 39 million in the year ended 31 December 2012, which were related to tangible and other intangible assets. In addition in the year ended 31 December 2012, a goodwill impairment of EUR 314 million was recognised relating to goodwill from IT Solutions (previously Corporate Market and integrated with Business Market since 1 January 2014). In the year ended 31 December 2013, no goodwill impairments were recognised.

To the extent economic conditions worsen or other factors used in the impairment test (such as sales growth, capital expenditure intensity, EBITDA margin and discount rate) 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 in the future relating to certain of its businesses. The goodwill impairment risk for Belgium and iBasis is in particular high considering the relatively small margin between the recoverable and carrying amounts of these businesses as at 31 December 2013. Such charges, while not directly affecting KPN's cash flows, could have a material adverse effect on its results of operations or financial condition.

***KPN depends on hardware, software 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 favourable 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. KPN works with independent and third-party sales agents, service providers and call centre 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 and/or collateral postings 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 December 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.***

On 23 July 2013, KPN announced its intention to sell and transfer 100% of its interest in E-Plus to Telefónica Deutschland. The transaction was approved in the extraordinary general meeting of shareholders of KPN on 2 October 2013. However, the completion of the transaction remains mainly subject to regulatory approval.

KPN and the Dutch tax authorities reached a final agreement in December 2013 on the Dutch tax consequences of the tax book loss which is expected to be recognised upon completion of the sale of E-Plus to Telefónica Deutschland. This book loss amounts to approximately EUR 3.7 billion and is expected to offset KPN's taxable income in the Netherlands in the coming years, starting in 2014. Dividends received and/or capital gains (up to the amount of loss deducted) realised on KPN's 20.5% stake in Telefónica Deutschland will be subject to Dutch corporate income tax. Following this agreement, KPN recognised a deferred tax asset of EUR 932 million in The Netherlands per 31 December 2013, which is dependent on the closing and finalisation of the sale of E-Plus. For more information regarding the E-Plus transaction, see the risk factor regarding the E-plus transaction below.

KPN determines the value of its deferred tax assets 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 on having future taxable income during the periods in which KPN is permitted to use its tax loss carry-forwards and temporary differences. If KPN's estimates of its future taxable income and future cash flows are not accurate (or if the sale of E-Plus is not closed and finalised) 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 KPN could result in the (partial) loss of KPN's deferred 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 labour 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.***

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.

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 defence 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 cash 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 favourable terms, or at all. The pressure on KPN's credit ratings may increase, in case of higher net debt levels and/or lower profitability, which could negatively impact pricing and availability of financing resources. 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. KPN holds substantial cash balances, which could further increase following the sale of E-Plus. This could lead to high counterparty risks.

***KPN may fail to close and finalise the sale of E-Plus which may lead to impairment risks on the assets and goodwill of E-Plus, and KPN may need to participate in future frequency auctions in Germany.***

On 23 July 2013, KPN announced its intention to sell E-Plus to Telefónica Deutschland. On 26 August 2013 improved terms of the transaction were agreed upon. As consideration for the sale of E-Plus on a debt and cash free basis, KPN will receive EUR 5.0 billion in cash and a 20.5% stake in Telefónica Deutschland. Furthermore, KPN provides a call option to Telefónica Deutschland to acquire a 2.9% stake in Telefónica Deutschland from KPN, exercisable one year after the transfer of E-Plus to Telefónica Deutschland, either partial or in full. The call option's exercise price for the 2.9% stake in Telefónica Deutschland amounts to EUR 510 million, plus interest at 2.27% from the time of completion of the sale of E-Plus and reduced by any dividend payments on the 2.9% stake. The transaction was approved in the extraordinary general meeting of shareholders of KPN on 2 October 2013. However, the completion of the transaction remains mainly subject to regulatory approval.

If the transaction will not be closed and finalised, then this may lead to impairment risks on the assets and goodwill of E-Plus. Also, if the transaction will be terminated, KPN may need to participate in future frequency auctions in Germany. KPN may potentially not be able to acquire or to renew the required frequency blocks or may have to pay too high a price for the acquired spectrum. The loss of, or failure to

renew, any of KPN's spectrum licenses or other concessions, or a renewal on unfavourable terms, could have a material adverse effect on KPN's business, financial condition and results of operations. Furthermore, if the transaction will not be closed and finalised, this would have a negative impact on KPN's credit ratings, which could negatively impact pricing and availability of financing resources.

At completion of the sale, the fair value of the 20.5% stake in the combined entity could be lower or higher than estimated at 31 December 2013 which could lead to an additional impairment or a book gain. As a reference, KPN calculated at year-end 2013, for sensitivity purposes only, that if the listed share price of Telefónica Deutschland would not increase in the period between 31 December 2013 and deal close, an impairment of approximately EUR 580 million net after tax would have to be recognised at completion of the sale of E-Plus ceteris paribus.

### **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 KPN expects that it may participate in spectrum auctions in the future.***

KPN's current principal spectrum licenses have specified terms, some of which are due for renewal in the future. 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 unfavourable terms, 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.

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 mobile termination rates (**MTRs**) have been reduced the most significantly. Because MTRs are a component of KPN's revenues (for calls that terminate on KPN's networks) and of KPN's access and interconnection expenses (for calls 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. 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 the ACM decided on 5 August 2013 to regulate fixed and mobile call termination tariffs on a 'pure BULRIC' cost methodology, as recommended by the European Commission at a tariff level of 0.108 EURct/min (FTR), resp. 1.019 EURct/min (MTR). In an injunctive procedure on 27 August 2013 the Trade and Industry Appeals Tribunal (*College van Beroep voor het bedrijfsleven (CBb)*) decided as an interim measure that the tariffs should be set at the 'plus BULRIC' levels of 0.302 EURct/min resp. 1.861 EURct/min instead.

***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. 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.

Since September 2013 a proposal for a Regulation concerning the European single market for electronic communications to achieve a connected continent of the European Commission is discussed in European Council and Parliament. Proposed amendments of Parliament include obligations to delete all surcharges for roaming, thereby mandating operators to effectively offer home tariffs also to their customers while roaming as of July 2016. Although the outcome of the proposed Regulation and details of the provisions are still largely uncertain future regulation of roaming and decrease of tariffs is likely, which may only partially be compensated by additional use.

***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). 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. 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.

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 2013 the EC has provided regulatory guidance in relation to next generation access (NGA) networks, by introducing guidelines for wholesale price regulation on traditional copper and NGA networks of operators with significant market power, aimed at providing additional regulatory certainty and incentives for NGA investment. However, KPN cannot currently predict or estimate what, if any, aspects of KPN's business might be impacted by this guidance, since the guidelines are not directly binding and only after future decisions of the ACM it will be clear how current regulation may be amended.

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.

In addition, in 2006 KPN signed a horizontal monitoring covenant (*handhavingsconvenant*) with the Dutch tax authorities to self-assess and transparently discuss KPN's current and potential future tax issues. 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.

## ***RISK FACTORS CONCERNING THE NOTES***

### ***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

#### ***Notes in registered form***

Registered Notes are subject to the restrictions on transfer set out in them and will bear a legend regarding those restrictions, see further *Subscription and Sale and Transfer and Selling Restrictions*.

### *Notes subject to optional redemption by the Issuer*

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### *An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency.*

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank *pari passu* among themselves. In the event of the insolvency (bankruptcy (*faillissement*) or a moratorium (*surseance van betaling*)) or dissolution (*ontbinding*) or liquidation (*vereffening*) of the Issuer, the payment obligations of the Issuer under the Subordinated Notes will rank in right of payment after unsubordinated unsecured creditors of the Issuer (and any set-off by holders of a Subordinated Note will be excluded until all obligations of the Issuer vis-à-vis its unsubordinated unsecured creditors have been satisfied) but will rank at least *pari passu* with all other subordinated obligations of the Issuer that are not expressed by their terms to rank junior to the Subordinated Notes, and in priority to the claims of shareholders of the Issuer. Accordingly, although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is an enhanced risk that an investor in Subordinated Notes will lose all or some of this investment should the Issuer become insolvent.

### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

#### *Modification, waivers and substitution*

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders

including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Principal Paying Agent may, without the consent of Noteholders, agree to (i) any modification (not being a modification requiring the approval of a meeting of Noteholders) of any of the provisions of Notes which is not materially prejudicial to the interests of the Noteholders or (ii) any modification of the Notes which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 16 of the Conditions of the Notes.

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

#### *Foreign Account Tax Compliance Act*

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has paid the Common Depositary or Common Safekeeper

and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*".

#### *Change of law*

The conditions of the Notes are based on Dutch law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to Dutch law or administrative practice after the date of this Prospectus.

#### *Notes where denominations involve integral multiples: definitive Notes*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a nominal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### *No gross-up*

Under the Terms and Conditions of the Notes, all payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for, or on account of, any withholding taxes imposed by the Netherlands (or any political subdivision or any authority in the Netherlands having power to tax) unless such withholding or deduction is required by law, in which case such withholding or deduction will be made by the Issuer.

In the event that any such withholding or deduction is required by law, the Issuer will make the required withholding or deduction of such taxes, however, as specified in the applicable Final Terms, the Issuer may not be obliged to pay any additional amounts to the holders of the Notes.

#### ***Risks related to the market generally***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

##### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out in *Overview of the Programme* below.

### *Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### ***Risks related to Notes denominated in Renminbi (RMB Notes)***

Notes denominated in RMB (**RMB Notes**) may be issued under the Programme. RMB Notes are subject to particular risks:

*Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the People's Republic of China (PRC)*

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the U.S. dollar, despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in August 2011 to cover all provinces and cities in the PRC and to make RMB trade and other current account item settlement available in all countries worldwide. New PRC regulations were promulgated in October 2011, liberalising the control over the remittance of Renminbi into the PRC for settlement of capital account items. However, restrictions still apply to the remittance of offshore Renminbi into the PRC in certain circumstances.

There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border RMB remittances in the future, that the pilot scheme introduced in July 2009 will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC.

Noteholders may be required to provide certifications and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service such RMB Notes*

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC Central Government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. The People's Bank of China (**PBoC**), the central bank of China, has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business (the **Settlement Agreement**) between the PBoC and Bank of China (Hong Kong) Limited (the **RMB Clearing Bank**) to further expand the scope of RMB business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open RMB accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert RMB; and there will no longer be any restriction on the transfer of RMB funds between different accounts in Hong Kong.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC. The RMB Clearing Bank only has access to onshore liquidity support from PBoC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for Hong Kong residents of up to RMB20,000 per person per day.

The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of RMB Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its RMB Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

*Investment in RMB Notes is subject to exchange rate risks*

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to RMB Notes in Renminbi. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

*Payments in respect of RMB Notes will only be made to investors in the manner specified in such RMB Notes*

All payments to investors in respect of RMB Notes will be made solely by (i) when RMB Notes are represented by global certificates, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures of Euroclear, Clearstream, Luxembourg or the applicable alternative clearing system as applicable, or (ii) when RMB Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than as provided in Condition 5(g), the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

## OVERVIEW OF THE PROGRAMME

**The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.**

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in *Form of the Notes* and *Terms and Conditions of the Notes* below shall have the same meanings in this overview

Issuer: Koninklijke KPN N.V.

### *History and development of the Issuer*

The Issuer was incorporated under the laws of the Netherlands as a public limited liability company on January 1, 1989. On 28 June 1998 its name was changed from Koninklijke PTT Nederland N.V. to Koninklijke KPN N.V. The Issuer has its corporate seat in The Hague, the Netherlands. It is registered under number 02045200 at the Commercial Register of the Chamber of Commerce, The Hague, the Netherlands, and its executive offices are located at Maanplein 55, 2516 CK The Hague, the Netherlands.

New Issuer: The Programme Agreement provides that, upon satisfaction of certain conditions precedent, a further issuer, being a subsidiary of the Issuer, may be joined as an issuer under the Programme. In such event, a new prospectus giving details of such new issuer will be prepared.

Description: Global Medium Term Note Programme.

Arranger: The Royal Bank of Scotland plc

Dealers: ABN AMRO Bank N.V.

Barclays Bank PLC

BNP Paribas

Citigroup Global Markets Limited

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International)

Credit Suisse Securities (Europe) Limited

Deutsche Bank AG, London Branch

ING Bank N.V.

J.P. Morgan Securities plc

Merrill Lynch International



	Société Générale
	The Royal Bank of Scotland plc
	UBS Limited
	UniCredit Bank AG
Issuing and Principal Paying Agent:	Citibank, N.A., London Branch
Registrar, Exchange Agent and Transfer Agent:	Citibank, N.A., London Branch
Size:	The Programme amount is unlimited.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer and the relevant Dealer, including, without limitation, Australian dollars, Canadian dollars, Danish kroner, euro, Hong Kong dollars, Japanese yen, New Zealand dollars, Renminbi, Sterling, Swedish kronor, Swiss francs and U.S. dollars.
Certain restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see <i>Subscription and Sale and Transfer and Selling Restrictions</i> ) including the following restrictions applicable at the date of this Prospectus.  <i>Notes having a maturity of less than one year</i>  Notes having a maturity of less than one (1) year will, if the proceeds of their issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a redemption value of at least £100,000 or its equivalent, see <i>Subscription and Sale and Transfer and Selling Restrictions</i> .
Maturities:	Any maturity, subject to applicable laws, regulations and restrictions and subject, in the case of Senior Notes, to a minimum maturity of one month.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form as described in <i>Form of the Notes</i> . Registered Notes will not be exchangeable for Bearer Notes and vice versa.  Bearer Notes having a maturity of more than one year will be issued in

compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the **TEFRA D Rules**) unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the **TEFRA C Rules**) or (ii) the Notes are issued other than in compliance with the TEFRA D Rules or the TEFRA C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under TEFRA, which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

**Fixed Rate Notes:** Fixed interest will be payable on the date or dates specified in the applicable Final Terms and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

**Floating Rate Notes:** Floating Rate Notes will bear interest either at a rate determined on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) or on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.

The Margin (if any) relating to such floating rate will be specified in the applicable Final Terms.

**Other provisions in relation to Floating Rate Notes** Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as selected prior to issue by the Issuer and the relevant Dealer, will be payable on the Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated on the basis of the Day Count Fraction so specified.

**Zero Coupon Notes:** Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Redemption:** The applicable Final Terms will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms.

Notes having a maturity of less than one (1) year may be subject to restrictions on their denomination and distribution, see *Certain restrictions – Notes having*

*a maturity of less than one year above.*

Make-whole Redemption:	The applicable Final Terms may specify that the Issuer may redeem, in whole or in part, the Notes then outstanding at any time prior to their stated maturity, at their relevant Make-whole Redemption Amount as specified in the applicable Final Terms.
Denomination of Notes:	The Notes will be issued in such denominations as may be specified in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see <i>Certain restrictions – Notes having a maturity of less than one year above.</i>
Taxation:	Payments in respect of the Notes will be made either subject to withholding of applicable Dutch taxes (if any) or without withholding or deduction for or on account of taxes levied in the Netherlands, subject to certain exceptions (including the IPMA Standard EU Exception) as provided in Condition 7. If the applicable Final Terms provides that payments are to be made subject to withholding of applicable Dutch taxes (if any), it will also specify that Condition 6(b) will not apply to the Notes.
Negative Pledge:	See Condition 3.
Cross Default:	See Condition 9(iii).
Status of the Senior Notes:	The Senior Notes will constitute direct, unsecured and unsubordinated obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves and (with the exception of obligations in respect of national and local taxes and certain other statutory exceptions) equally with all other unsecured and unsubordinated obligations of the Issuer.
Status and other terms of Subordinated Notes:	The Subordinated Notes (being those Notes that specify their status as Subordinated) and the Coupons relating to them constitute unsecured and subordinated obligations of the Issuer and rank <i>pari passu</i> and without any preference among themselves. In the event of, <i>inter alia</i> , the insolvency or liquidation of the Issuer, the payment obligations of the Issuer under or in respect of the Subordinated Notes and the Coupons relating to them shall rank in right of payment after unsubordinated unsecured creditors of the Issuer, and any set-off by holders of a Subordinated Note shall be excluded until all obligations of the Issuer vis-à-vis its unsubordinated unsecured creditors have been satisfied.
Substitution:	<p>The Issuer may substitute for itself as principal debtor under the Notes any company of which more than 90 per cent. of the shares are directly or indirectly held by the Issuer (a <b>Substituted Debtor</b>) on the terms and in the manner provided in Condition 16.</p> <p>If a Substituted Debtor becomes the principal debtor in respect of any of the Notes, it will publish a supplement to this Prospectus in accordance with the applicable rules and regulations.</p>
Listing and admission to trading:	Application has been made to Euronext Amsterdam for Notes issued under the Programme up to the expiry of 12 months from the date of this Prospectus to be

admitted to trading on Euronext Amsterdam.

The Notes may be listed on such other or further stock exchange or stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer in relation to each issue. Unlisted Notes may also be issued. The applicable Final Terms will state whether or not the Notes are to be listed or admitted to trading, as the case may be, and, if so, on which stock exchange and/or markets.

Rating:

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Each of Moody's Investors Service, Limited (**Moody's**), Standard & Poor's Credit Market Services France SAS, a division of The McGraw-Hill Companies, Inc. (**S&P**) and Fitch Ratings Ltd. (**Fitch**) are credit rating agencies established and operating in the European Community prior to 7 June 2010 and have submitted an application for registration in accordance with the CRA Regulation and are registered under the CRA Regulation.

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, the laws of the Netherlands.

Selling Restrictions:

There are selling restrictions in relation to the United States, the European Economic Area (including the Netherlands and the United Kingdom), Hong Kong, The People's Republic of China, Singapore and Japan, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See *Subscription and Sale and Transfer and Selling Restrictions* below

## IMPORTANT INFORMATION RELATING TO NON EXEMPT OFFERS OF NOTES

### Restrictions on Non-exempt offers of Notes in relevant Member States

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a Non-exempt Offer (the **Non-exempt Offer**). This Prospectus has been prepared on a basis that permits Non-exempt Offers of Notes in any or all of Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Norway, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom, as specified in the applicable Final Terms (each specified Member State a **Non-exempt Offer Jurisdiction** and together the **Non-exempt Offer Jurisdictions**). Any person making or intending to make a Non-exempt Offer of Notes on the basis of this Prospectus must do so only with the Issuer's consent to the use of this Prospectus as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive*" and provided such person complies with the terms of that consent.

Save as provided above, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any Non-exempt Offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

### Consent given in accordance with Article 3.2 of the Prospectus Directive

In the context of a Non-exempt Offer of such Notes, the Issuer accepts responsibility, in each of the Non-exempt Offer Jurisdictions, for the content of this Prospectus in relation to any person (an **Investor**) who purchases any Notes in a Non-exempt Offer made by a Dealer or an Authorised Offeror, where that offer is made during the Offer Period specified in the applicable Final Terms and provided that the conditions attached to the giving of consent for the use of this Prospectus are complied with. The consent and conditions attached to it are set out under "*Consent*" and "*Common Conditions to Consent*" below.

None of the Issuer or any Dealer makes any representation as to the compliance by that Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Non-exempt Offer and none of the Issuer or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

**Except in the circumstances set out in the following paragraphs, neither the Issuer nor, for the avoidance of doubt, any Dealer has authorised the making of any Non-exempt Offer by any Authorised Offeror or consented to the use of this Prospectus by any other person in connection with any Non-exempt Offer of Notes. Any Non-exempt Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor, for the avoidance of doubt, any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.**

If, in the context of a Non-exempt Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Prospectus for the purposes of the relevant Non-Exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Prospectus and/or who is responsible for its contents it should take legal advice.

### Consent

In connection with each Tranche of Notes, and provided that the applicable Final Terms specifies an Offer Period:

### *Specific consent*

- (a) the Issuer consents to the use of this Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of such Notes during the relevant Offer Period stated in the applicable Final Terms by the relevant Dealer and by:
  - (i) the relevant Dealer(s) or Manager(s) stated in the applicable Final Terms;
  - (ii) any financial intermediaries specified in the applicable Final Terms;
  - (iii) any other financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website (<http://www.kpn.com/corporate/aboutkpn/Investor-Relations.htm>) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer; and

### *General consent*

- (b) if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", the Issuer hereby offers to grant its consent to the use of this Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of Notes during the relevant Offer Period stated in the applicable Final Terms by any financial intermediary which satisfies the following conditions:
  - (i) it is authorised to make such offers under applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC); and
  - (ii) it accepts the Issuer's offer to grant consent to the use of this Prospectus by publishing on its website the following statement (with the information in square brackets completed with the relevant information) (the **Acceptance Statement**):

*"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "Notes") described in the Final Terms dated [insert date] (the "Final Terms") published by Koninklijke KPN N.V. (the "Issuer"). In consideration of the Issuer offering to grant its consent to our use of the Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Prospectus) and we are using the Prospectus accordingly."*

The financial intermediaries referred to in paragraphs (a)(ii), (a)(iii) and (b) are together the **Authorised Offerors** and each an **Authorised Offeror**.

The **Authorised Offeror Terms** are the terms to be agreed between the Issuer and the relevant financial intermediary in connection with the use of this Prospectus.

**Any Authorised Offeror falling within sub-paragraph (b) above who meets the other conditions stated above and wishes to use this Prospectus in connection with a Non-exempt Offer is required, for the duration of the relevant Offer Period, to publish on its website the Acceptance Statement.**

### *Common Conditions to Consent*

The conditions to the Issuer's consent to the use of this Prospectus in the context of the relevant Non-exempt Offer are (in addition to the conditions described in paragraph (b) above if Part B of the applicable Final Terms specifies "General Consent" as "Applicable") that such consent:

- (i) is only valid during the Offer Period specified in the applicable Final Terms; and
- (ii) only extends to the use of this Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in the relevant Member States, as specified in the applicable Final Terms.

The consent referred to above relates to Offer Periods (if any) falling within 12 months from the date of this Prospectus.

#### **ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS**

**AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR OTHER THAN THE ISSUER OR ANY DEALER IT WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER. NONE OF THE ISSUER OR, FOR THE AVOIDANCE OF DOUBT, ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF THE INFORMATION DESCRIBED ABOVE.**

## IMPORTANT INFORMATION

The Issuer accepts responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set forth in the Final Terms which will be delivered to Euronext Amsterdam on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange or stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see *Documents Incorporated by Reference*). This Prospectus shall be read and construed on the basis that such documents are incorporated in and form part of this Prospectus.

An investor intending to acquire or acquiring any Notes from an offeror will do so, and offers and sales of the Notes to an investor by an offeror will be made, in accordance with any terms and other arrangements in place between such offeror and such investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with investors (other than the Dealers) in connection with the offer or sale of the Notes and, accordingly, this Prospectus and any Final Terms will not contain such information. The investor must look to the offeror at the time of such offer for the provision of such information. The Issuer has no responsibility to an investor in respect of such information.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Prospectus nor any other information supplied in connection with the Programme should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Prospectus or any other information supplied in connection with the Programme should purchase any Notes. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers, in their capacity as such, as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. However, the previous statement in no way detracts from the Issuer's obligation to prepare a supplement to this Prospectus or publish a new prospectus for use in connection with any subsequent offer of Notes to the public or issue of Notes to be listed on Euronext Amsterdam in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of



any Notes. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements of the Issuer when deciding whether or not to purchase any Notes.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes outside the Netherlands or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the Netherlands and the United Kingdom) and Japan (see *Subscription and Sale and Transfer and Selling Restrictions* below).

All references in this Prospectus to **U.S. dollars**, **U.S.\$** and **\$** refer to the currency of the United States of America, those to **euro**, **EUR** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, those to **Japanese yen**, **yen** and **¥** refer to the currency of Japan, those to **CHF** refer to the currency of Switzerland, those to **Sterling** and **£** refer to the currency of Great Britain and those to **Renminbi**, **RMB** and **CNY** refer to the currency of The People's Republic of China.

Descriptions of those abbreviated terms which are related to the Issuer's business are set out in the Glossary of Terms.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the AFM shall be incorporated by reference in, and form part of, this Prospectus:

- (a) the Articles of Association of the Issuer;
- (b) the publicly available consolidated audited annual financial statements of the Issuer for the financial year ended 31 December 2013 including comparative figures for the financial year ended 31 December 2012 (prepared in accordance with International Financial Reporting Standards as adopted by the EU (**IFRS-EU**)) which appear on pages 104 to 172 (inclusive) of the KPN Annual Report 2013 (the **2013 Annual Report**) and the auditor's report which appears on pages 179-182 of the 2013 Annual Report;
- (c) the publicly available consolidated audited annual financial statements of the Issuer for the financial year ended 31 December 2012 including comparative figures for the financial year ended 31 December 2011 (prepared in accordance with IFRS-EU) which appear on pages 86 to 148 (inclusive) of the KPN Annual Report 2012 (the **2012 Annual Report**) and the auditor's report which appears on page 155 of the 2012 Annual Report; and
- (d) to the extent they apply to Fixed Rate Notes, Floating Rate Notes and Zero Coupon Notes, the Terms and Conditions of the Notes contained in previous Prospectuses dated 28 April 2004, pages 24 to 47 (inclusive); dated 20 September 2005, pages 38 to 61 (inclusive); dated 9 August 2006, pages 44 to 69 (inclusive); dated 17 April 2007, pages 46 to 72 (inclusive); dated 8 April 2008, pages 63 to 90 (inclusive); dated 9 April 2009, pages 60 to 87 (inclusive); dated 9 April 2010, pages 60 to 87 (inclusive); dated 4 April 2011, pages 67 to 94 (inclusive); dated 27 April 2012, pages 70 to 99 (inclusive) and dated 24 June 2013, pages 83 to 110 (inclusive) prepared by the Issuer in connection with the Programme.

The Issuer will provide, without charge, upon request of such person, a copy of any or all of the documents which are incorporated herein by reference. Requests for such documents should be directed to the Issuer at its registered office set out at the end of this Prospectus. Copies of documents incorporated by reference in this Prospectus can also be obtained from <http://www.kpn.com/corporate/aboutkpn/Investor-Relations.htm>.

The Issuer will, in connection with the listing of the Notes on Euronext Amsterdam, so long as any Note remains outstanding and listed on such exchange, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new prospectus for use in connection with any subsequent issue of Notes to be listed on Euronext Amsterdam.

If the terms of this Programme are modified or amended in a manner which would make this Prospectus inaccurate or misleading, a new prospectus will be prepared.

This Prospectus and any supplement will only be valid for listing Notes on Euronext Amsterdam or any other exchange during the period of 12 months from the date of this Prospectus.

## FORM OF THE NOTES

The Notes of each Series will either be in bearer form (**Bearer Notes**), with or without interest coupons (**Coupons**) attached, or in registered form (**Registered Notes**), without Coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Notes will be issued both outside the United States in reliance on Regulation S and within the United States in reliance on Rule 144A under the Securities Act or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

### **Bearer Notes**

Each Tranche of Bearer Notes will be initially represented by a temporary bearer global Note (the **Temporary Bearer Global Note**) (or, if so specified in the applicable Final Terms, a permanent bearer global Note (the **Permanent Bearer Global Note**)), without interest coupons or talons which in either case will:

- (a) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (Clearstream, Luxembourg) and/or any other agreed clearing system or be deposited with the Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (**Euroclear Nederland**); and
- (b) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for, Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system or be deposited with Euroclear Nederland.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note and issued in compliance with the TEFRA D Rules, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of such Note are not United States persons or persons who have purchased for resale to any United States person, as required by U.S. Treasury regulations, has been received by the relevant clearing system(s) and the relevant clearing system(s) have given a like certification (based on the certifications they have received) to the Principal Paying Agent. Any reference in this section to the relevant clearing system(s) shall mean the clearance and/or settlement system(s) specified in the applicable Final Terms. On and after the date (the **Exchange Date**) which is not less than 40 days nor more than 90 days after the date on which a Temporary Bearer Global Note is issued, interests in the Temporary Bearer Global Note will be exchangeable (free of charge), upon request as described therein, either for interests in a Permanent Bearer Global Note without interest coupons or talons or for definitive Bearer Notes (as indicated in the applicable Final Terms), in each case (if the Bearer Notes are issued in compliance with the TEFRA D Rules) against certification of beneficial ownership as described in the second sentence of this paragraph unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date, unless upon due presentation of the Temporary Bearer Global Note for exchange as aforesaid, delivery of any of the definitive Bearer Notes or Coupons is improperly withheld or refused.

Definitive Bearer Notes will be in the standard euromarket form. Definitive Bearer Notes and global Bearer Notes will be to bearer.

Payments of principal and interest (if any) on a Permanent Bearer Global Note will be made through the relevant clearing system(s) against presentation or surrender (as the case may be) of the Permanent Bearer

Global Note without any requirement for certification. A Permanent Bearer Global Note will be exchangeable (free of charge), in whole or (subject to the Bearer Notes which continue to be represented by the Permanent Bearer Global Note being regarded by the relevant clearing system(s) as fungible with the definitive Bearer Notes issued in partial exchange for such Permanent Bearer Global Note) in part, in accordance with the applicable Final Terms for security printed definitive Bearer Notes with, where applicable, interest coupons or coupon sheets and talons attached. Such exchange may be made, as specified in the applicable Final Terms, either: (i) upon not less than 30 days' written notice being given to the Principal Paying Agent by a relevant clearing system (acting on the instructions of any of its participants) as described therein or (ii) upon the occurrence of an Exchange Event, subject to mandatory provisions of applicable laws and regulations. If and for as long as a Permanent Bearer Global Note is deposited with Euroclear Nederland, such laws include the Securities Giro Transfer Act (*Wet giraal effectenverkeer*) and delivery (*uitlevering*) will only be possible in the limited circumstances prescribed by the Securities Giro Transfer Act.

An **Exchange Event** means (1) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg and/or if applicable Euroclear Nederland has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system is available or (2) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required were the Bearer Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 upon the occurrence of an Exchange Event. In the event of the occurrence of an Exchange Event, a relevant clearing system or the common depositary or the common safekeeper for Euroclear and Clearstream, Luxembourg, as the case may be, acting on the instructions of any holder of an interest in the global Bearer Note may give notice to the Principal Paying Agent requesting exchange and in the event of the occurrence of an Exchange Event as described in (2) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur no later than 15 days after the date on which the relevant notice is received by the Principal Paying Agent. Global Bearer Notes and definitive Bearer Notes will be issued pursuant to the Agency Agreement (as defined under *Terms and Conditions of the Notes* below). At the date hereof, neither Euroclear nor Clearstream, Luxembourg, as opposed to Euroclear Nederland, regard Bearer Notes in global form as fungible with Bearer Notes in definitive form.

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all interest coupons (including talons) relating to such Notes which are issued in compliance with the TEFRA D Rules:

‘ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.’

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Notes or interest coupons.

The following legend will appear on all global Bearer Notes held in Euroclear Nederland:

‘Notice: This Note is issued for deposit with Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (‘Euroclear Nederland’) at Amsterdam, the Netherlands. Any person being offered this Note for transfer or any other purpose should be aware that theft or fraud is almost certain to be involved.

Notice: The custody of this global certificate by Euroclear Nederland shall be subject to Euroclear Nederland’s conditions as in force from time to time. The Issuer hereby declares that it will abide by these conditions.’

## Registered Notes

Each Tranche of Registered Notes offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (**Regulation S Global Notes**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to ‘qualified institutional buyers’ within the meaning of Rule 144A under the Securities Act (**QIBs**) or (ii) to ‘accredited investors’ (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (**Institutional Accredited Investors**) and who execute and deliver an IAI Investment Letter (as defined under *Terms and Conditions of the Notes*) in which they agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (**Rule 144A Global Notes** and, together with Regulation S Global Notes, the **Registered Global Notes**).

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**DTC**) for its own account or for the accounts of Euroclear and Clearstream, Luxembourg or (ii) be deposited with a common depository or common safekeeper, as the case may be, for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (**Definitive IAI Registered Notes**). Unless otherwise set forth in the applicable Final Terms, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under *Subscription and Sale and Transfer and Selling Restrictions*. Institutional Accredited Investors that hold Definitive IAI Registered Notes may not elect to hold such Notes through DTC, Euroclear or Clearstream, Luxembourg, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under *Subscription and Sale and Transfer and Selling Restrictions*. The Registered Global Notes and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 5(d)) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (1) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or, DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, or (2) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available, or (3) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required were the Registered Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC and/or Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (3) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 15 days after the date on which the relevant notice is received by the Registrar.

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see *Subscription and Sale and Transfer and Selling Restrictions*.**

### **General**

Pursuant to the Agency Agreement the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned an ISIN and a common code by Euroclear and Clearstream, Luxembourg, and where applicable, a CUSIP and CINS number by DTC by the Listing Department of Euronext Amsterdam which are different from the ISIN, common code, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined under Regulation S) applicable to the Notes of such Tranche.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9 of the Terms and Conditions. In such circumstances, where any Note is still represented by a global Note and a holder of such Note so represented and credited to his account with the relevant clearing system(s) (other than Euroclear Nederland) gives notice that it wishes to accelerate such Note, unless within a period of 15 days from the giving of such notice payment has been made in full of the amount due in accordance with the terms of such global Note, holders of interests in such global Note credited to their accounts with the relevant clearing system(s) (other than Euroclear Nederland) will become entitled to proceed directly against the Issuer on the basis of statements of account provided by the relevant clearing system(s) (other than Euroclear Nederland) on and subject to the terms of the relevant global Note. In the case of a global Bearer Note deposited with Euroclear Nederland, the rights of Noteholders will be exercised in accordance with the provisions of such global Bearer Note and the provisions of the Securities Giro Transfer Act (*Wet giraal*

*effectenverkeer*). In addition, holders of interests in a global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interests in a global Note in accordance with DTC's standard operating procedures.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant global Bearer Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

## APPLICABLE FINAL TERMS FOR ISSUES WITH A DENOMINATION OF LESS THAN €100,000

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than €100,000 (or its equivalent in another currency).*

[Date]

Koninklijke KPN N.V.

Incorporated in the Netherlands as a public limited liability company  
(*naamloze vennootschap*) with its corporate seat in the Hague

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the Global Medium Term Note Programme

Any person making or intending to make an offer of the Notes may only do so [:

- (i) in those Non-exempt Offer Jurisdictions mentioned in paragraph 8(vii) of Part B below, provided such person is a Dealer or Authorised Offeror (as such term is defined in the Prospectus) and that the offer is made during the Offer Period specified in that paragraph and that any conditions relevant to the use of the Prospectus are complied with; or
- (ii) otherwise] in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer;

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and includes any relevant implementing measure in the relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 1 April 2014 [and the supplemental prospectus dated [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental prospectus] is [are] available for viewing during normal business hours at Koninklijke KPN N.V., Maanplein 55, 2516 CK The Hague, the Netherlands and at KPN's website (<http://www.kpn.com/corporate/aboutkpn/Investor-Relations.htm>) and copies may be obtained from Koninklijke KPN N.V., Maanplein 55, 2516 CK The Hague, the Netherlands.

*[The following language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus or Prospectus with an earlier date. In the event the Base Prospectus or Prospectus with an earlier date was not approved for the purpose of the Prospectus Directive, the Issuer shall publish a supplement to the current Base Prospectus in respect of this increase and such supplement shall be approved by the relevant listing or other competent authority prior to publication.]*



Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the prospectus dated [●] which are incorporated by reference in the prospectus dated 1 April 2014. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus dated 1 April 2014 [and the supplement[s] to it dated [●] [and [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Prospectus**), including the Conditions incorporated by reference in the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. A summary of the Notes (which comprises the summary in the Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. Copies of such documents are available for viewing during normal business hours at the registered office of the Issuer, at Maanplein 55, 2516 CK The Hague, the Netherlands and at KPN's website (<http://www.kpn.com/corporate/aboutkpn/Investor-Relations.htm>) and copies may be obtained from Koninklijke KPN N.V., Maanplein 55, 2516 CK The Hague, the Netherlands.

*[Include whichever of the following apply or specify as 'Not Applicable' (N/A). Note that the numbering should remain as set out below, even if 'Not Applicable' is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitute 'significant new factors' and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

*[If the Notes have a maturity of less than one (1) year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

1. Issuer: Koninklijke KPN N.V.
2. (i) Series Number: [ ]
- (ii) Tranche Number: [ ]
- (iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [*date*]] [*Not Applicable*]
3. (i) Specified Currency or Currencies: [ ]
- (ii) Relevant Currency: [ ] (*only relevant in relation to Condition 5(g) when the Specified Currency is Renminbi, otherwise, delete*)
4. Aggregate Nominal Amount:
  - (i) Series: [ ]
  - (ii) Tranche: [ ]
5. Issue Price of Tranche: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*]] (*if applicable*)
6. (a) Specified Denominations: (*in the case of Registered Notes*) [ ]

*this means the minimum integral amount in which [ ] transfers can be made)*

*[Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies)]*

*(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €[1,000] minimum denomination is not required.)*

*(N.B. Notes issued after the implementation of the 2010 PD Amending Directive in a Member State must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)*

(b) Calculation Amount<sup>(1)</sup>  
(Applicable to Notes in definitive form)

*(If only one Specified Denomination, insert the Specified Denomination.*

*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*

7. (i) Issue Date: [ ]

(ii) Interest Commencement Date: [specify/Issue Date/Not Applicable]

*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*

8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month].<sup>(2)</sup>

9. Interest Basis: [[ ] per cent. Fixed Rate]

[[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]

[Zero Coupon]

(see paragraph [15]/[16]/[17] below)

10. Redemption/Payment Basis: Redemption at par

11. Change of Interest Basis *[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 15 and 16 below and identify there] [Not Applicable]*
12. Put/Call Options: *[Investor Put]*  
*[Issuer Call]*  
*[Issuer Refinancing Call]*  
*[(see paragraph [18]/[19]/[20]/[21] below)]*
13. Status of the Notes: *[Senior/Subordinated.]*
14. Method of distribution: *[Syndicated/Non-syndicated]*

**Provisions Relating to Interest (if any) Payable**

15. Fixed Rate Note Provisions *[Applicable/Not Applicable]*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: *[ ] per cent. per annum payable in arrear on each Interest Payment Date*
- (ii) Interest Payment Date(s): *[ ] in each year<sup>(3)</sup> up to and including the Maturity Date/[specify other]*  
*(NB: This will need to be amended in the case of long or short coupons)*
- (iii) Fixed Coupon Amount(s): *[ ] per Calculation Amount<sup>(1)</sup>*  
*(Applicable to Notes in definitive form)*
- (iv) Broken Amount(s): *[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]*  
*(Applicable to Notes in definitive form)*
- (v) Day Count Fraction: *[30/360 or Actual/Actual (ICMA)]*
- (vi) Determination Date[s]: *[[ ] in each year] [Not Applicable]*  
*(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon (NB: This will need to be amended in the case of regular interest payments which are not of equal duration))]*

*(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*

16. Floating Rate Note Provisions

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Specified Period(s)/Specified Interest Payment Dates: [     ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (iii) Additional Business Centre(s): [     ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [     ]
- (vi) Screen Rate Determination: [Yes/No]
  - Reference Rate: [     ] month [LIBOR/EURIBOR]
  - Determination Date(s): [     ]
 

*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System (or any successor thereto) is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page: [     ]
 

*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (vii) ISDA Determination: [Yes/No]

- Floating Option: Rate [     ]
- Designated Maturity: [     ]
- Reset Date: [     ]
- (viii) Margin(s): [ +/- ] [     ] per cent. per annum
- (ix) Minimum Rate of Interest: [     ] per cent. per annum
- (x) Maximum Rate of Interest: [     ] per cent. per annum
- (xi) Day Count Fraction: [Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
30E/360 (ISDA)  
(See Condition 4 for alternatives)

17. Zero Coupon Note Provisions [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Accrual Yield: [     ] per cent. per annum
- (ii) Reference Price: [     ]
- (iii) Day Count Fraction in relation to Early Redemption Amounts and late payment: [30/360]  
[Actual/360]  
[Actual/365]

### **Provisions Relating to Redemption**

18. Issuer Call: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [     ]

(ii) Optional Redemption Amount(s): [[ ] per Calculation Amount]

(iii) If redeemable in part:

(A) Minimum Redemption Amount: [ ]

(B) Maximum Redemption Amount: [ ]

(iv) Notice period (if other than set out in the Conditions): [ ]

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)*

19. Issuer Refinancing Call: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Date from which Issuer Refinancing Call may be exercised:

*(Insert date three months prior to Maturity Date of the Notes)*

(ii) Notice period (if other than set out in the Conditions): [ ]

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)*

20. Make-whole Redemption Call [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Notice period (if other than set out in the Conditions): [ ]

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)*

- (ii) Parties to be notified by Issuer of Make-whole Redemption Date and Make-whole Redemption Amount in addition to those set out in Condition 6(c)(C): ☐ /Not Applicable]
- (iii) Discounting basis for purposes of calculating sum of the present values of the remaining scheduled payments of principal and interest on Redeemed Notes in the determination of the Make-whole Redemption Amount: ☐ Annual/Semi-Annual/Quarterly]
- (iv) Make-Whole Redemption Margin: ☐ ]
- (v) Quotation Agent: ☐ /[Not Applicable]
- (vi) Reference Dealers: ☐ [give details]
- (vii) Reference Screen Rate: ☐ [give details]
- (viii) Reference Security: ☐ [give details]

21. Investor Put: ☐ Applicable/Not Applicable/Applicable – Change of Control]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): ☐ ]
- (ii) Optional Redemption Amount(s): ☐ [ ] per Calculation Amount]
- (iii) Notice period (if other than set out in the Conditions): ☐ ]

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and*

*custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)*

22. Final Redemption Amount: ☐ per Calculation Amount]
23. Early Redemption Amount payable on redemption for taxation reasons or on event of default ☐ per Calculation Amount/As set out in Condition 6(e)]

#### **General Provisions Applicable to the Notes**

24. Form of Notes:

(i) Form

[Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 30 days' notice given at any time/only upon an Exchange Event, subject to mandatory provisions of applicable laws and regulations].]

[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date, [subject to mandatory provisions of applicable laws and regulations].]

[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 30 days' notice given at any time/only upon an Exchange Event, subject to mandatory provisions of applicable laws and regulations].]

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Prospectus and the Notes themselves.)*

[Registered Notes:

Regulation S Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/ common safekeeper for Euroclear and Clearstream, Luxembourg]/Rule 144A Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/ common safekeeper for Euroclear and Clearstream, Luxembourg]/Definitive IAI Registered Notes (*specify nominal amounts*).]

(ii) New Global Note

[Yes][No]

25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]



*(Note that this paragraph relates to the date and place of payment and not Interest Period end date to which paragraph 16(iii) relates)*

- |     |   |  |
|-----|---|--|
| 26. | Talons for future Coupons to be attached to Definitive Notes:                     | [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No] |
| 27. | For the purposes of Condition 13, notices to be published in the Financial Times: | [Yes/No]   |
| 28. | Condition 7(a) or 7(b) of the Notes applies:                                      | [Condition 7(a) applies and Condition 6(b) does not apply/Condition 7(b) applies and Condition 6(b) applies]   |

### THIRD PARTY INFORMATION

[Relevant third party information has been extracted from *[specify source]*. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by *[specify source]*, no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of Koninklijke KPN N.V.

By: .....  
Duly authorised

- (1) For Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, the following alternative wording is appropriate: “Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY 0.01, CNY 0.005 for the case of Renminbi denominated Fixed Rate Notes, being rounded upwards.”
- (2) Note that for Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, it will be necessary to use the second option here.
- (3) Note that for certain Renminbi denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: “provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day.”

## PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING** [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext Amsterdam/specify other relevant regulated and, if relevant, listing on an official list] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext Amsterdam/specify other relevant regulated and, if relevant, listing on an official list] with effect from [ ].] [Not Applicable.]

*(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

## 2. RATINGS

Ratings: The Notes to be issued [have been][are expected to be] rated [ ];by [Insert the legal name of the relevant credit rating agency]

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

[[Each of] [Insert the legal name of the relevant credit rating agency/ies] is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).]

## 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the Managers/Dealer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Managers/Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. – Amend as appropriate if there are other interests]

## 4. REASONS FOR THE OFFER; ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer: [ ]]

*(See 'Use of Proceeds' wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here).]*

[(ii)] Estimated net proceeds: [ ]]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds*

*insufficient to fund all proposed uses state amount and sources of other funding.)*

[(iii)] [Estimated total expenses:] [ ] [*Include breakdown of expenses*]

**5. YIELD** (*Fixed Rate Notes only*)

Indication of yield: [ ]

[Calculated as [*include details of method of calculation in summary form*] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**6. HISTORIC INTEREST RATES** (*Floating Rate Notes Only*)

[Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

**7. OPERATIONAL INFORMATION**

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) CUSIP: [ ]

(iv) CINS: [ ]

(v) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Societe Anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(vi) Delivery: Delivery [against/free of] payment

(vii) Names and addresses of additional Paying Agent(s) (if any): [ ]

(viii) Intended to be held in a manner which would allow Eurosystem eligibility [Yes] [No]

[Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,] [*include this text for Registered Notes which are to be held under the NSS*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility

criteria.] *[include this text if "yes" selected in which case Bearer Notes must be issued in NGN form]*

## 8. DISTRIBUTION

- (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/give names and addresses and underwriting commitments]
- (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a 'best efforts' basis if such entities are not the same as the Managers.)*
- (ii) Date of [Syndication] Agreement: [ ]
- (iii) Stabilisation Manager[s] (if any): [Not Applicable/give name and address]
- (iv) If non-syndicated, name and address of relevant Dealer: [Not Applicable/give name and address]
- (v) Total commission and concession: [ ] per cent. of the Aggregate Nominal Amount]
- (vi) U.S. Selling Restrictions: [Rule144A; Reg. S Compliance Category 2; TEFRA D Rules applicable/TEFRA C Rules applicable/TEFRA not applicable]
- (vii) Non-exempt Offer:(where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus) [Applicable] [Not Applicable](if not applicable, delete the remaining placeholders of this paragraph (vii) and also paragraph 9 below)
- Non-exempt Offer Jurisdictions: [Specify relevant Member State(s) where the issuer intends to make Non-exempt Offers (where the Prospectus lists the Non-exempt Offer Jurisdictions, select from that list), which must therefore be jurisdictions where the Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)]
- Offer Period: [Specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"] (the **Offer Period**)
- Financial intermediaries granted specific consent to use the Prospectus in accordance with the Conditions in it: [Insert names and addresses of financial intermediaries receiving consent (specific consent)]

General Consent:	[Not Applicable][Applicable]
Other Authorised Offeror Terms	[Not Applicable][Add here any other Authorised Offeror Terms].

*(Authorised Offeror Terms should only be included here where General Consent is applicable.)*

*(N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.)*

## 9. TERMS AND CONDITIONS OF THE OFFER

*(Delete whole section if sub-paragraph 8(vii) above is specified to be Not Applicable because there is no Non-exempt Offer)*

- |        |  |                                      |
|--------|--|--------------------------------------|
| (i)    | Offer Price:   | [Issue Price/Not applicable/specify] |
| (ii)   | Conditions to which the offer is subject:  | [Not applicable/give details]        |
| (iii)  | Description of the application process:  | [Not applicable/give details]        |
| (iv)   | Details of the minimum and/or maximum amount of application:   | [Not applicable/give details]        |
| (v)    | Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:          | [Not applicable/give details]        |
| (vi)   | Details of the method and time limits for paying up and delivering the Notes:  | [Not applicable/give details]        |
| (vii)  | Manner in and date on which results of the offer are to be made public:  | [Not applicable/give details]        |
| (viii) | Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription | [Not applicable/give details]        |

rights not exercised:

- (ix) Whether tranche(s) have been reserved for certain countries: [Not applicable/*give details*]
- (x) Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/*give details*]
- (xi) Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/*give details*]
- (xii) Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. The Authorised Offerors identified in paragraph 8 above.

## APPLICABLE FINAL TERMS FOR ISSUES WITH A DENOMINATION OF AT LEAST €100,000

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least €100,000 (or its equivalent in another currency).*

[Date]

Koninklijke KPN N.V.

Incorporated in the Netherlands as a public limited liability company  
(*naamloze vennootschap*) with its corporate seat in the Hague

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the Global Medium Term Note Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 1 April 2014 [and the supplemental prospectus dated [ ]] which [together constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended (which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental prospectus] is [are] available for viewing during normal business hours at Koninklijke KPN N.V., Maanplein 55, 2516 CK The Hague, the Netherlands and at KPN's website (<http://www.kpn.com/corporate/aboutkpn/Investor-Relations.htm>) and copies may be obtained from Koninklijke KPN N.V., Maanplein 55, 2516 CK The Hague, the Netherlands.

*[The following language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus or Prospectus with an earlier date. In the event the Base Prospectus or Prospectus with an earlier date was not approved for the purpose of the Prospectus Directive (as defined below), the Issuer shall publish a supplement to the current Base Prospectus in respect of this increase and such supplement shall be approved by the relevant listing or other competent authority prior to publication.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the prospectus dated [●] which are incorporated by reference in the prospectus dated 1 April 2014. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus dated 1 April 2014 [and the supplement[s] to it dated [●] [and [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Prospectus**), including the Conditions incorporated by reference in the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. A summary of the Notes (which comprises the summary in the Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. Copies of such documents are available for viewing during normal business hours at the registered office of the Issuer, at Maanplein 55, 2516 CK The Hague, the Netherlands and at KPN's website (<http://www.kpn.com/corporate/aboutkpn/Investor-Relations.htm>) and copies may be obtained from Koninklijke KPN N.V., Maanplein 55, 2516 CK The Hague, the Netherlands.

*[Include whichever of the following apply or specify as 'Not Applicable' (N/A). Note that the numbering should remain as set out below, even if 'Not Applicable' is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitute 'significant new factors' and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

*[If the Notes have a maturity of less than one (1) year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

1. Issuer: Koninklijke KPN N.V.
2. (i) Series Number: [ ]
- (ii) Tranche Number: [ ]
- (iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with *[identify earlier Tranches]* on *[the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [date]]**[Not Applicable]*
3. (i) Specified Currency or Currencies: [ ]
- (ii) Relevant Currency: [ ] *(only relevant in relation to Condition 5(g) when the Specified Currency is Renminbi, otherwise, delete)*
4. Aggregate Nominal Amount:
  - (i) Series: [ ]
  - (ii) Tranche: [ ]
5. Issue Price of Tranche: [ ] per cent. of the Aggregate Nominal Amount *[plus accrued interest from [insert date]] (if applicable)*
6. (a) Specified Denominations: *(in the case of Registered Notes this means the minimum integral amount in which transfers can be made)* [ ]
 

*(N.B. Notes must have a minimum denomination of EUR 100,000 (or equivalent))*

*(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*

*"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")*
- (b) Calculation Amount<sup>(1)</sup> *(Applicable to Notes in definitive form)* *(If only one Specified Denomination, insert the Specified Denomination.*  
*If more than one Specified Denomination, insert the highest*



*common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*

7. (i) Issue Date: [     ]
- (ii) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year].<sup>(2)</sup>
9. Interest Basis: [[     ] per cent. Fixed Rate]
- [LIBOR/EURIBOR] +/- [     ] per cent. Floating Rate]
- [Zero Coupon]
- (see paragraph [15]/[16]/[17] below)
10. Redemption/Payment Basis: Redemption at par
11. Change of Interest Basis [Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 15 and 16 below and identify there] [Not Applicable]
12. Put/Call Options: [Investor Put]
- [Issuer Call]
- [Issuer Refinancing Call]
- [(see paragraph [18]/[19]/[20]/[21] below)]
13. Status of the Notes: [Senior/Subordinated.]
14. Method of distribution: [Syndicated/Non-syndicated]

#### **Provisions Relating to Interest (if any) Payable**

15. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [     ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [     ] in each year<sup>(3)</sup> up to and including the Maturity Date/[specify other]
- (NB: This will need to be amended in the case of long or short coupons)*

- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount<sup>(1)</sup>  
(Applicable to Notes in definitive form)
- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]  
(Applicable to Notes in definitive form)
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
- (vi) [Determination Date[s]: [[ ] in each year] [Not Applicable]

*(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon (NB: This will need to be amended in the case of regular interest payments which are not of equal duration))*  
*(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*

16. Floating Rate Note Provisions [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [ ]
- (vi) Screen Rate Determination: [Yes/No]
  - Reference Rate: [ ] month [LIBOR/EURIBOR]
  - Determination Date(s): [ ]

*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro*

*LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System (or any successor thereto) is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*

– Relevant Screen [ ]  
Page:

*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*

(vii) ISDA Determination: [Yes/No]

– Floating Rate [ ]  
Option:

– Designated [ ]  
Maturity:

– Reset Date: [ ]

(viii) Margin(s): [+/-] [ ] per cent. per annum

(ix) Minimum Rate of Interest: [ ] per cent. per annum

(x) Maximum Rate of Interest: [ ] per cent. per annum

(xi) Day Count Fraction: [Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
30E/360 (ISDA)  
*(See Condition 4 for alternatives)*

17. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Accrual Yield: [ ] per cent. per annum

(ii) Reference Price: [ ]

(iii) Day Count Fraction in [30/360]  
relation to Early Redemption [Actual/360]  
Amounts and late payment: [Actual/365]

### **Provisions Relating to Redemption**

18. Issuer Call: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of*

*this paragraph)*

- (i) Optional Redemption [    ]  
Date(s):
- (ii) Optional Redemption [[    ] per Calculation Amount]  
Amount(s):
- (iii) If redeemable in part:
  - (A) Minimum Redemption Amount: [    ]
  - (B) Maximum Redemption Amount: [    ]
- (iv) Notice period (if other than [    ]  
set out in the Conditions):

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)*

19. Issuer Refinancing Call: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Date from which Issuer Refinancing Call may be exercised:

*(Insert date three months prior to Maturity Date of the Notes)*

- (ii) Notice period (if other than [    ]  
set out in the Conditions):

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)*

20. Make-whole Redemption Call [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Notice period (if other than [ ] set out in the Conditions):

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)*

- (ii) Parties to be notified by Issuer of Make-whole Redemption Date and Make-whole Redemption Amount in addition to those set out in Condition 6(c)(C): [ ]/Not Applicable]

- (iii) Discounting basis for purposes of calculating sum of the present values of the remaining scheduled payments of principal and interest on Redeemed Notes in the determination of the Make-whole Redemption Amount: [Annual/Semi-Annual/Quarterly]

- (iv) Make-Whole Redemption Margin: [ ]

- (v) Quotation Agent: [ ]/[Not Applicable]

- (vi) Reference Dealers: [give details]

- (vii) Reference Screen Rate: [give details]

- (viii) Reference Security: [give details]

21. Investor Put: [Applicable/Not Applicable/Applicable – Change of Control]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]

- (ii) Optional Redemption Amount(s): [[ ] per Calculation Amount]

- (iii) Notice period (if other than [ ] set out in the Conditions):

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)*

22. Final Redemption Amount: [[ ] per Calculation Amount]
23. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [[ ] per Calculation Amount/As set out in Condition 6(e)]

### **General Provisions Applicable to the Notes**

24. Form of Notes:

- (i) Form

[Bearer Notes:

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 30 days' notice given at any time/only upon an Exchange Event, subject to mandatory provisions of applicable laws and regulations].]

[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date. [subject to mandatory provisions of applicable laws and regulations].]

[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 30 days' notice given at any time/only upon an Exchange Event, subject to mandatory provisions of applicable laws and regulations].]

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

[Registered Notes:

Regulation S Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/ a common safekeeper for Euroclear and Clearstream,

Luxembourg]/Rule 144A Global Note (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/ a common safekeeper for Euroclear and Clearstream, Luxembourg]/Definitive IAI Registered Notes (*specify nominal amounts*).]

(ii) New Global Note [Yes] [No]

25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]

(Note that this paragraph relates to the date and place of payment and not Interest Period end date to which paragraph 16(iii) relates)

26. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

27. For the purposes of Condition 13, notices to be published in the Financial Times: [Yes/No]

28. Condition 7(a) or 7(b) of the Notes applies: [Condition 7(a) applies and Condition 6(b) does not apply/Condition 7(b) applies and Condition 6(b) applies]

### THIRD PARTY INFORMATION

[Relevant third party information, has been extracted from *[specify source]*. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by *[specify source]*, no facts have been omitted which would render the reproduced information inaccurate or misleading

Signed on behalf of Koninklijke KPN N.V.

By: .....  
Duly authorised

- (1) For Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY 0.01, CNY 0.005 for the case of Renminbi denominated Fixed Rate Notes, being rounded upwards."
- (2) Note that for Renminbi denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, it will be necessary to use the second option here.
- (3) Note that for certain Renminbi denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext Amsterdam/specify other relevant regulated and, if relevant, listing on an official list] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext Amsterdam/specify other relevant regulated and, if relevant, listing on an official list] with effect from [ ].] [Not Applicable.]

*(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

- (ii) Estimate of total expenses related to admission to trading [ ]

### 2. RATINGS

Ratings: The Notes to be issued [have been][are expected to be] rated [ ] by [Insert the legal name of the relevant credit rating agency]

[Each of] [name of credit rating agency/ies] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE]

[Save for any fees payable to the Managers/Dealer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Managers/Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. – Amend as appropriate if there are other interests]

### 4. REASONS FOR THE OFFER; ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer: [ ]]

[(ii)] Estimated net proceeds: [ ]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*



[(iii)] [Estimated total expenses:] [ ] [Include breakdown of expenses]  
*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks regardless of the minimum denomination of the Notes and where this is the case, disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

## 5. YIELD (Fixed Rate Notes only)

Indication of yield: [ ]

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

## 6. OPERATIONAL INFORMATION

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) CUSIP: [ ]

(iv) CINS: [ ]

(v) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Societe Anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

(vi) Delivery: Delivery [against/free of] payment

(vii) Names and addresses of additional Paying Agent(s) (if any): [ ]

(viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

[Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,] [include this text for Registered Notes which are to be held under the NSS] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon

issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if "yes" selected in which case Bearer Notes must be issued in NGN form]*

## 7. DISTRIBUTION

- (i) If syndicated, names of [Not Applicable/give names]  
Managers:

*(Include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issues without a firm commitment or on a 'best efforts' basis if such entities are not the same as the Managers.)*

- (ii) Date of [Syndication] [ ]  
Agreement:

- (iii) Stabilisation Manager[s] (if [Not Applicable/give names]  
any):

- (iv) If non-syndicated, name of [Not Applicable/give name and address]  
relevant Dealer:

- (v) U.S. Selling Restrictions: [Rule 144A; Reg. S Compliance Category 2; TEFRA D  
Rules applicable/TEFRA C Rules applicable/TEFRA not  
applicable]

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of Notes to be issued by the Issuer which will be incorporated by reference into each global Note and which will be endorsed on (or, if permitted by the rules of the relevant stock exchange and agreed between the Issuer and the relevant Dealer, incorporated by reference into) each definitive Note in the standard euromarket form. The applicable Final Terms will be endorsed on, incorporated by reference into, or attached to, each global Note and definitive Note in the standard euromarket form. Reference should be made to Form of the Notes above for a description of the content of Final Terms which includes the definition of certain terms used in the following Terms and Conditions.*

This Note is one of a series of Notes issued by Koninklijke KPN N.V. (the **Issuer**, which expression shall include any Substituted Debtor (as defined in Condition 16)) pursuant to the Agency Agreement (as defined below). References herein to the 'Notes' shall be references to the Notes of this Series (as defined below) and shall mean (i) in relation to any Notes represented by a global Note, units of each Specified Denomination in the Specified Currency, (ii) definitive Notes in bearer form (**Bearer Notes**) issued in exchange (or part exchange) for a global Note in bearer form, (iii) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange (or part exchange) for a global Note in registered form) and (iv) any global Note. The holders of the Notes and the Coupons (as defined below) are deemed to have notice of, are entitled to the benefit of and are subject to the provisions of an Amended and Restated Agency Agreement dated 1 April 2014 (the **Agency Agreement**), as further amended and/or supplemented and/or restated from time to time and made between the Issuer, Citibank, N.A. as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Citibank, N.A. as exchange agent (the **Exchange Agent**, which expression shall include any successor exchange agent) and as registrar (the **Registrar**, which expression shall include any successor registrar) and as transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents** (such agents being together referred to as **Agents**), which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes in the standard euromarket form (unless otherwise indicated in the applicable Final Terms) have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and global Notes do not have Coupons or Talons attached on issue. Any reference herein to **Noteholders** shall mean (in the case of Bearer Notes) the holders of the Notes, and (in the case of Registered Notes) the persons in whose names the Notes are registered, and shall, in relation to any Notes represented by a global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons, and shall, unless the context otherwise requires, include the holders of the Talons. Any holders mentioned above include those having a credit balance in the collective depots held by a participant of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (**Euroclear Nederland**).

The Final Terms for this Note is endorsed hereon or attached hereto or applicable hereto or incorporated by reference herein and supplements these Terms and Conditions. References herein to the **applicable Final Terms** are to the Final Terms for this Note.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) from the date on which such consolidation is expressed to take effect except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the applicable Final Terms are available free of charge at the registered office of the Issuer and at the specified offices of the Paying Agents and in an electronic form on the website of the Issuer (<http://www.kpn.com/corporate/aboutkpn/Investor-Relations.htm>). The Noteholders and the Couponholders are deemed to have notice of, are entitled to the benefit of and are subject to all the provisions of the applicable Final Terms which are binding on them.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated, and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. Form, Denomination and Title**

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency, the Specified Denomination(s) and the Form(s) specified in the applicable Final Terms.

This Note is a Senior Note or a Subordinated Note as indicated in the applicable Final Terms. This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending on the Interest Basis and Redemption/Payment Basis indicated in the applicable Final Terms.

Bearer Notes in definitive form are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. For Notes held by Euroclear Nederland deliveries will be made in accordance with the Securities Giro Transfer Act (*Wet giraal effectenverkeer*). Except as ordered by a court of competent jurisdiction or as required by law or applicable regulations, the Issuer and the Agents may deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant global Bearer Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such Notes in accordance with and subject to the terms of the relevant global Note (and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly). Notes which are represented by a global Note held by a common depository for Euroclear or Clearstream, Luxembourg will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

For so long as the Depository Trust Company (**DTC**) or its nominee is the registered owner or holder of a Registered Global Note (as defined in Condition 2(h)), DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

References to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms but shall not include Euroclear Nederland.

## **2. Transfers of Registered Notes**

### **(a) *Transfers of interests in Registered Global Notes***

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

### **(b) *Transfers of Registered Notes in definitive form***

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (a) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request and that the transfer is in compliance with the transfer restrictions set forth in such Registered Note. Any such transfer will be subject to such regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 9 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Notes under Condition 6, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) *Costs of registration*

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) *Transfers of interests in Regulation S Global Notes*

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:
  - (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
  - (B) to a person who is an Institutional Accredited Investor, together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an **IAI Investment Letter**); or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period such certification requirements will no longer apply to such transfers.

(f) *Transfers of interests in Legended Notes*

Transfers of Legended Notes or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests

in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

- (ii) to a transferee who takes delivery of such interest through a Legended Note:
  - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
  - (B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) *Exchanges and transfers of Registered Notes generally*

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) *Definitions*

In this Condition, the following expressions shall have the following meanings:

**Distribution Compliance Period** means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

**Institutional Accredited Investor** means ‘accredited investors’ (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions;

**Legended Notes** means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) issued to QIBs which bear certain legends regarding U.S. restrictions on transfer;

**QIB** means a ‘qualified institutional buyer’ within the meaning of Rule 144A;

**Registered Global Note** means a Regulation S Global Note or a Rule 144A Global Note;

**Regulation S** means Regulation S under the Securities Act;

**Regulation S Global Note** means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

**Rule 144A** means Rule 144A under the Securities Act;

**Rule 144A Global Note** means a Registered Global Note representing Notes sold in the United States to QIBs in reliance on Rule 144A or otherwise in private transactions exempt from the registration requirements of the Securities Act; and

**Securities Act** means the United States Securities Act of 1933, as amended.

### **3. Status of the Notes and Negative Pledge**

#### *(a) Status of the Senior Notes*

The Senior Notes and the relative Coupons constitute direct, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (with the exception of obligations in respect of national and local taxes and certain other statutory exceptions) equally with all other unsecured and unsubordinated obligations of the Issuer.

#### *(b) Negative Pledge relating to the Senior Notes*

So long as the Senior Notes or any relative Coupons remain outstanding, the Issuer will not secure by lien, pledge or other charge upon the whole or part of its assets or revenues any present or future Public Debt (as defined below) of the Issuer without at the same time securing the Senior Notes equally and rateably with such Public Debt or providing such other security as the Senior Noteholders may approve by an Extraordinary Resolution (as defined in the Agency Agreement).

**Public Debt** means any loan, debt, guarantee or other obligation which is represented by bonds or notes or other securities which have an initial life exceeding two years and which are capable of being listed on any stock exchange or over-the-counter or other similar securities market.

#### *(c) Status and Subordination of the Subordinated Notes*

The Subordinated Notes (being those Notes that specify their status as Subordinated) and the Coupons relating to them constitute unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the insolvency (bankruptcy) (*faillissement*) or moratorium (*surseance van betaling*) or dissolution (*ontbinding*) or liquidation (*vereffening*) of the Issuer, the payment obligations of the Issuer under or in respect of the Subordinated Notes and the Coupons relating to them, shall rank in right of payment after unsubordinated unsecured creditors of the Issuer, and any set-off by holders of a Subordinated Note shall be excluded until all obligations of the Issuer vis-à-vis its unsubordinated unsecured creditors have been satisfied, but at least *pari passu* with all other subordinated obligations of the Issuer that are not expressed by their terms to rank junior to the obligations of the Issuer under or in respect of the Subordinated Notes, and in priority to the claims of shareholders of the Issuer.



#### 4. Interest

##### (a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from and including the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period or if, in the case of Notes in definitive form, no Fixed Coupon Amount is specified in the applicable Final Terms, such interest shall be calculated by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if 'Actual/Actual (ICMA)' is specified in the applicable Final Terms:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the

number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (ii) if '30/360' is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.

In these Terms and Conditions:

**Determination Period** means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes*

(i) Interest Payment Dates

Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls on the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in

the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, **Business Day** means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and in any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) or any successor thereto is open or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of the Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA

Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is the period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or on the Euro-zone inter-bank offered rate (**EURIBOR**) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this subparagraph (B) in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period shall in no event be less than such

Minimum Rate of Interest and/or if it specifies a Maximum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period shall in no event be greater than such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and Calculation of Interest Amount

The Principal Paying Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(b):

- (1) if 'Actual/Actual (ISDA)' or 'Actual/Actual' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (2) if 'Actual/365 (Fixed)' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (3) if 'Actual/365 (Sterling)' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (4) if 'Actual/360' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (5) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (6) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (7) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

- (v) Notification of Rate of Interest and Interest Amount.

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) following the commencement of the relevant Interest Period. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

- (vi) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b) by the Principal Paying Agent or, if applicable, the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent, if applicable, the other Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or, if

applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 13.

**5. Payments**

(a) *Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro and Renminbi will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency;
- (ii) payments in Renminbi will be made by transfer to an account denominated in that currency and maintained by the payee with a bank in Hong Kong; and
- (iii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

(b) *Presentation of definitive Notes and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against surrender of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States.

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not



being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due. Upon any Fixed Rate Note in bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons in respect of any such Talons will be issued.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. Where any such Note is presented for redemption without all unmatured Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require. A **Long Maturity Note** is a Fixed Rate Note in bearer form (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) *Payments in respect of global Bearer Notes*

Payments of principal and interest (if any) in respect of Notes represented by any global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant global Bearer Note against presentation or surrender, as the case may be, of such global Bearer Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such global Bearer Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Bearer Note by such Paying Agent (and such record shall be *prima facie* evidence that the payment in question has been made) or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

(d) *Payments in respect of Registered Notes*

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the nominal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated**

**Account** means the account maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro and Renminbi) a bank in the principal financial centre of the country of such Specified Currency, (in the case of a payment in Renminbi) a bank in Hong Kong and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifth day (in the case of any sum payable in Renminbi) and on the fifteenth day (in the case of any sum payable in a currency other than Renminbi) (whether or not such fifth day or fifteenth day is a business day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the nominal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *General provisions applicable to payments*

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear and/or Clearstream, Luxembourg or DTC, for his share of each payment so made by the Issuer to, or to the

order of, the holder of such global Note. No person other than the holder of such global Note shall have any claim against the Issuer in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of the Notes will be made at the specified office of a Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)) if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to any further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which, subject to Condition 8, is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form, the relevant place of presentation; and
  - (B) any Additional Financial Centre specified in the applicable Final Terms; andeither (1) in relation to any sum payable in a Specified Currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in Renminbi, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed or (3) in relation to any sum payable in euro, a day on which the TARGET2 System or any successor thereto is open; and
- (ii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) *Payment of Relevant Currency Equivalent*

Notwithstanding all other provisions in these Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able, or it would be impracticable for it, to satisfy payments due under the Notes or Coupons in Renminbi in Hong Kong, the Issuer shall, on giving not less than three and not more than 30 days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment in whole or in part in the Relevant Currency on the due date for payment at the Relevant Currency Equivalent of any such Renminbi denominated amount.

In such event, payments of the Relevant Currency Equivalent of the relevant amounts due under the Notes or Coupons shall be made in accordance with Condition 5(a)(i), 5(a)(iii) or Condition 5(d), as applicable.

In this Condition 5(g):

**Governmental Authority** means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

**Illiquidity** means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to make a payment under the Notes or Coupons;

**Inconvertibility** means the occurrence of any event that makes it impossible for the Issuer to convert into Renminbi any amount due in another currency into the amount of Renminbi in respect of the Notes or Coupons in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer and/or any of its respective affiliates to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer and/or its affiliates due to an event beyond its control, to comply with such law, rule or regulation);

**Non-transferability** means the occurrence of any event that makes it impossible for the Issuer to deliver Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer and/or any of its affiliates to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer and/or its affiliates due to an event beyond its control, to comply with such law, rule or regulation);

**Rate Calculation Business Day** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and the principal financial centre of the Relevant Currency (which is, in the case of euro, a day on which the TARGET System is operating);

**Rate Calculation Date** means the day which is two Rate Calculation Business Days before the due date of the relevant amount under these Conditions;

**Relevant Currency** means the currency specified in the Final Terms;

**Relevant Currency Equivalent** means the Renminbi amount converted into the Relevant Currency using the Spot Rate for the relevant Rate Calculation Date; and

**Spot Rate**, for a Rate Calculation Date, means the spot rate between Renminbi and the Relevant Currency, as determined by the Calculation Agent (or if none has been appointed, an agent appointed by the Issuer for this purpose) at or around 11.00 a.m. (Hong Kong time) on such date in good faith and in a reasonable commercial manner; and if a spot rate is not readily available, the Calculation Agent or such agent appointed under this Condition may determine the rate taking into consideration all available information which the Calculation Agent or such agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in Hong Kong or elsewhere and the PRC domestic foreign exchange market.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(g) by the Calculation Agent or such agent appointed under this Condition, will (in the absence of manifest error) be conclusive and binding on the Issuer, the Agents and all holders of the Notes.

(h) *Interpretation of Principal and Interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount as defined in Condition 6; and
- (vi) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

**6. Redemption and Purchase**

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for Tax Reasons*

Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes,) or on any Interest Payment Date (in the case of Floating Rate Notes), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable) if, on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any political subdivision or any authority thereof or therein having

power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes. Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the Option of the Issuer*

(A) Issuer Call

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms to the Noteholders in accordance with Condition 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar,

(both of which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear, Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), DTC and/or Euroclear Nederland, in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph (A) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least 5 days prior to the Selection Date.

(B) Issuer Refinancing Call

If Issuer Refinancing Call is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms to the Noteholders in accordance with Condition 13; and

- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar,

(both of which notices shall be irrevocable), at any time, or from time to time, on or after the date specified in the applicable Final Terms (being three months prior to the Maturity Date of the Notes) redeem all or some of the Notes then outstanding on such redemption date (the **Refinancing Repurchase Date**) at their nominal amount together, if appropriate, with interest accrued to (but excluding) the Refinancing Repurchase Date.

In the case of a partial redemption of Notes, the relevant provisions of Condition 6(c)(A) shall apply *mutatis mutandis* to this Condition 6(c)(B).

(C) Issuer Make-whole Redemption Call

If the Issuer Make-whole Redemption Call is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms to the Noteholders in accordance with Condition 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i) above, notice to the Principal Paying Agent or, in the case of a redemption of Registered Notes, the Registrar, the Quotation Agent and such other parties as may be specified in the applicable Final Terms,

(both of which notices shall be irrevocable), on the dates specified in the applicable Final Terms redeem all or some only of the Notes then outstanding on such redemption date (each such date, a **Make-whole Redemption Date**) at their relevant Make-whole Redemption Amount.

**Calculation Date** means the third Business Day (as defined in Condition 4 above) prior to the Make-whole Redemption Date.

**Make-whole Redemption Amount** means the sum of:

- (i) the greater of (x) the Final Redemption Amount of the Notes so redeemed and (y) the sum of the then present values of the remaining scheduled payments of principal and interest on such Notes (excluding any interest accruing on the Notes to, but excluding, the relevant Make-whole Redemption Date) discounted to the relevant Make-whole Redemption Date on either an annual, a semi-annual or a quarterly basis (as specified in the applicable Final Terms) at the Make-whole Redemption Rate plus a Make-whole Redemption Margin; and
- (ii) any interest accrued but not paid on the Notes to, but excluding, the Make-whole Redemption Date,

as determined by the Quotation Agent and as notified on the Calculation Date by the Quotation Agent to the Issuer, the Principal Paying Agent and such other parties as may be specified in the applicable Final Terms.

**Make-whole Redemption Margin** means the margin specified as such in the applicable Final Terms.

**Make-whole Redemption Rate** means the average of the number of quotations given by the Reference Dealers of the mid-market yield to maturity of the Reference Security on the third Business Day preceding the Make-whole Redemption Date at 11:00 a.m. (Central European Time (CET)).

**Quotation Agent** means any Dealer or any other international credit institution or financial services institution appointed by the Issuer for the purpose of determining the Make-whole Redemption Amount, in each case as such Quotation Agent is identified in the applicable Final Terms.

**Reference Dealers** means each of the banks, as specified in the applicable Final Terms, selected by the Quotation Agent, which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues.

**Reference Screen Rate** means the screen rate specified as such in the applicable Final Terms.

**Reference Security** means the security specified as such in the applicable Final Terms. If a Reference Security is no longer outstanding, a Similar Security will be chosen by the Quotation Agent at 11:00 a.m. (CET) on the Calculation Date, quoted in writing by the Quotation Agent to the Issuer and published in accordance with Condition 13 (Notices).

**Similar Security** means a reference bond or reference bonds issued by the same issuer as the Reference Security having actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Quotation Agent shall (in the absence of manifest error) be final and binding upon all parties.

In the case of a partial redemption of Notes, the relevant provisions of Condition 6(c)(A) shall apply *mutatis mutandis* to this Condition 6(c)(C).

(d) *Redemption of Notes at the Option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 6(d) in any multiple of their lowest Specified Denomination.

If the Notes are in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of the Notes its holder must deliver such Notes at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (the **Put Notice**) and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made



under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a global Note, at the same time present or procure the presentation of the relevant global Note to the Principal Paying Agent for notation accordingly. If this Note is in definitive form and not held through Euroclear or Clearstream, Luxembourg, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If Investor Put – Change of Control is specified in the applicable Final Terms, the following provisions will apply. If there occurs a Change of Control (as defined below) and within the Change of Control Period (as defined below) a Rating Downgrade (as defined below) in respect of that Change of Control occurs (together called a **Put Event**), the holder of each Note will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Notes under Condition 6(b)) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Optional Redemption Date (as defined below) at its nominal amount together with (or, where purchased, together with an amount equal to) accrued interest to but excluding the Optional Redemption Date.

**Rating Agency** means Moody's Investors Service España S.A., Standard & Poor's Credit Market Services France S.A.S. or Fitch Ratings Ltd. and their respective successors or affiliates or any other rating agency of equivalent international standing specified from time to time by the Issuer.

A **Rating Downgrade** shall be deemed to have occurred in respect of a Change of Control (i) if within the Change of Control Period any rating previously assigned to the Issuer by any two Rating Agencies (if three Rating Agencies have assigned a rating to the Issuer) or by any Rating Agency (if only one or two Rating Agencies have assigned a rating to the Issuer) is (x) withdrawn or (y) changed from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a noninvestment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or (z) (if the rating assigned to the Issuer by any two Rating Agencies shall be below an investment grade rating (as described above)) lowered one full rating category (from BB+/Ba1 to BB/Ba2 or such similar lower or equivalent rating), or (ii) if at the time of the Change of Control there is no rating assigned to the Issuer and no Rating Agency assigns during the Change of Control Period an investment grade credit rating (as described above) to the Issuer (unless the Issuer is unable to obtain such a rating within such period having used all reasonable endeavours to do so and such failure is unconnected with the occurrence of the Change of Control) provided, in each case, that a Rating Downgrade otherwise arising by virtue of a particular change in rating, or failure to obtain an investment grade rating (as described above) shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in or withdrawing the rating, or failing to award an investment grade rating (as described above), to which this definition would otherwise apply does not announce publicly or confirm in writing to the Issuer that the withdrawal, reduction or such failure was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control.

A **Change of Control** shall be deemed to have occurred at each time (whether or not approved by the Management Board or Supervisory Board of the Issuer) that any person or persons ('Relevant Person(s)') acting in concert or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly or acquire(s) or come(s) to own (A) more than 50 per cent. of the issued ordinary share capital of the Issuer or (B) such number of the shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of shareholders of the Issuer.

**Change of Control Period** means the period ending 90 days after the occurrence of the Change of Control.

The **Optional Redemption Date** is the seventh day after the last day of the Put Period.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 13 specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option contained in this Condition 6(d).

To exercise the option to require redemption or, as the case may be, purchase of a Note under this Condition 6(d) in relation to a Change of Control, the holder of that Note must deliver such Note, on any Business Day (as defined in Condition 4) in the city of the specified office of the relevant Paying Agent, falling within the period (the **Put Period**) of 45 days after a Put Event Notice is given, to any Paying Agent, as well as a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **Put Notice**) and in which the holder may specify a bank account to which payment is to be made under this Condition 6(d). The Paying Agent to which such Note and Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt (a **Receipt**) in respect of the Notes so delivered. Payment by the Paying Agents in respect of any Notes so delivered shall be made either to the bank account duly specified in the relevant Put Notice or, if no account was so specified, by cheque on or after the Optional Redemption Date against presentation and surrender of such Receipt at the specified office of any Paying Agent. A Put Notice once given shall be irrevocable.

(e) *Early Redemption Amount*

For the purpose of paragraph (b) above and Condition 9, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the Early Redemption Amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + AY)^Y$$

where:

**RP** means the Reference Price specified in the applicable Final Terms;

**AY** means the Accrual Yield expressed as a decimal specified in the applicable Final Terms; and

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(f) *Purchases*

The Issuer or any of its subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, re-issued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

(g) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (f) above (together with all unmatured Coupons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be re-issued or resold.

(h) *Late Payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e) (iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 13.

**7. Taxation**

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Netherlands or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer will, depending on which provision is specified in the applicable Final Terms, either:

- (a) make the required withholding or deduction of such taxes, duties, assessments or governmental charges for the account of the holders of the Notes or Coupons, as the case may be, and shall not pay any additional amounts to the holders of the Notes or Coupons; or
- (b) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:
  - (i) presented for payment by or on behalf of a Noteholder or Couponholder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Netherlands other than the mere holding of such Note or Coupon or the receipt of principal or interest in respect thereof; or
  - (ii) presented for payment by or on behalf of a Noteholder or Couponholder who would not be liable or subject to the withholding or deduction by making a declaration of non residence or other similar claim for exemption to the relevant tax authority; or
  - (iii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day; or
  - (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - (v) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

As used herein, the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

## 8. Prescription

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of five years after the date on which the relevant payment first becomes due.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

## 9. Events of Default

### Senior Notes

In the case of Senior Notes only, if any one or more of the following events (each an **Event of Default**) shall have occurred and be continuing:

- (i) there is failure for more than 14 days in the payment of any principal or interest in respect of any Note when and as the same is due to be paid; or
- (ii) the Issuer fails to perform or observe any of its other obligations under the Notes and such failure continues for a period of 30 days next following the service on the Issuer of notice requiring the same to be remedied; or
- (iii) the Issuer fails in the due repayment of borrowed money in an amount which exceeds €50,000,000 (or its equivalent in other currency or currencies) and such failure continues for a period of 14 days after notice of such failure has been received by the Issuer or the Issuer fails to honour a guarantee or indemnity in respect of an amount in excess of €50,000,000 (or its equivalent in other currency or currencies) and such failure continues for a period of 14 days after notice of such failure has been received by the Issuer, provided however always that in each case no Event of Default shall be deemed to have occurred if the Issuer is contesting its liability in good faith or shall have been ordered not to make such payment by a competent court; or
- (iv) the Issuer becomes bankrupt or subject to a moratorium (*surseance van betaling*) or an order is made or an effective resolution is passed for the winding-up or liquidation of the Issuer (except if such order or resolution is made or passed for the purposes of any merger, consolidation or reconstruction in the case where either (a) prior consent thereto has been given by Extraordinary Resolution of the Noteholders or (b) the surviving or resulting company assumes all of the rights and obligations of the Issuer with respect to the Notes); or
- (v) the Issuer ceases to carry on the whole or substantially the whole of its business except for the purposes of any merger, consolidation or reconstruction in the case where either (a) prior consent thereto has been given by Extraordinary Resolution of the Noteholders or (b) the surviving or resulting company assumes all of the rights and obligations of the Issuer with respect to the Notes;

then each Noteholder may by written notice to the Issuer, at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare the principal of and all interest accrued on its Notes to the date of payment to be forthwith due and payable, and the same shall become immediately due and payable, unless prior to the time when such written notice is received all such defaults have been cured.

### Subordinated Notes

In the case of Subordinated Notes only, if the following event (an **Event of Default**) shall occur and is continuing:

the Issuer becomes bankrupt or subject to a moratorium (*surseance van betaling*) or an order is made or an effective resolution is passed for the winding-up or liquidation of the Issuer (except if such order or resolution is made or passed for the purposes of any merger, consolidation or reconstruction in the case where either (a) prior consent thereto has been given by Extraordinary Resolution of the Noteholders or (b) the surviving or resulting company assumes all of the rights and obligations of the Issuer with respect to the Notes),

then each Noteholder may by written notice to the Issuer, at the specified office of the Principal Paying Agent or the Registrar (in the case of Registered Notes), effective upon the date of receipt thereof by the Principal Paying Agent or the Registrar, declare the principal of and all interest accrued on its Notes to the date of payment to be forthwith due and payable, and the same shall become immediately due and payable, unless prior to the time when such written notice is received all such defaults have been cured.

#### **10. Replacement of Notes, Coupons and Talons**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

#### **11. Agents**

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (i) so long as the Notes are listed or admitted to trading on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent, (in the case of Bearer Notes) and a Transfer Agent, which may be the Registrar, (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (ii) there will at all times be a Paying Agent with a specified office in a city in a member country of the European Union;
- (iii) there will at all times be a Principal Paying Agent and a Registrar;
- (iv) there will at all times be a Paying Agent with a specified office situated outside the Netherlands;
- (v) so long as any of the Registered Global Notes are registered in the name of a nominee for DTC, there will at all times be an Exchange Agent with a specified office in New York City; and
- (vi) the Issuer will ensure that it maintains a Paying Agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 5(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets

to become the successor agent. In the case of a change of any of the Paying Agents, a notice will be published in accordance with Condition 13.

## **12. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

## **13. Notices**

All notices regarding the Bearer Notes shall be published (i) in at least one daily newspaper of wide circulation in the Netherlands, (ii) if so specified in the applicable Final Terms, in a leading English language daily newspaper of general circulation in London and (iii) if and for so long as the Bearer Notes are listed on Euronext Amsterdam, by the delivery of the relevant notice to Euronext Amsterdam and through a press release which will also be made available on the website of the Issuer ([www.kpn.com](http://www.kpn.com)). In the case of (ii) above, it is expected that any such publication will be made in the Financial Times in London. Any such notice will be deemed to have been given on the date of the first publication in all the newspapers and/or via other channels through which such publication is required to be made.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of the relevant authority of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules and regulations of that stock exchange.

Until such time as any definitive Notes are issued, there may (provided that, in the case of any publication required by a stock exchange, that stock exchange agrees), so long as the global Note(s) is or are held in its or their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for publication in some or all of the newspapers referred to above, the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Where the identity of all the holders of the Notes is known to the Issuer, the Issuer may (provided that, in the case of any publication required by a stock exchange, that stock exchange agrees) give notices individually to such holders in lieu of publication as provided above.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together in the case of any Note in definitive form with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar via Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent or the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

Whilst any of the Notes are represented by a global Note deposited with Euroclear Nederland, the Issuer, the Agents and Euroclear Nederland shall mutually agree on such rules for form and contents of communications between them as they may deem practical for the purpose of giving effect to these Terms and Conditions.

#### **14. Meetings of Noteholders, Modification and Waiver**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or certain provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or Coupons), the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

- (i) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons or the Agency Agreement which is not materially prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

#### **15. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

#### **16. Substitution of the Issuer**

- (a) The Issuer (which for the purpose of this Condition, save where the context requires otherwise, includes any previous substitute of the Issuer) under this Condition may and the Noteholders and the Couponholders hereby irrevocably agree in advance that the Issuer under this Condition may at any time substitute any company (incorporated in any country in the world), of which more than 90 per cent. of the shares or other equity interest carrying voting rights are directly or indirectly held by the



Issuer, as the principal debtor in respect of the Notes (any such company, the **Substituted Debtor**), provided that:

- (i) such documents shall be executed, and notices be given, by the Substituted Debtor and the Issuer as the Principal Paying Agent may deem reasonably necessary to give full effect to the substitution and pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder and Couponholders to be bound by these Terms and Conditions and the provisions of the Agency Agreement as the principal debtor in respect of the Notes and Coupons in place of the Issuer;
- (ii) in accordance with and subject to Condition 7, no taxes or duties shall be required to be withheld or deducted at source in the territory where the Substituted Debtor is incorporated, domiciled or resident (unless the withholding or deduction would be borne by the Substituted Debtor, in which case sub-clause (b) of Condition 7 shall apply);
- (iii) all necessary governmental and regulatory approvals and consents for such substitution and for the giving by Koninklijke KPN N.V. of the Guarantee (as defined below) in respect of the obligations of the Substituted Debtor shall have been obtained and be in full force and effect;
- (iv) Condition 9 shall be deemed to be amended so that it shall also be an Event of Default under the said Condition if the Guarantee (as defined below) shall cease to be valid or binding on or enforceable against Koninklijke KPN N.V.;

and (if the Substituted Debtor is not Koninklijke KPN N.V.) upon the Notes and Coupons becoming valid and binding obligations of the Substituted Debtor, Koninklijke KPN N.V. undertakes that it will irrevocably and unconditionally guarantee in favour of each Noteholder and Couponholder the payment of all sums payable by the Substituted Debtor as such principal debtor (such guarantee of Koninklijke KPN N.V. to be substantially in the form scheduled to the Agency Agreement and herein referred to as the **Guarantee**).

- (b) The Substituted Debtor shall forthwith give notice of the substitution to the Noteholders and the Couponholders in accordance with Condition 13.

## **17. Governing Law and Submission to Jurisdiction**

The Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, the laws of the Netherlands.

The Issuer irrevocably agrees, for the benefit of the Noteholders and the Couponholders, that the courts of Amsterdam are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the Amsterdam courts.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## DESCRIPTION OF THE COMPANY

Certain references in the section below (included in the form of footnotes) have been made to information published by third parties. The relevant publications that have prepared and published the information are sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by the relevant publications, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## SELECTED FINANCIAL INFORMATION

### Summary of Historic Financial data

The following tables show the Issuer's selected historical financial data for the years ended 31 December 2013 and 2012. All key figures presented are based on KPN's continuing operations and do not include the financial results of E-Plus (unless otherwise stated). E-Plus is classified as held for sale and discontinued operations. Some small operations in Germany will not be sold and remain reported in continuing operations.

The Consolidated Financial Statements for the years 2013 and 2012 have been prepared in accordance with IFRS-EU.

This table should be read together with 'Financial and operating review' and our Consolidated Financial Statements and the Notes thereto, included in the 2013 integrated Annual Report.

Amounts in millions of euro, except for shares and per share data		
	<b>2013</b>	<b>2012</b> (restated IAS19R and E-plus)
<b>Income Statement Data</b>		
Revenues	8,443	9,308
Other income	29	150
Operating profit	1,026	1,386
Profit before income tax	262	518
Profit for the year from continuing operations	293	314
Profit (loss) for the year from discontinued operations	-508	451
Profit (loss) attributable to equity holders	-222	763
Earnings per ordinary share and per American Depositary Share (ADS) from continuing operations (non-diluted) <sup>(1)</sup>	0.07	0.14
Earnings per ordinary share and per ADS from continuing operations on a fully diluted basis <sup>(1)</sup>	0.07	0.13
Earnings per ordinary share and per ADS from discontinued operations (non-diluted) <sup>(1)</sup>	-0.14	0.19
Earnings per ordinary share and per ADS from discontinued operations on a fully diluted basis <sup>(1)</sup>	-0.14	0.19
Weighted average number of outstanding ordinary shares	3,536,302,579	2,348,443,311
Weighted average number of outstanding ordinary shares on a fully diluted basis	3,540,392,784	2,350,579,468

## Balance Sheet Data

	31 December 2013	31 December 2012
Total assets (incl. assets classified as held for sale)	25,872	22,301
Non-current assets and disposal groups classified as held for sale	9,469	28
Non-current liabilities	13,677	15,104
Non-current provisions and deferred tax liabilities	1,191	2,155
Liabilities directly associated with non-current assets and disposal groups classified as held for sale	1,538	6
Shareholders' equity	5,250	1,283
Group Equity	5,303	1,334
Share capital (including Share premium) <sup>(2)</sup>	10,018	7,061
Number of subscribed shares	4,270,254,664	1,431,522,482

- (1) Historic EPS and number of weighted average number of shares (non-diluted and fully diluted) restated following rights issue based on the adjustment of the historical share price (adjustment factor of 0.60628). Please refer to Note 8 of the Consolidated Financial Statements in the 2013 Annual Report for a discussion on the method used to calculate profit or loss per share.
- (2) Share capital is calculated based on the nominal value of EUR 0.24 as of 31 December 2013. On 21 March 2014, the nominal value of KPN's shares has been reduced to EUR 0.04, pursuant to the decision by the Extraordinary General Meeting of Shareholders on 10 January 2014. As a result the share capital has been reduced with EUR 854 million and the other reserves have been increased with the same amount.

## INFORMATION ABOUT THE ISSUER

### History and development of the Issuer

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 BASE Company, 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, KPN purchased iBasis in 2007, 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. In January 2014, KPN announced that the second option as part of the Fiber-to-the-Home Reggefiber joint-venture agreement has been exercised. This option represents an additional 9% equity stake in Reggefiber and will bring KPN's ownership level to 60% following completion. This option became exercisable on 1 January 2014 and completion is subject to approval by the ACM.

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. In April 2013, Joost Farwerck was appointed as a member of the Board of Management. In September 2013, Eric Hageman left the Board of Management.

In June 2012, América Móvil increased its share ownership in KPN to approximately 29.69%. Its stated reason for this was to diversify geographically with its first significant investment in the European market.

On 20 February 2013, KPN announced that agreement has been reached with its largest shareholder to support KPN in its intention to raise EUR 4 billion equity capital. KPN and América Móvil have also signed an agreement setting out the long-term relationship between the two parties.

On 23 July 2013, KPN entered into a transaction to sell and transfer 100% of its interest in E-Plus to Telefónica Deutschland. On October 2013, the shareholders of KPN approved the transaction. The transaction remains mainly subject to regulatory approval.

On 9 August 2013, América Móvil formally notified KPN of its intention to make an offer to acquire all outstanding ordinary shares of KPN at a price of EUR 2.40 per KPN share (the **Intended Offer**).

On 29 August 2013, the Foundation Preference Shares B KPN (Stichting Preferente Aandelen B KPN) (the **Foundation**) announced that it exercised the option granted by KPN to purchase 4,258,098,272 preference shares B in KPN in order to safeguard the interests of KPN and its stakeholders, including shareholders, employees, customers, trade unions and Dutch society more generally.

On 16 October 2013, América Móvil announced that it has received approval from the AFM for its Intended Offer. However it will not launch the Intended Offer in relation to the exercise of the call option by the Foundation.

On 10 January 2014, the extraordinary meeting of shareholders of KPN approved the proposal to cancel the outstanding preference shares B. The cancellation was executed on 21 March 2014, taking into account the statutory objection period of two months.

### ***Contractual obligations and commercial commitments***

The following table summarises KPN's contractual obligations and commercial commitments as of 31 December 2013, excluding KPN's total non-current and current debt and E-Plus. Total commitments of E-Plus as per 31 December 2013 are EUR 1,808 million. The total commitments of E-Plus as per 31 December 2012 (EUR 1,936 million) are included in the total amount of EUR 6,406 million. 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				Total December 31, 2012
	Less than 1 year	1-5 years	More than 5 years	Total December 31, 2013	
	(EUR in millions)				
Capital and purchase commitments <sup>(1)</sup>	1,113	556	37	1,706	3,557
Rental and operational lease contracts <sup>(2)</sup> .....	203	462	272	937	2,484
Guarantees <sup>(3)</sup> .....	114	76	128	318	351
Other .....	10	3	0	13	14
<b>Total</b> .....	<b>1,440</b>	<b>1,097</b>	<b>437</b>	<b>2,974</b>	<b>6,406</b>

- (1) The decrease in capital and purchase commitments mainly related to capitalized licenses of spectrum 2G, 3G and 4G in 2013.
- (2) Rental and operational lease contracts consist of payment obligations for buildings, site rentals, mobile towers.
- (3) Guarantees consist of financial obligations of Group companies under certain contracts guaranteed by KPN, including certain guarantees provided to Reggefiber.

## **BUSINESS OVERVIEW**

### **Operations**

KPN currently divides its business operations into the Netherlands, Mobile International and iBasis. the Netherlands comprises the Consumer Residential, Consumer Mobile, Business and NetCo segments (IT Solutions was integrated with KPN's Business Market segment from 1 January 2014). 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 December 2013, KPN served approximately 7.4 million mobile services customers (3.5 million postpaid and 3.8 million prepaid).

#### ***Products and services***

KPN pursues a multi-brand approach. The increasing usage of smartphones and tablets leads to an explosive growth in mobile data traffic. High quality brand KPN and youth brand Hi launched propositions with 4G and data bundles varying from 500-6,000MB. Value added services such as Spotify contribute to the service level KPN offers its customers in the premium and youth segments. In the value for money segment, Telfort offers a modular portfolio, including mid-range smartphones. Online brand Simyo focuses on its 'do it yourself' sim only propositions.

KPN's Mobile Wholesale activities offer flexible customized platforms to ensure that partners can successfully introduce their own mobile propositions in the market. Around 2.3 million end-users are connected to the KPN network via its mobile wholesale partners.

#### ***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 on a stand-alone basis and multiplay/triple-play packages, which include multiple products. With KPN Compleet, introduced in January 2013, KPN offers customers a proposition that combines fixed and mobile subscription named "Quadruple play".

#### ***Products and services***

KPN offers fixed-line telephony, broadband internet and TV on a stand-alone basis or through triple-play packages. Continuous improvements in the IPTV proposition have taken place, including series recording, a 'start over' function, a faster and more user friendly user interface and enhanced offering of series and movies on video on demand. Due to the upgraded copper network, KPN is able to provide more customers with higher down-and upload speeds.

KPN services its customers in the residential area with three brands. KPN is the quality brand, providing its customers with value-added services such as Spotify. XS4ALL is the high-end brand for the top of the

market. With Telfort the company serves the value for money segment. These three brands allow KPN to service all segments in the broadband market.

As of 31 December 2013, KPN provided TV services to approximately 2.0 million subscribers, including 1.4 million IPTV customers and 0.6 million other TV connections such as Digitenne and analogue TV. As of 31 December 2013, KPN provided broadband internet service to approximately 2.7 million subscribers in its Dutch network, including five fiber service providers and an active network operator KPN acquired from Reggefiber and Reggeborgh in 2012.

### ***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 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 IT Solutions to Business, to create a single point of contact for sales and telecommunication related services, and to enable IT Solutions to focus on delivery of IT infrastructure solutions.

### ***Products and services***

KPN offers a wide range of solutions to provide customers with seamless continued communication through combined voice-data and fixed-mobile solutions, along with more access-based, flat-fee price plans to provide cost assurance. IP technology provides a foundation for new ways of communication, such as mobile banking, video conferencing, e-learning and electronic payments, enabling a new way of working. The company utilizes different brands to serve customers in all market segments.

In voice and broadband internet services, KPN provides a wide range of fixed-mobile communication solutions. Its traditional business is heavily driven by customer demand for mobile e-mail solutions and broadband internet access, in particular by smartphones, tablets, laptops, desktops and mobile internet cards. KPN continues to simplify its portfolio by introducing integrated solutions, benefiting from the use of its high-speed 4G mobile network and increasing its focus on operational excellence. 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. By integrating IT solutions with KPN's Business Market organization as from 1 January 2014, KPN aims to further improve its ICT services, such as Unified Communications, secure managed devices, private cloud and service aggregation services.

Apart from voice, broadband and data network services, KPN offers an integrated solution to business customers including fixed, mobile, internet communication and ICT services under the product name "KPN ÉÉN". The price of KPN ÉÉN is based on a flat-fee per employee and takes into account different employee profiles.

KPN has also invested in developing cloud-based services which are standardized IT capability (services, software or infrastructure) delivered via internet technologies in a pay-per-use, self-service way. Cloud Services Aggregation enables KPN to leverage KPN Group IT and network capabilities with its customers.



## *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. 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.

### *Infrastructure and products*

#### Copper network

KPN operates high-quality copper networks through NetCo. KPN continuously improves its network through investments in new technologies, such as vectoring, the removal of "noise" between copper wires, significantly increasing the available broadband internet bandwidth (up to more than 120Mbps).

#### 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. With FttH, KPN offers unlimited data transport to customers with high bandwidth requirements and options for expansion such as data networks, and multi-room iTV as well as iTV Online with functionalities on laptop, smartphone and tablet. At the end of 2013, 24% of Dutch households, approximately 1.6million, had FttH available.

#### Wireless network

In the Netherlands, NetCo operates a 4G LTE, 3G UMTS/HSPA+ and a 2G GSM network system. In 2013, continued improvements have been implemented to maintain the best-in-class-network in terms of quality and coverage. KPN continued its network modernization and accelerated the 4G roll-out which was commercially launched in February 2013 in the Netherlands. 4G improves the customer experience by providing significantly higher speeds, up to ten times faster than the 3G network. As of 31 December 2013, KPN reaches 76% indoor 4G coverage in the Netherlands and 36% outdoor 4G coverage in Belgium. Total 4G subscriptions amounted to 543 thousand by the end of 2013 (of which 323 thousand within Consumer Mobile segment and 220 thousand within Business segment).

#### Wholesale services

KPN provides wholesale services that include access to its network infrastructure include access to copper, fiber and mobile network infrastructure such as wholesale fiber and value added services. 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.

NetCo offers a full range of fixed and mobile services and it aims to deliver the best connectivity to wholesale customers, independent of location and device, in an intuitive and customer friendly way. By further migrating to fiber and upgrading the copper network, KPN offers integrated access network and IT services.

## **Mobile International**

### ***Germany (including discontinued operations)***

KPN announced in July 2013 a transaction to sell and transfer 100% of its interest in E-Plus to Telefónica Deutschland. This transaction remains mainly subject to regulatory approval. Following the transfer of E-Plus to Telefónica Deutschland, KPN will receive EUR 5 billion cash proceeds and obtain a 20.5% stake in the combined entity. The combination will have annual revenues of more than EUR 8 billion and total estimated synergies amount to EUR 5.0-5.5 billion. Additionally, the combination will have an enhanced competitive position with a high quality network with ample capacity to address increasing demands for high quality (data) services and an extensive distribution network.

Until completion of the transaction, KPN will remain fully focused on executing its operational strategy for E-Plus. E-Plus will continue to strengthen its position as a data-centric challenger, focused on data and postpaid, supported by its improved network.

#### ***Products and services***

KPN operates through E-Plus to provide customers in Germany multi-brand mobile telecommunications, offering prepaid and postpaid services targeted at multiple market segments.

E-Plus offers various tariff structures with its multi-brand strategy: the E-Plus brand with various bundle packages, Base offering flat fee packages, Simyo as web-only mobile operator and Ay yildiz with a tailor-made offering for the ethnic segment. E-Plus also provide wholesale solutions to partners acting as branded resellers, including Alditalk, WAZ, MTV, NABU and MVNOs like Versatel, NetCologne and Ecotel. In 2013 E-Plus expanded its portfolio further on data propositions to adapt to its customers' need for more mobile data oriented packages, either with or without the Smartphone of their choice.

As of 31 December 2013, E-Plus served approximately 24.9 million mobile services customers in Germany (8.6 million postpaid and 16.4 million prepaid).

### ***Belgium***

KPN operates in Belgium through BASE Company. Through its main brand, BASE, it provides customers with multi-brand mobile telecommunications, offering prepaid and postpaid services targeted at multiple market segments. BASE Company is able to achieve the combination of a high quality network and attractive offerings by running an efficient and low cost operating model. The company is focused to maintain this competitive advantage. Over the last years, BASE Company made significant investments in the further development of its mobile network, focusing on improving coverage, optimising quality and increasing data speeds. In October 2013, BASE Company launched a 4G network. By the end of 2013, 36% of the outdoor population was covered by 4G (based on management estimation). In November, BASE Company acquired the 800MHz license, allowing it to further increase 4G network coverage and performance. The license was acquired for EUR 120 million is valid for 20 years.

#### ***Products and services***

BASE Company's multi-brand strategy offers a full portfolio of mobile services (voice, SMS, mobile data) and content services, such as Spotify, in Belgium.

BASE is the mainstream retail brand, offering prepaid as well as postpaid mobile services. BASE Business also delivers mobile services for the small office/home office (SoHo) and small and medium enterprises (SME) segment.

Next to Mobile, in February 2013 BASE Company introduced “SNOW” in the fixed market in Belgium. SNOW offers a fixed triple-play service combining digital television, fixed internet and fixed telephony. SNOW combines high VDSL and TV quality with an original “à la carte” approach whereby the customer only pays for what he really wants. In September, BASE business introduced a similar fixed-line offering, Pro Net & Tel, combining fixed telephony and fixed internet for the B2B segment. As of 31 December 2013, BASE Company served approximately 3.4 million mobile services customers in Belgium (1.0 million postpaid and 2.4 million prepaid).

### ***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.

iBasis’s strategy is to leverage its global IP infrastructure and expertise, sophisticated back office systems, and substantial scale, to stay competitive in international wholesale voice services, and to be a successful challenger in the Mobile Value Added Services market. In 2013, KPN continued to establish iBasis as a provider of LTE Roaming and Signalling solutions and to develop innovative VAS offerings for mobile network operators.

### ***Products and services***

iBasis offers a comprehensive voice product portfolio consisting of: Certified Voice, Premium Voice and HD Voice. These products offer a progression of code coverage, pricing and features formulated to meet the varied requirements of fixed carriers, mobile operators and voice over broadband internet services.

In the mobile market, in addition to iBasis’s voice products, it offers a portfolio of value-added mobile data services and solutions, including LTE Signalling eXchange, global signalling, mobile messaging and roaming. With this combination of voice and mobile data services, iBasis aims to enhance mobile operators’ average revenue per user (**ARPU**) and customer loyalty.

## **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 enables more efficient, effective and scalable telecom infrastructure usage, providing greater bandwidth and higher speeds.

### ***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.

### ***FttH***

KPN’s deployment of FttH in the Netherlands is being executed through its joint venture, Reggefiber. 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. As of the end of 2013, 24% of the Dutch households, approximately 1.6million, have FttH available.

## *Mobile Infrastructure*

In the Netherlands, KPN's aims to operate a best-in-class network that provides a good customer experience. In 2013 EUR 206 million was invested in the new 4G network and in capacity upgrades of 2G and 3G in the Netherlands.

To be able to handle mobile data growth, KPN has continued the modernization of its 2G and 3G networks, started in 2012. KPN renewed the equipment and antennas. By modernizing and increasing the number of mobile phone masts at the end of 2013, about 96% of the Dutch population had 3G coverage (based on management estimation).

The 4G coverage as of 31 December 2013 was 76% of the Dutch population (based on management estimation) and total 4G subscriptions amounted to 543 thousand (of which 323 thousand within Consumer Mobile segment and 220 thousand within Business segment). 4G offers more bandwidth and thus higher data transfer rates, up to ten times faster than the 3G network, and extended indoor coverage. That puts the company in a position in which KPN can distinguish itself as a provider of integrated services in the Netherlands, because 4G enables the company to bring the performance of mobile and fixed-line internet closer together. KPN expects to have nationwide 4G coverage by the end of Q1 2014.

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 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.

## *Products and services innovation*

### *KPN Compleet and KPN ÉÉN*

In 2013 KPN introduced Compleet in the Netherlands, an all-inclusive package combining television, internet, fixed line and mobile services in one simple product for consumers. Similarly, KPN ÉÉN offers the Dutch business market an integrated solution including fixed, mobile, internet communication and ICT services.

## *Healthcare of the Future*

KPN introduced several innovations in its Healthcare portfolio. With secure email services, classified emails are placed on its eCare network server. Emails can then be securely collected by external users. With existing service Tréés, a mobile alarm device with GPS, KPN carried out a pilot with a new target group, Alzheimer patients, together with KPN Mooiste Contact Fonds and Alzheimer Nederland. KPN is developing a mobile proposition for HealthMedia, so it can be accessed on mobile devices, in addition to the existing fixed bedside terminals.

## *The New Way of Living & Working*

KPN tests and implement innovations on the New Way of Living & Working within the company itself, to make sure the company provides its customers with good products and services. In 2013 the BYOD (Bring Your Own Device) technology was enabled within the KPN Group and a corresponding policy is in development. Furthermore, KPN realized the possibility to connect three different products and services (conference card, Lync and videoconferencing), thereby enabling different communication interfaces within one meeting.

## *Privacy & security*

KPN thinks it is important to provide a safe internet environment for children. For several years the company has been providing the MyBee browser for children to its customers. KPN is now extending this browser to other mobile platforms. An iOS version for iPad and iPhone is expected to be launched early in 2014. Later an Android version will become available.

## **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.

## **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. KPN's headquarters are located at Maanplein 55, 2516 CK, The Hague, The Netherlands, where it leases office space for its headquarters.

## **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.

## **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 a significant effect on the financial position or profitability of KPN. 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 on a EUR 525 million syndicated loan provided to KPNQwest in 2002 on the basis of 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.

On 28 September 2010, the bankruptcy trustees for KPNQwest served a writ of summons against Qwest, Koninklijke KPN N.V., former CEO of KPNQwest and nearly all former members of the Supervisory Board of KPNQwest. The bankruptcy trustees claim that all defendants are liable for the full amount of damages caused by the bankruptcy of KPNQwest. On 19 November 2013, KPN announced to have reached an agreement in principle on the key financial terms of a settlement in these proceedings between KPN, Qwest and bankruptcy trustees. Under this agreement, KPN would contribute an amount of EUR 50 million to a total settlement amount of EUR 260 million. On 21 February 2014 KPN announced this agreement has been finalised accordingly and KPN accrued a EUR 50 million provision in the fourth quarter of 2013 in connection with its payment obligations under the definitive settlement agreement.

## ***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 ACM's 2008 approval of KPN's entry into the Reggefiber joint venture. 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 by the Court on 18 November 2010, the Court held that the ACM had provided insufficient evidence for a part of its competition analyses. In particular, the ACM 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 ACM 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 ACM 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 ACM to take into account the effects on the market as well as the effectiveness of the remedies. A decision in response to Ziggo's appeal is expected sometime in 2014. If the appeal is successful, the CBb could annul the ACM 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.

## LEGAL STRUCTURE AND CORPORATE GOVERNANCE

### General

Koninklijke KPN N.V. is a public limited liability 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 21 March 2014.

### 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 conducive to the aforementioned objects.

### Share capital

#### *Authorized and issued share capital*

On 10 January 2014, KPN's Extraordinary General Meeting of Shareholders (EGM) approved a proposal to reduce the nominal value of KPN's shares from EUR 0.24 to EUR 0.04. At the date of this Prospectus, KPN's authorized share capital amounts to EUR 720,000,000 divided into:

- (a) 9,000,000,000 Ordinary Shares with a nominal value of EUR 0.04 each, of which 4,270,254,664 Ordinary Shares are issued; and
- (b) 9,000,000,000 Preference Shares with a nominal value of EUR 0.04 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".

### 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:

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

## 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". Consequently, in the event of any circumstances where KPN is subject to influences as described above and taking public security considerations into account, the board of the Foundation may decide to exercise 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 0.04 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 credit facilities 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), M.W. den Boogert, J. Klaassen 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. KPN fully endorses the underlying principles of the Dutch Corporate Governance Code which is reflected in a policy that complies with all best practice provisions thereof, with the exception of the following:

Best practice 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.

Best practice 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. Mr. García Moreno Elizondo and Mr. Von Hauske Solís were appointed pursuant to the relationship agreement entered into by KPN and América Móvil on 20 February 2013 in relation to the support of KPN’s capital raise by América Móvil.

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. The appointment of Ms. Van Lier Lels was based on the enhanced right of recommendation of the Works Council and is important for the company to ensure continuity within the Supervisory Board.

## BOARD OF MANAGEMENT AND SUPERVISORY BOARD

### 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.

### 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.

#### *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)
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.

#### *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 1994 and occupied senior management positions in various divisions. Since being appointed managing director Netherlands in February 2012 he has been responsible for all KPN's activities in the Netherlands. As a member of the Board of Management Farwerck retains his responsibilities for all KPN's activities in the Netherlands. Mr. Farwerck is a member of the executive committee of VNO-NCW and a member of the Board of Nederland-ICT.

## **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.

### ***Members of the Supervisory Board***

The Supervisory Board is composed of the following members:

<b>Name</b>	<b>Year of birth</b>	<b>Position</b>	<b>Member since</b>	<b>Re-appointed</b>	<b>End of term</b>
J.B.M. Streppel.....	1949	Chairman Vice-	May 2003	April 2011	2015
R.J. Routs .....	1946	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 Committee of Listed Companies of Euronext (Amsterdam) and Chairman of the board of Duisenberg School of Finance and Holland Financial Center.

#### *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 one-year 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*

Marika 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 current one-year 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. and 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 the Environmental Infrastructure, member of the Central Plan Committee (CPB) and member of the Board of 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. Ms. Hooymans is a former 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 (second) 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 a member of the Supervisory Board on 12 April 2012, and his term expires in 2016. He is a member of the Audit Committee. Mr. van Bommel is currently member of the board of management and CFO of ASM International N.V. and non-executive director of ASM PT (Hong Kong). Before his appointment as CFO of ASMI, 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 a member of the Supervisory Board on 10 April 2013 and his (first) term expires in 2017. Mr. García Moreno Elizondo is currently Chief Financial Officer of América Móvil. Mr. García Moreno Elizondo holds several supervisory and advisory positions, including those of 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 a member of the Supervisory Board on 10 April 2013 and his (first) term expires in 2017. Mr. Von Hauske Solís is currently Chief Operating officer and Board Member of América Móvil. Mr. Von Hauske Solís currently holds several supervisory and advisory positions, including those of supervisory board member of Telekom Austria, 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 reviewed and discussed in particular all financially relevant matters that were presented to the Supervisory Board. These items included the annual report, the quarterly results, reports by the internal auditor as well as the disclosure committee and the Company's strategic plan. The Audit Committee also kept a close oversight on KPN's financing policy and profile, as well as on the business plan risks. Furthermore, the Audit Committee paid specific attention to the effectiveness and the outcome of the internal control framework and the risk management systems of the company. The Committee also discussed other topics that were within its scope of attention, most notably compliance, fraud management and application of IT in (financial) processes. Finally, the Audit Committee carried out its self-assessment by means of an extensive questionnaire, the results of which were discussed during the last meeting of the Audit Committee in 2013.

### **Potential conflicts of interest**

No member of the Board of Management or Supervisory Board has any actual or potential conflict of interest in respect of their duties to the Issuer and their private interests and/or other duties. For the sake of completeness, please refer to "Transactions with directors and related parties" on page 168 of the 2013

Annual Report for details of the material transactions between the Issuer and members of the Board of Management or the Supervisory Board.

### **Major shareholders**

Following completion of the rights issue in May 2013, América Móvil, S.A.B. de C.V. (**AMX**) notified KPN that it directly or indirectly owned 29.8% of the shares and voting rights related to KPN's ordinary share capital.

On 9 August 2013, AMX formally notified KPN of its intention to make an offer to acquire all outstanding ordinary shares of KPN at a price of EUR 2.40 per KPN share.

On 29 August 2013 the Foundation Preference Shares B KPN (*Stichting Preferente Aandelen B KPN*) exercised its call option and obtained 4,258,098,272 newly issued preference shares B. These shares reflect an interest in KPN's outstanding shares of 50% minus 1 share. As a result of the issuance of the preference shares B, AMX's interest in KPN had been reduced to 14.9%.

On 16 October 2013, AMX announced that it has received approval from the AFM for its Intended Offer. However it will not launch the Intended Offer in relation to the exercise of the call option by the Foundation.

On 10 January 2014, the extraordinary meeting of shareholders of KPN approved the proposal to cancel the outstanding preference shares B. The cancellation is expected to occur in March 2014, taking into account the statutory objection period of two months.

On 12 February 2014, AMX has announced it had reduced its shareholding in KPN to 27.1% from 29.8% (excluding the preference shares B).

On 21 March 2014, AMX notified the AFM that they held 26.7% of the shares and voting rights related to KPN's ordinary share capital.

On 21 March 2014, BlackRock Inc. notified the AFM that they held 2.4% of the shares and 3.0% of the voting rights related to KPN's ordinary share capital.

On 24 March 2014, Franklin Resources Inc. notified the AFM that they held 3.6% of the shares and voting rights related to KPN's ordinary share capital.

On 24 March 2014, Paulson & Co Inc. notified the AFM that they held 4.5% of the shares and voting rights related to KPN's ordinary share capital.

Pursuant to the Dutch Financial Supervision Act (*Wet op het financieel toezicht - Wft*), legal entities as well as natural persons must immediately notify the Dutch Authority for the Financial Markets (**AFM**) when a shareholding equals or exceeds 3% of the issued capital. To KPN's knowledge, no other shareholder owns 3% or more of KPN's issued share capital, either directly or indirectly, as of the date of this Prospectus.

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.

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the **Clearing Systems**) currently in effect. The information in this section concerning the Clearing Systems has been obtained from the relevant Clearing Systems, which are sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by the relevant Clearing Systems, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

*Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### Book-entry Systems

#### DTC

DTC has informed the Issuer that it is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that DTC’s participants (**Direct Participants**) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (**DTCC**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of

each Security (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and Interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise



take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

### **Euroclear and Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Euroclear's offices are situated at 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. Clearstream, Luxembourg's offices are situated at 42 Avenue J.F. Kennedy, 1855 Luxembourg.

### **Book-entry Ownership of and Payments in respect of DTC Notes**

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants including, in the case of any Regulation S Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in such a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

## **Transfers of Notes Represented by Registered Global Notes**

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under *Subscription and Sale and Transfer Selling Restrictions*, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (*Custodian*) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

### NETHERLANDS TAXATION

#### General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant. For purposes of Netherlands tax law, a holder of Notes may include an individual or entity who does not have the legal title of these Notes, but to whom nevertheless the Notes or the income thereof is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the Notes or the income thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.

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 Netherlands tax consequences for:

- (i) investment institutions (*fiscale beleggingsinstellingen*);
- (ii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax;
- (iii) holders of Notes holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (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 the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (iv) persons to whom the Notes and the income from the Notes are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands Income Tax Act 2001 (Wet inkomstenbelasting 2001) and the Netherlands Gift and Inheritance Tax Act (Successiewet 1956);
- (v) 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, to which permanent establishment or permanent representative the Notes are attributable; and
- (vi) individuals to whom Notes or the income there from are attributable to employment activities which are taxed as employment income in the Netherlands.

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 in that part of the Kingdom.

## Withholding Tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, provided that the Notes do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

## Corporate and Individual Income Tax

### (a) Residents of the Netherlands

If a holder of Notes is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands corporate income tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands individual income tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Notes are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies, an individual holding the Notes must determine taxable income with regard to the Notes on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments is fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), 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 individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Notes will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments is taxed at a rate of 30%.

### (b) Non-residents of the Netherlands

If a person is not a resident nor is deemed to be a resident of the Netherlands for Netherlands corporate or individual income tax purposes (nor has not opted to be taxed as a resident of the Netherlands), such person is not liable to Netherlands income tax in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, unless:

- (i) the person is not an individual and such individual (1) 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 permanent representative the Notes are

attributable, or (2) is (other than by way of securities) entitled to a share in the profits 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 the Notes are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25%.

- (ii) the person is an individual and such person (1) 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 the Notes are attributable, or (2) realises income or gains with respect to the Notes that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which includes activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is (other than by way of securities) entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52%. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) 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 the share in the profits of the enterprise (which includes the Notes) will be part of the individual's Netherlands yield basis.

## **Gift and Inheritance Tax**

- (a) Residents of the Netherlands

Generally, gift tax (*schenkbelasting*) and inheritance tax (*erfbelasting*) will be due in the Netherlands in respect of the acquisition of the Notes by way of a gift by, or on behalf of, or on the death of, a holder of Notes that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands Gift and Inheritance Tax Act 1956 (*Successiewet 1956*) at the time of the gift or his or her death. A gift made under a condition precedent is deemed to be a made at the time the condition precedent is fulfilled and is subject to Netherlands gift and inheritance tax if the donor is, or is deemed to be resident of the Netherlands at that time.

A holder of Netherlands nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a donation 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 Netherlands gift tax if he or she has been resident in the Netherlands and makes a donation within a twelve months period after leaving the Netherlands. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

- (b) Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Notes 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 Netherlands gift and inheritance tax, unless in the case of a gift of the Notes 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, 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. A gift made under a condition precedent is deemed to be a 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 the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes.

## **Other Taxes and Duties**

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

### *EU Savings Directive*

Under the EU Savings Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## **UNITED KINGDOM TAXATION**

*The following applies only to persons who are the beneficial owners of Notes, is of a general nature based on current United Kingdom law and Published HM Revenue and Customs (HMRC) practice and is not intended to be exhaustive, dealing only with withholding tax and information reporting regarding interest. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of Prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.*

### **Interest on the Notes**

#### *Payment of interest on the Notes*

Payments of interest on the Notes may be made without withholding on account of United Kingdom income tax.

HMRC has powers, in certain circumstances, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest (including the amount payable on the redemption of a deeply discounted security); and securities transactions.

The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

HMRC has indicated that it will not use its information-gathering power on interest to obtain information about amounts payable on the redemption of deeply discounted securities which are paid before 6 April 2014.

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

## **CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

*The following is a general summary of certain United States Federal income tax consequences of the purchase, ownership and disposition of the Notes. This summary is based upon the Internal Revenue Code of 1986, applicable income tax regulations, published rulings, administrative pronouncements and court decisions, as of the date hereof, all of which are subject to change or differing interpretations at any time and possibly with retroactive effect. This summary does not discuss all aspects of United States Federal income taxation that may be relevant to a particular investor in light of the investor's particular circumstances. In particular, this summary does not apply to investors who own, directly or through attribution, 10 per cent. or more of the Company's outstanding voting share capital, or to certain types of investors subject to special treatment under the United States Federal income tax laws (such as tax-exempt organisations (including qualified pension plans), banks, insurance companies, regulated investment companies, brokers, dealers, foreign persons and entities, persons holding Notes as part of a 'hedging' or 'conversion' transaction or as a position in a 'straddle', or persons whose functional currency is not the U.S. dollar). In addition, this summary does not consider the effect of any foreign, state, local or other tax laws, or any other United States tax consequences other than income tax consequences, that may be applicable to particular investors. This summary does not address any tax consequences applicable to holders of equity interests in a holder of the Notes. This summary also assumes that the Notes are held as capital assets and that there will be no substitution of another entity in place of the Issuer as principal debtor in respect of the Notes. Each prospective purchaser of the Notes should consult its own tax advisors concerning the application of United States Federal income tax laws to its particular situation as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.*

**To ensure compliance with U.S. Treasury Department regulations, we advise you that any tax discussion herein was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding U.S. Federal income tax penalties that may be imposed on the taxpayer. Any such tax discussion was written to support the promotion or marketing of the Notes to be issued pursuant to this Prospectus. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.**

The following summary deals only with holders who purchase Notes at original issuance and is limited to a general discussion of the tax consequences of the purchase, ownership and disposition of Notes. The Final Terms for each series of Notes may describe additional tax consequences, if any, that relate to the specific Notes to be issued. Accordingly, this discussion should be read only in connection with the discussion, if any, of U.S. Federal income tax considerations contained in the Final Terms to which investors are referred and does not, by itself, necessarily discuss all of the material U.S. Federal income tax issues of a particular series of Notes.

This summary deals only with holders who purchase Notes in this offering at the ‘issue price’ (which will be the price at which a substantial amount of the Notes is sold to persons other than bond houses, brokers or similar persons acting in the capacity of underwriters, agents or shareholders). In addition, this summary assumes the Notes are treated as debt for U.S. Federal income tax purposes.

As used herein, the term **U.S. Holder** means a beneficial owner of a Note that is for U.S. Federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate the income of which is subject to U.S. Federal income taxation regardless of its source; or (iv) a trust the administration of which is subject to the primary supervision of a court in the United States and with respect to which one or more U.S. persons have the authority to control all substantial decisions. A **Non-U.S. Holder** means a beneficial owner other than a U.S. Holder.

If a partnership holds Notes, the consequences to a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner in a partnership holding Notes should consult its own tax advisor.

## **Payments of Interest and Discount on the Notes**

### *Stated Interest*

Except as described below, the amount of any stated interest payments on a Note will be taxable to a U.S. Holder as ordinary interest income in accordance with such U.S. Holder’s method of accounting for U.S. Federal income tax purposes. If an interest payment is denominated in or determined by reference to a **Foreign Currency** (a currency other than the U.S. dollar), then special rules, described below under *Foreign Currency Notes* apply.

### *Original Issue Discount*

If a U.S. Holder holds Notes which have original issue discount (**OID**) and which have a maturity of more than one year from their date of issue, such U.S. Holder will generally be required to recognise such OID as ordinary interest income under a constant yield method in advance of the receipt of cash payments to which such income is attributable, regardless of the U.S. Holder’s method of accounting. Special rules apply to OID on a Note that is denominated in Foreign Currency. See *Foreign Currency Notes*.

A Note has OID to the extent that the Note’s ‘stated redemption price at maturity’ exceeds its ‘issue price,’ but only if such excess equals or exceeds a specified minimum amount (generally, an amount equal to one quarter of one per cent. of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity). The stated redemption price at maturity of a Note generally is the sum of all payments provided by the Note other than payments of ‘qualified stated interest’. The term **qualified stated interest** generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate (or at certain floating rates) that appropriately takes into account the length of the interval between stated interest payments. The issue price of a Note is the first price at which a substantial amount of such issue of Notes has been sold (ignoring sales to bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, agents, or wholesalers).

In general, if the excess of a Note’s stated redemption price at maturity over its issue price is less than the specified minimum amount, then such excess constitutes ‘*de minimis* OID’. Unless the election described below under *Election to Treat All Interest as OID* is made, such a Note will not be treated as issued with OID (in which case the following paragraphs under *Original Issue Discount* will not apply) and a U.S. Holder of such a Note must include such *de minimis* amount of income as stated principal payments on the Note are made. The amount includible with respect to each such payment will equal the product of the total amount of the Note’s *de minimis* OID and a fraction, the numerator of which is the amount of the principal payment and the denominator of which is the stated nominal amount of the Note.



Except as described below with respect to Short Term Notes (defined herein), the amount of OID that a U.S. Holder will be required to include in income in a taxable year will be determined by allocating to each day of the taxable year for which the U.S. Holder holds the Note the pro rata daily portions of OID attributable to the ‘accrual period.’ An accrual period may be of any length selected by the U.S. Holder and the accrual periods may vary in length over the term of the Note as long as (i) each accrual period is no longer than one year, and (ii) each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of OID allocable to each accrual period generally will equal the product of (i) the Note’s ‘adjusted issue price’ at the beginning of such accrual period and (ii) its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period), less the amount of any qualified stated interest payments allocable to such accrual period. The adjusted issue price of a Note at the beginning of the first accrual period is the issue price. Thereafter, the adjusted issue price of a Note is the sum of the issue price plus the amount of OID previously includable in the gross income of the holder reduced by the amount of any payment previously made on the Note, other than payments of ‘qualified stated interest’. Thus, under these rules, a U.S. Holder will generally have to include in income increasingly greater amounts of OID over the life of the Note. Special rules apply for calculating OID in short initial or final accrual periods.

If the Issuer has an unconditional option to redeem or prepay a Note before the Note’s stated maturity, such option will be presumed to be exercised if, by utilising any date on which such Note may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the terms of the Note (the **redemption price**) as the stated redemption price at maturity, the yield on the Note would be lower than its yield to stated maturity and the yield to maturity of the Note will be determined based on this earlier maturity date. If such option is in fact exercised or not exercised contrary to the presumption made (*i.e.*, there is a ‘change in circumstances’), then the Note would be treated, solely for OID purposes, as if it were retired and reissued on the date of the change in circumstances for an amount equal to the Note’s adjusted issue price on that date.

#### *Floating Rate Notes*

Floating Rate Notes will be subject to special rules. Generally, if a Floating Rate Note qualifies as a ‘variable rate debt instrument’ (as defined in applicable Treasury Regulations) then (i) all stated interest with respect to such Floating Rate Note will be qualified stated interest and hence included in a U.S. Holder’s income in accordance with such U.S. Holder’s normal method of accounting for U.S. Federal income tax purposes, and (ii) the amount of OID, if any, will be determined under the general OID rules (as described above under *Original Issue Discount*) by assuming that the variable rate is a fixed rate equal, in general, to the value, as of the issue date, of the floating rate.

If any of the Floating Rate Notes do not qualify as ‘variable rate debt instruments,’ such Floating Rate Notes will be classified as contingent payment debt instruments and will be subject to special rules for calculating the accrual of stated interest and OID.

Additional information concerning the tax consequences of holding a Floating Rate Note may be provided in the applicable Final Terms. Prospective investors should consult their own tax advisors concerning the tax consequences of holding Floating Rate Notes.

#### *Short Term Notes*

Generally, an accrual basis U.S. Holder of ‘Short Term Notes’ (*i.e.*, Notes having a fixed maturity date not more than one year from the date of issue) is required to accrue OID on Short Term Notes on either a straight-line basis or, at the election of the U.S. Holder, under the constant yield method (based on daily compounding). An individual or other cash basis U.S. Holder of a Short Term Note is generally not required to accrue OID for U.S. Federal income tax purposes unless it elects to do so.

For purposes of determining the amount of OID subject to these rules, applicable Treasury Regulations provide that, unlike the rules applicable to the determination of OID with respect to Notes which are not Short Term Notes, no interest payments on a Short Term Note will be qualified stated interest. Consequently, such interest payments are included in the Short Term Note's stated redemption price at maturity and therefore may give rise to OID (or acquisition discount) even if the Short Term Notes are not actually issued at a discount. U.S. Holders should consult their own tax advisors as to the application of these rules.

#### *Amortisable Bond Premium*

A U.S. Holder that purchases a Note for an amount in excess of the sum of all amounts, other than qualified stated interest, payable on the Note after the purchase date will be considered to have purchased the Note at a premium (**bond premium**) and will not be required to include any OID in income with respect to such Note. A U.S. Holder generally may elect to amortise the premium over the remaining term of the Note under a constant yield method. For any Floating Rate Note that is a 'variable rate debt instrument' under applicable income tax regulations, that method is implemented by constructing an 'equivalent fixed rate instrument', as provided in applicable Treasury Regulations. The amount amortised in any year reduces both the U.S. Holder's adjusted basis in the Note and interest income from the Note. Any excess bond premium allocable to an accrual period is deductible by the holder for that accrual period. The amount deductible, however, is limited by the amount of the holder's prior income inclusions on the instrument, and any excess is carried forward to the next accrual period. In addition, in the case of instruments that have alternative payment schedules that are predicated on the unilateral exercise of an option by the issuer or the holder, the amount of bond premium that is amortisable in an accrual period is calculated by assuming that both the issuer and the holder will exercise or not exercise options in a manner that maximises the holder's yield. Thus, a holder may be required to amortise bond premium by reference to the stated maturity, even if it appears likely that the Note will be called. The Treasury Regulations also contain rules applicable if such contingency occurs or fails to occur contrary to the assumption utilised.

U.S. Holders not making an election to amortise bond premium are not required to reduce the adjusted basis of their Notes and consequently may recognise less gain or more loss upon their disposition. The election to amortise bond premium, once made, applies to all debt instruments held or subsequently acquired by the electing U.S. Holder on or after the first day of the taxable year to which the election applies and may not be revoked without the consent of the IRS. Holders should consult their own tax advisors concerning the consequences, means and advisability of making this election.

#### *Election to Treat All Interest as OID*

Subject to certain limitations, a U.S. Holder of a debt instrument generally may elect to treat all interest that accrues on the instrument as OID. Interest for this purpose includes stated interest not previously included in income, OID (including any *de minimis* OID), and acquisition discount, adjusted for amortisable bond premium and acquisition premium. If a U.S. Holder makes this election for a Note with amortisable bond premium, the election is treated also as an election under the amortisable bond premium provisions, described above, and the electing U.S. Holder will be required to amortise bond premium currently for all of the U.S. Holder's other debt instruments with amortisable bond premium. U.S. Holders of Notes should consult their own tax advisors concerning the consequences, means and advisability of making such an election.

#### *Non-U.S. Holders*

Non-U.S. Holders will generally not be subject to U.S. Federal income tax on payments of principal, interest (including OID) and premium (if any) on any Note unless such principal, interest or premium payment is effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States.

## **Disposition of a Note**

### *U.S. Holders*

Except as discussed above, upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest not previously included in income, which will be taxable as such) and such U.S. Holder's adjusted tax basis in such Note. A U.S. Holder's adjusted tax basis in a Note generally will equal such U.S. Holder's initial investment in such Note increased by any OID included in income and any accrued market discount included in income and decreased by the amount of any payments that are not deemed qualified stated interest payments and amortisable bond premium applied to reduce interest with respect to such Note. Such gain or loss generally will be long-term capital gain or loss if the Note was held for more than one year. Deduction of capital losses for U.S. Federal income tax purposes is subject to limitations.

### *Non-U.S. Holders*

Non-U.S. Holders generally will not be subject to U.S. Federal income taxation on gain or income unless (a) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year and has certain other connections with the United States or (b) such gain is effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States.

## **Foreign Tax Credit Sourcing Rules**

Interest and OID on the Notes should be treated as income from sources outside the United States for purposes of the foreign tax credit limitation.

Gain or loss recognised on the sale, exchange or retirement of a Note by a U.S. Holder generally will constitute income from sources within the United States.

U.S. Holders of Notes should consult their own tax advisors concerning the source of income or loss with respect to the Notes and the application of the foreign tax credit limitation generally.

## **Foreign Currency Notes**

The following summary relates to Notes that are denominated in a currency or basket of currencies other than the U.S. dollar (**Foreign Currency Notes**).

### *Payments of Interest in a Foreign Currency*

A U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including OID or market discount and reduced by amortisable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Note during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. A U.S. Holder may elect, however, to translate such accrued interest income using the spot rate on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate on the last day of the taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder may translate such interest using the spot rate on the date of receipt. U.S. Holders should consult their own tax advisors concerning the consequences, means and advisability of making such an election.

A U.S. Holder who receives a payment of interest in Foreign Currency may recognise exchange gain or loss (which will be treated as ordinary income or loss) with respect to accrued interest income on the date such

income is received. The amount of ordinary income or loss recognised will equal the difference, if any, between the U.S. dollar value of the Foreign Currency payment received (determined using the spot rate on the date such payment is received) in respect of such accrued interest and the U.S. dollar value of the income inclusion with respect to such accrued interest (as determined above).

Special rules apply to market discount and bond premium received on Foreign Currency Notes. U.S. Holders should consult their own tax advisors regarding such special rules.

#### *Foreign Currency Discount Notes*

OID for any accrual period on a Note that is denominated in a Foreign Currency will be determined in the Foreign Currency and then translated into U.S. dollars in the same manner as stated interest accrued before receipt, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder may recognise exchange gain or loss (which will be treated as ordinary gain or loss) measured by the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued.

#### *Foreign Currency Gain or Loss on Sale, Exchange or Retirement*

If a U.S. Holder receives Foreign Currency on a sale, exchange or retirement of a Note, the amount realised will be based on the U.S. dollar value of the Foreign Currency on the date the payment is received or the instrument is disposed of (or deemed disposed of). Gain or loss realised upon the sale, exchange or retirement of a Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between the U.S. dollar value of the Foreign Currency principal amount of a Note, determined using the spot rate on the date such payment is received or such Note is disposed of, and the U.S. dollar value of the Foreign Currency principal amount of such Note, determined using the spot rate on the date the U.S. Holder acquired such Note. Such Foreign Currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of such Note.

#### *Payment of Interest or Principal in U.S. dollars*

If a U.S. Holder receives such payment in U.S. dollars, the receipt of payment should be treated as though payment were made in the Foreign Currency and such Foreign Currency immediately exchanged for U.S. dollars. With respect to the deemed payment in Foreign Currency, the rules described above should apply. With respect to the deemed exchange of Foreign Currency for U.S. dollars, additional currency exchange gain or loss would be realised to reflect the difference between (i) the U.S. dollar value of the Foreign Currency at the spot rate in effect on the payment date, and (ii) the actual amount of U.S. dollars received.

### **Backup Withholding and Information Reporting**

#### *U.S. Holders*

In general, information reporting and ‘backup withholding’ may be required with respect to principal and interest payments, and proceeds from certain sales of an obligation prior to maturity, made within the United States and the accrual of OID to a non-corporate U.S. Holder if such holder fails to (i) furnish a taxpayer identification number, (ii) certify that such holder is not subject to backup withholding or (iii) otherwise comply with applicable requirements of the backup withholding rules.

In addition, certain U.S. Holders may be required to report to the U.S. Internal Revenue Service certain information with respect to their beneficial ownership of the Notes. Investors who fail to report required information could be subject to substantial penalties. U.S. Holders should consult their tax advisors regarding any applicable reporting requirements with respect to their beneficial ownership of the Notes.

### *Non U.S. Holders*

Information reporting and backup withholding generally will not apply to payments made to a Non-U.S. Holder made outside the United States unless the Issuer or the relevant paying agent has reason to know that such holder is a United States person. Principal and interest on a Note paid by the U.S. office of a custodian, nominee or agent of the beneficial owner, or the payment by the U.S. office of a broker of the proceeds of a sale or exchange of a Note will be subject to backup withholding and information reporting unless the beneficial owner complies with the certification procedures for non-United States persons, or otherwise establishes an exemption from information reporting.

If interest payments are collected outside of the United States by a foreign office of a custodian, nominee or other agent on behalf of a beneficial owner of a Note, backup withholding or information reporting by such custodian, nominee or other agent generally will not be required with respect to interest payments made to such owner. However, if such custodian, nominee or other agent is a United States person or a U.S. controlled person (as herein defined), information reporting and, in certain cases, backup withholding will be required with respect to interest payments made to such owner unless such custodian, nominee or other agent has documentary evidence in its records that such owner is not a United States person and does not have reason to know that such evidence is false, or the beneficial owner otherwise establishes an exemption from information reporting and backup withholding.

Payment of the proceeds on the retirement or sale of a Note outside the United States or to or through a foreign office of a broker generally will not be subject to information reporting and backup withholding. However, if such broker is a United States person or a U.S. controlled person information reporting and, in certain cases, backup withholding will apply to such payment unless, in general, such broker has documentary evidence in its records that the owner is not a United States person and does not have reason to know that such evidence is false or the beneficial owner otherwise establishes an exemption from such reporting.

For purposes of the above, **U.S. controlled person** means: (i) a controlled foreign corporation for U.S. Federal income tax purposes; (ii) a foreign person 50 per cent. or more of whose gross income for the three year period ending with the close of its taxable year preceding the year of payment is effectively connected with a U.S. trade or business; or (iii) a foreign partnership if, at any time during its tax years, one or more of its partners are U.S. persons who in the aggregate hold more than 50 per cent. of the income or capital interest of the partnership or if, at any time during its taxable year, it is engaged in the conduct of a trade or business within the United States.

### **FOREIGN ACCOUNT TAX COMPLIANCE ACT**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the relevant FFI (a **Recalcitrant Holder**). The Issuer may be classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of any Notes that are issued on or after the **grandfathering date**, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date. If Notes are issued before the grandfathering

date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the Netherlands have entered into an IGA based largely on the Model 1 IGA (the **US-Netherlands IGA**).

If the Issuer is treated as an FFI, the Issuer expects to be treated as a Reporting FI pursuant to the US-Netherlands IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. If the Issuer becomes a Participating FFI, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent, a Common Depositary or a Common Safekeeper, given that each of the entities in the payment chain between the Issuer and with the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and the US-Netherlands IGA, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.**

## **THE PROPOSED FINANCIAL TRANSACTIONS TAX**

The European Commission has published a proposal for a Directive for a common financial transactions tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one

party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## PRC CURRENCY CONTROLS

*The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Prospectus, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Notes. Prospective holders of Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.*

### Remittance of Renminbi into and outside the PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

### Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of cross-border trade between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. In June 2010, August 2011 and February 2012 respectively, the PRC government promulgated the *Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades*, the *Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement* and the *Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods* (together, the **Circulars**). Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, *provided* that the relevant provincial government has submitted to PBoC and five other PRC authorities (the **Six Authorities**) a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the **Supervision List**). On 12 June 2012, the PBoC issued a notice stating that the Six Authorities had jointly verified and announced a Supervision List and as a result any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports.

On 5 July, 2013, the PBoC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures* (the **2013 PBoC Circular**) with the intent to improve the efficiency of cross border Renminbi settlement and facilitate the use of RMB for the settlement of cross border transactions under current accounts or capital accounts. In particular, the 2013 PBoC Circular simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises upon the PRC enterprises presenting the payment instruction, with certain exceptions. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

As new regulations, the Circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these Circulars and impose conditions for settlement of current account items. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the use of Renminbi for payment of



transactions categorised as current account items, then such settlement will need to be made subject to the specific requirements or restrictions set out in such regulations.

### **Capital Account Items**

Under the applicable PRC foreign exchange control regulations, capital account items include cross border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may grant approval for a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, the State Administration of Foreign Exchange (**SAFE**) issued the *Notice on Relevant Issues regarding Streamlining the Business Operation of Cross-border RMB Capital Account Items*, which clarifies that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantees in Renminbi shall in principle follow the current regulations on the provision of external guarantees in foreign currencies.

According to the 2013 PBoC Circular, upon enforcement of external guarantees in Renminbi provided by onshore non-financial enterprises, PRC banks may provide RMB settlement services (i.e. remittance of enforcement proceeds) directly, which seems to indicate that SAFE approval for enforcement (which would be required in the case of the external guarantees in foreign currencies) is no longer required. Furthermore, onshore non-financial enterprises can (via PRC banks) extend loans in Renminbi to offshore entities within the same group under Renminbi cash pooling arrangements and will no longer need to apply for a quota from SAFE. However, SAFE has not amended its positions under the SAFE Circular, nor has it issued any regulations to confirm the positions in the 2013 PBoC Circular. Therefore, there remain potential inconsistencies between the provisions of the SAFE Circular and the provisions of the 2013 PBoC Circular and it is unclear how SAFE will deal with such inconsistencies in practice.

On 12 October 2011, the Ministry of Commerce of the PRC (**MOFCOM**) promulgated the Circular on Issues in relation to Cross-border RMB Foreign Direct Investment (the **MOFCOM RMB FDI Circular**), and pursuant to which, prior written consent from the appropriate office of MOFCOM and/or its local counterparts (depending on the size and the relevant industry of the investment) is required for RMB foreign direct investment (**RMB FDI**). The MOFCOM RMB FDI Circular also requires that the proceeds of RMB FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in the PRC domestic listed companies through private placements or share transfers by agreement under the strategic investment regime.

On 13 October 2011, the PBoC issued the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment (**PBoC RMB FDI Measures**) which set out operating procedures for PRC banks to handle RMB settlement relating to RMB FDI and borrowing by foreign invested enterprises of offshore RMB loans. Prior to the PBoC RMB FDI Measures, cross-border RMB settlement for RMB FDI has required approvals on a case-by-case basis from the PBoC. The new rules replace the PBoC approval

requirement with less onerous post-event registration and filing requirements. The PBoC RMB FDI Measures cover various aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as Renminbi denominated cross-border loans. Foreign invested enterprises, whether established or acquired by foreign investors, shall complete the corporate information registration after the completion of relevant RMB FDI transactions, and shall make post-event registration or filing with the PBoC of increases or decreases in registered capital, equity transfers or swaps, merger or acquisition or other changes to registered information.

On 19 November 2012, the SAFE promulgated the Circular on Further Improving and Adjusting the Foreign Exchange Administration Policies on Direct Investment (the **SAFE Circular on DI**), which became effective on 17 December 2012. According to the SAFE Circular on DI, the SAFE removes or adjusts certain administrative licensing items with regard to foreign exchange administration over direct investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within China of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts. As new regulations, such notices will be subject to interpretation and application by the relevant PRC authorities. There is no assurance that approval of such remittances, borrowing or provision of external guarantee in Renminbi will continue to be granted or will not be revoked in the future. Further, since the remittance of Renminbi by way of investment or loans are now categorised as capital account items, such remittances will need to be made subject to the specific requirements or restrictions set out in the relevant SAFE rules. If any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have in an Amended and Restated Programme Agreement dated 1 April 2014 (the **Programme Agreement**), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under *Form of the Notes* and *Terms and Conditions of the Notes* above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection herewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions with a view to supporting the market price of the relevant Notes during and after the offering of the Tranche at a level higher than that which might otherwise prevail. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may support the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to support the market price of the Notes at a level higher than that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof.

To the extent that the provisions of Directive 2003/6/EC of the European Parliament and of the Council (the **Market Abuse Directive**) are required to be observed, in connection with the issue of any Tranche of Notes, the Dealer or Dealers named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any such stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

To the extent that the provisions of the Market Abuse Directive are not required to be observed in connection with the issue of any Tranche of Notes, then in connection with the issue and distribution of any Tranche of Notes, the Dealer or Dealers named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there may be no obligation on the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all relevant laws and regulations. If so required by applicable law or regulation, stabilising will in any event be brought to an end within 30 days after the Closing Date applicable to such Notes.

### Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be

required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (c) it is outside the United States and is not a U.S. person;
- (ii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) to a person whom the seller 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, (c) in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;
- (iv) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;
- (v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (vi) that the Notes in registered form, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

‘THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ‘SECURITIES ACT’), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A ‘QUALIFIED INSTITUTIONAL BUYER’ (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING (OR HOLDING) THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY

BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

- (vii) *that the Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer;*

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).’;

- (viii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (a) in compliance with Rule 903 or 904 under the Securities Act or (b) to a QIB in compliance with Rule 144A and in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

‘THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ‘SECURITIES ACT’), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.’; and

- (ix) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole

investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in private transactions that are exempt from registration under the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see *Form of the Notes*.

The IAI Investment Letter will state, among other things, the following:

- (i) that the Institutional Accredited Investor has received a copy of the Prospectus and such other information as it deems necessary in order to make its investment decision;
- (ii) that the Institutional Accredited Investor understands that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities law and that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Prospectus and the Notes (including those set out above, and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;
- (iii) that the Institutional Accredited Investor will be required to furnish certain information (including a IAI Letter from any purchaser who is an Institutional Accredited Investor) as the Issuer may reasonably require to confirm that the proposed sale complies with the applicable restrictions
- (iv) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;
- (v) that the Institutional Accredited Investor will be required to furnish certain information (including a IAI Letter from any purchaser who is an Institutional Accredited Investor) as the Issuer may reasonably require to confirm that the proposed sale complies with the applicable restrictions;
- (vi) that the Institutional Accredited Investor is an 'Accredited Investor' within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;
- (vii) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (viii) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or its foreign

currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

## **United States**

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state or other jurisdiction of the United States.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (**Regulation S Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent thereof in any other currency). To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has agreed to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

## Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time 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), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

## United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for



the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **The Netherlands**

Bearer Zero Coupon Notes and other Notes which qualify as savings certificates as defined in the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) may only be transferred or accepted through the mediation of either the Issuer or a Member of Euronext Amsterdam N.V. with due observance of the Savings Certificates Act and its implementing regulations (including registration requirements), provided that no mediation is required in respect of (i) the initial issue of those Notes to the first holders thereof, (ii) any transfer and delivery by individuals who do not act in the conduct of a profession or trade, and (iii) the issue and trading of those Notes, if they are physically issued outside the Netherlands and are not distributed in the Netherlands in the course of primary trading or immediately thereafter.

## **France**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) Offer to the public in France:

it has only made and will only make an offer of Notes to the public in France in the period beginning on the date of notification to the *Autorité des marchés financiers* (**AMF**) of the approval of the prospectus relating to those Notes by the competent authority of a member state of the European Economic Area, other than the AMF, which has implemented the EU Prospectus Directive 2003/71/EC (as amended by Directive 2010/73/EU), all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF, and ending at the latest on the date which is 12 months after the date of the approval of this Prospectus; or

- (b) Private placement in France:

it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), and/or (c) a limited circle of investors (*cercle restreint*) acting for their own account, as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

## **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinances (Cap. 571) of Hong Kong) (the **Securities and Futures Ordinance**) other than (i) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance and any rules made under that Ordinance.

### **The People's Republic of China**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the People’s Republic of China (excluding the Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes.

### **Singapore**

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act**). Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the Syndication Agreement, dealer accession letter or dealer confirmation.

## **Pre-issue Trades Settlement**

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle within three business days (“T+3”), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is three business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+3, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

## **GENERAL INFORMATION**

### **Authorisation**

The establishment of the Programme and the issue of Notes under the Programme have been duly authorised by a resolution of the Board of Management of the Issuer dated 24 August 1998. This resolution was lawfully approved by the Supervisory Board on 1 September 1998. An increase of the maximum aggregate nominal amount of the Programme from U.S.\$5,000,000,000 to U.S.\$10,000,000,000 was duly authorised by a resolution of the Board of Management of the Issuer dated 19 June 2000. The resolution was lawfully approved by the Supervisory Board on 26 June 2000.

A further increase of the maximum aggregate nominal amount of the Programme from U.S.\$10,000,000,000 to €10,000,000,000 was duly authorised by a resolution of the Board of Management of the Issuer dated 1 March 2007. The resolution was lawfully approved by the Supervisory Board on 3 April 2007.

In 2008, the maximum aggregate nominal amount of the Programme was increased from €10,000,000,000 to an unlimited amount. This increase was duly authorised by a resolution of the Board of Management of the Issuer dated 20 March 2008 and that resolution was lawfully approved by the Supervisory Board on 27 March 2008.

The renewal of the Programme and the issue of the Notes have been duly authorised by a resolution of the Board of Management of the Issuer dated 20 February 2014. All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of the Netherlands have been given for the issue of Notes and for the Issuer to undertake and perform its obligations under the Programme Agreement, the Agency Agreement and the Notes.

### **Listing and admission to trading**

Application has been made to Euronext Amsterdam for Notes issued under the Programme and up to the expiry of 12 months from the date of this Prospectus to be admitted to trading on Euronext Amsterdam.

### **Documents Available**

So long as Notes are capable of being issued under the Programme for the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available free of charge in English from the registered office of the Issuer and from the specified offices of the Principal Paying Agent:

- (i) an English translation of the most recent Articles of Association of the Issuer;
- (ii) the annual reports of the Issuer for the years ended 2012 and 2013 (containing the audited financial statements of the Issuer, which include the consolidated financial statements), in each case together with the audit reports prepared in connection therewith;
- (iii) the Programme Agreement and the Agency Agreement (which contains the forms of the global Notes, the Notes in definitive form, the Coupons and the Talons);
- (iv) a copy of this Prospectus; and
- (v) each set of Final Terms in respect of Notes which are listed or admitted to trading on any market.

## **Clearing and Settlement Systems**

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and the Securities Clearing Corporation of Euronext Amsterdam. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear, Clearstream, Luxembourg and the Securities Clearing Corporation of Euronext Amsterdam, and any other relevant security code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

## **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

## **Yield**

The yield for any particular Series of Notes will be calculated on the basis of the average annual rate of return if the relevant Notes were to be purchased at the Issue Price on the Issue Date and held to maturity. The yield specified in the applicable Final Terms in respect of a Series of Notes will not be an indication of future yield.

## **Statement of significant or material change**

There has been no significant change in the financial or trading position of the Issuer, including its subsidiaries and consolidated joint ventures, since 31 December 2013 up to the date of this Prospectus and there has been no material adverse change in the financial position or prospects of the Issuer KPN, including its subsidiaries and consolidated joint ventures since 31 December 2013.

## **Material contracts**

### ***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 have joint control of Reggefiber. 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.

On 3 January 2014, KPN announced that the Call/Put Arrangement has been exercised. This option became exercisable on 1 January 2014 and completion is subject to approval by the Dutch Competition Authority (the **ACM**). This option represents an additional 9% equity stake in Reggefiber and will bring KPN's ownership level to 60% following completion. KPN will 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 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 is 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 is added to the total amount of the outstanding shareholder loans and from 1 January 2014 the interest is 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. Until KPN reaches 60% ownership of Reggefiber's share capital, the board of management consists of three 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 according to a binding proposal 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. The supervisory director C is currently a vacancy. 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.

## **Litigation**

KPN is involved in a number of legal proceedings that have arisen in the ordinary course of its business. Save as discussed in "Business Overview - Legal Proceedings" above, 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.

## **Auditors**

The Consolidated Financial Statements as of and for each of the years in the two-year period ended 31 December 2013, and 2012, in each case incorporated by reference into this Prospectus, were audited 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 2013 and 2012 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.

## **Post-issuance information**

Save as set out in the Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

## **Commercial Register**

The Issuer is registered in the Commercial Register of Haaglanden under No. 02045200.

## **Issuer's Website**

The Issuer's website address is [www.kpn.com](http://www.kpn.com). Information on the Issuer's website does not form part of this Prospectus and may not be relied upon in connection with any decision to invest in any Notes.

## **Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## Credit Ratings

The Issuer's long-term issuer default rating from Fitch is BBB- with a stable outlook. The Issuer has a senior unsecured rating of Baa3 with a stable outlook by Moody's. S&P has given the Issuer long- and short-term ratings of BBB-/A-3 f, with a stable outlook.

Obligations rated “Baa” by Moody’s are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

“BBB” ratings by Fitch indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

An obligor rated “BBB” by S&P has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

The long term ratings by Fitch and S&P may be modified by the addition of a plus (“+”) or minus (“-”) sign to show relative standing within the major rating categories.

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.



## GLOSSARY OF TERMS

<b>2G</b>	Second Generation Mobile System, which is based on the GSM universal standard.
<b>3G</b>	Third Generation Mobile System, which is based on the UMTS universal standard.
<b>4G</b>	Fourth Generation Mobile System, which is based on the LTE universal standard.
<b>ACM</b> ( <i>Autoriteit Consument &amp; Markt</i> )	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.
<b>ADS</b>	American Depository Share
<b>Average Revenue Per User (ARPU)</b>	The sum of connection fees, monthly fixed subscription revenues, traffic revenues and gross service provider revenue less related discounts during a one-month period, divided by the average number of customers during that month.
<b>BIPT</b> ( <i>Belgisch instituut voor Postdiensten en Telecommunicatie</i> )	The Belgian Institute for Postal Services and Telecommunications is the telecommunications regulator in Belgium.
<b>Broadband</b>	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.
<b>BNetzA</b> ( <i>Bundesnetzagentur für Elektrizität, Gas, Telekommunikation, Post und Eisenbahnen</i> )	The Federal Network Agency is the telecommunications regulator in Germany.
<b>BULRIC (Bottom Up Long Run Incremental Costs)</b>	BULRIC is a cost methodology that regulators (such as the ACM in the Netherlands) may use to develop cost models for regulated tariffs, such as for fixed and mobile call termination. A ‘pure BULRIC’ cost methodology is based on the underlying costs of (in case of Fixed Termination Access/Mobile Termination Access) terminating a call, with no adjustment for the joint and common costs necessary for the service. A ‘plus BULRIC’ cost methodology allows for such an adjustment.
<b>CBb</b> ( <i>College van Beroep voor het bedrijfsleven</i> )	The Trade and Industry Appeals Tribunal in the Netherlands.
<b>Churn</b>	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.
<b>Cloud services</b>	Cloud services are standardized IT capability (services, software or

infrastructure) delivered via internet technologies in a pay-per-use, self-service way.

<b>Customer base</b>	KPN defines customer base as the total number of connections or subscribers.
<b>DSL (Digital Subscriber Line)</b>	DSL is a data communication technology for bringing high-bandwidth information to homes and small businesses over ordinary copper PSTN lines.
<b>E-VPN (Ethernet Virtual Private Network)</b>	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.
<b>FttH (Fiber-to-the-Home)</b>	FttH is an access network architecture in which the final part of the connection to the home is optical fiber.
<b>FttO (Fiber-to-the-Office)</b>	FttO is a fiber connection for business customers to the customers' office.
<b>GHz (Gigahertz)</b>	GHz is one billion hertz (a unit of frequency).
<b>HDTV (High-Definition Television)</b>	HDTV is high definition TV, which is a TV format requiring higher bandwidths.
<b>Hertz</b>	Hertz is a unit of frequency of one cycle per second.
<b>ICT (Information and Communication Technology)</b>	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.
<b>IP (Internet Protocol)</b>	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.
<b>IPTV (Internet Protocol Television)</b>	IPTV is a system through which TV services are delivered using the internet protocol suite over a packet-switched network such as the internet.
<b>IP-VPN (Internet Protocol Virtual Private Network)</b>	IP-VPN offers a secured and private network using IP-based infrastructure.
<b>ISDN (Integrated Services Digital Network)</b>	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.
<b>ISP (Internet Service Provider)</b>	An ISP is company that provides individuals and companies access to the internet.

<b>LAN (Local Area Network)</b>	A LAN is a network designed to move data between stations within a campus.
<b>LTE (Long Term Evolution)</b>	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.
<b>Market share</b>	Market share is the percentage or proportion of the total available market that is being serviced by KPN.
<b>Mbps (Megabits per second)</b>	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.
<b>MHz (Megahertz)</b>	MHz is one million hertz (a unit of frequency).
<b>MVNO (Mobile Virtual Network Operator)</b>	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.
<b>NMa</b> ( <i>Nederlandse Mededingingsautoriteit</i> )	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.
<b>Open access</b>	Open access is a model where an operator is required by regulation to provide access to its network to wholesale customers at capped prices.
<b>OPTA</b> ( <i>Onafhankelijke Post en Telecommunicatie Autoriteit</i> )	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.
<b>PSTN (Public Switched Telephone Network)</b>	PSTN is the traditional telephone system that runs through copper cables (voice up to 64 Kbps, data up to 56 Kbps).
<b>Quadruple-play</b>	Quadruple-play is the bundling of fixed-mobile (retail voice, landline internet and mobile services) with TV services.
<b>Roaming</b>	Roaming is the transfer of mobile traffic from one network to another, referring to the exchange of mobile international traffic.
<b>Service revenues</b>	The aggregate of connection fees, monthly subscription fees and traffic fees.
<b>Smartphone</b>	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.

<b>SMS (Short Message Service)</b>	SMS is a service for sending messages of up to 160 characters to mobile phones that use GSM communications.
<b>Subscribers</b>	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).
<b>Triple-play</b>	Triple-play is the bundling of telephone, internet and TV products into one contract.
<b>UMTS (Universal Mobile Telecommunications System)</b>	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.
<b>VDSL (Very-high-bitrate Digital Subscriber Line)</b>	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.
<b>VPN (Virtual Private Network)</b>	A VPN is a virtual network constructed from logic connections that are separated from other users.
<b>VoIP (Voice over IP)</b>	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.
<b>Wi-Fi</b>	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.

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