



April 27, 2012

## 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 17), 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. 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 April 4, 2011.

#### *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 Commercial Banking**  
**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 under the Securities Act (**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 April 27, 2012 (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.

#### **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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising 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 Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any such stabilisation action may begin on or after the date on which adequate public disclosure of the final terms (in the case of Notes convertible or exchangeable into shares or into other securities equivalent to shares) or terms (in all other cases) 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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising 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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising 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 Stabilising Manager(s) (or persons acting on behalf of a Stabilising 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 issue date applicable to such Notes.

## SUMMARY OF THE PROGRAMME

**This summary must be read as an introduction to this Prospectus and any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including any documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability attaches to the Issuer in any such Member State in respect of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a Member State of the European Economic Area (an EEA State), the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.**

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

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 June 28, 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.

*The Issuer was incorporated with two main subsidiaries: PTT Telecom B.V., offering telecommunication services, and PTT Post B.V., serving as the primary postal company in The Netherlands. In the period from incorporation until the listing of its shares on Euronext Amsterdam in June 1994, the State of The Netherlands was its sole shareholder. On June 29, 1998, PTT Post B.V. was split-off from the Issuer. At the end of 2004, the State held 20.69 per cent. of the Issuer's outstanding shares. At the end of 2006, the State held no interest in the Issuer's outstanding shares (2005: 7.76%).*

*Capital Research and Management Company notified The Dutch Authority for Financial Markets (Autoriteit Financiële Markten, the AFM) on January 11, 2012 that they held 15.11% of the voting rights related to KPN's ordinary share capital (previous notification of 10.10% of the voting rights in KPN on August 8, 2011). On January 25, 2012, Capital Income Builder Inc. notified the AFM that they held 5.08% of KPN's ordinary share capital, excluding voting rights. To KPN's knowledge, no other shareholder owned 5% or more of KPN's outstanding shares as at the date of this Prospectus.*

### *Business overview*

The Issuer is a leading telecommunications and Information and Communication Technology (ICT) service provider in The Netherlands, offering wireline and wireless telephony, internet and TV to consumers, end-to-end telecommunications and ICT services to business customers. KPN Corporate Market (Getronics) operates a global ICT services company with a

strong position in the Benelux, offering end-to-end solutions in infrastructure and network-related IT. In Germany and Belgium, KPN pursues a multi-brand strategy in its mobile operations and holds number three market positions through E-Plus and BASE. KPN provides wholesale network services to third parties and operates an efficient IP-based infrastructure with global scale in international wholesale through iBasis.

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 Ltd.

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 United States 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 *Subscription and Sale and Transfer and Selling Restrictions*) including the following restrictions applicable at the date of this Prospectus.

*Notes having a maturity of less than one year*

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 *Subscription and Sale and Transfer and Selling Restrictions*.

Redenomination: The applicable Final Terms may provide that Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 4.

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 *Form of the Notes*. 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 or on such other basis as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Final Terms).

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

**Index Linked Notes:** Payments in respect of interest on Index Linked Interest Notes or in respect of principal on Index Linked Redemption Amount Notes will be calculated by reference to such index and/or formula or to such other factors as the Issuer and the relevant Dealer may agree.

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

Interest on Floating Rate Notes and Index Linked Interest 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.

**Dual Currency Notes:** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the applicable Final Terms.

**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 in specified instalments (see below), if applicable, or 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.



The applicable Final Terms may provide that Notes may be repayable in two or more instalments in such amounts and on such dates as indicated in it.

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.

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</i> above.
Taxation:	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) as provided in Condition 8. 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 7(b) will not apply to the Notes.
Negative Pledge:	See Condition 3.
Cross Default:	See Condition 10(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 status of each Tranche of Subordinated Notes and any negative pledge and events of default applicable to Subordinated Notes will be set out in the applicable Final Terms.
Risk Factors:	<p>The Issuer believes that there are a number of factors that may affect its ability to fulfil its obligations under the Notes issued under the Programme, including: competition from a variety of competitors, technological changes in the markets in which the Issuer operates (requiring it to make substantial investments in its business on an ongoing basis to grow and remain competitive) and dependence on relationships with various partners and suppliers.</p> <p>For a description of these risks and of the other risk factors that are material for the purpose of assessing the market risks associated with Notes issued under the Programme, see <i>Risk Factors</i> below.</p>
Substitution:	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 17.

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.

**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 Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) will be disclosed in the Final Terms.

**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.

## **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 also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*All references to **we**, **us** and **our** in the Risk Factors section are references to the Issuer.*

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

In achieving its objectives, KPN's business is impacted by various external developments. By anticipating and reacting on these external developments KPN is taking risk. Taking risk is inherent in doing business and the successful management of these risks delivers return to KPN's stakeholders. The section below shows particular risks KPN is facing at the date of this Prospectus. This is not intended to be an extensive analysis of all risks and uncertainty affecting KPN's business and the risks are presented in random order. These risks could prevent KPN from achieving its objectives. In general, risks could harm KPN's business, financial condition and operating results, adversely affect its revenues and profitability, and lead to a decrease in the trading price of KPN shares, which in turn may affect KPN's ability to fulfill its obligations under Notes issued under the Programme. KPN is not aware of any material risk, other than as mentioned in this Prospectus.

#### **Business risks**

##### *Increased competition in mobile market*

Significant increase of investment in customer acquisition and retention costs by the competition could put further pressure on KPN's market share in the mobile market in the Netherlands or may increase KPN's acquisition costs. New market entrants may lead to a loss of KPN's mobile market share or results. Increasing competition for Mobile International based on price, subscription options, coverage (including data) and service quality could lead to price pressure and lower market share.

##### *Increased competition in broadband market*

Significant increase of investment in infrastructure by cable companies and improvement of their triple-play portfolio (including telephone, internet and television) could put further pressure on KPN's market share in the broadband market and therefore forms a threat to the revenues and margins.

The roll-out of Fiber network is a long term strategic investment of KPN. Fiber roll-out<sup>1</sup> may not meet expectations in terms of speed and costs and the number of activations may fall behind, not reaching the required coverage ratio. This could negatively impact the profit margin and revenues on the one hand, and on the other hand lead to an impairment of the investment in Reggefiber and increased liabilities related to the

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<sup>1</sup> More information regarding the Fiber network and its roll-out are included in *Description of the Company - Wholesale & Operations – Infrastructure – Wireline network – Fiber network* on page 107.

options. The fair value of the Reggefiber options, based on estimation using models and other valuation methods, is by its nature subject to uncertainty. In case of lower expected penetration rate, the value of the option liability will increase, which will lead to negative result in the income statement. For additional details on Reggefiber options, please refer to Investments in associates and joint ventures on page 107-108 of the 2011 Annual Report.

#### *Competition in Business Market and Corporate Market*

The Dutch business markets are dominated by only a few players in which KPN acts as an incumbent. A new market entrant or further price competition could lead to loss of the KPN business market share.

#### *Damaged reputation*

KPN's relationship with its customers, regulators and supervisors could be damaged due to compliance (e.g. security, privacy), operational issues and quality related incidents. These incidents may include breach of legislation, lack of information security, network failure or insufficient client service or transparency. Such incidents would have a negative impact on KPN's reputation and customer satisfaction.

#### *Disruptive technologies*

New disruptive technologies and the introduction of new products or services in the market may influence KPN's business model and profitability in the long run. The introduction of new propositions for new products and services may not be successful and/or timely. This could result in a loss of market share.

#### *Acquisition of spectrum*

KPN may participate in frequency auctions in the Netherlands (2012) and Germany (2013): KPN may not be able to acquire the required frequency blocks or may have to pay too high a price for the acquired spectrum.

#### *Regulatory compliance*

New regulations (e.g. related to MTA roaming and European Regulatory Framework 2009 with amendments proposed by Dutch Parliament) could impact KPN's future operations and results. Telecommunication is an industry highly regulated by both European and national regulators. KPN could be compelled into further price reduction by these regulators (i.e. MTA and roaming) and/or forced to include a number of consumer protection provisions, which negatively affects revenues. Under provision on net neutrality, KPN could be prohibited to hinder or slow down applications and services on its network, which will force KPN to continue investing in the mobile infrastructure to handle the extra data growth in the coming years which could lead to pressure on the return on capital.

#### *Business continuity and security*

KPN's technical infrastructure and IT may be vulnerable to damage or service interruptions, theft or loss of information (caused by power supply interruptions, cyber attacks and other similar events). Furthermore, the mobile infrastructure has to be well equipped to handle the expected data growth in the coming years. Otherwise, this could affect the quality of services and cause temporary service interruptions, resulting in customer dissatisfaction and reduced traffic volumes, which could have a negative impact on KPN's market shares, revenues or profitability.

KPN possesses confidential information about customers. Employees of KPN could intentionally or unintentionally pass this information to non authorized persons, who could use this information in a harmful manner. Misuse of this information may harm KPN's reputation and could eventually result in loss of revenue or significant claims.

### *Legacy IT systems*

KPN has a diversified portfolio of IT systems, so called legacy systems, some of which have been in place for a long time. These legacy IT systems might limit, for example, a timely roll-out of new services or create additional costs due to forced migrations. They may also prove to be a weakness in KPN's Information Security Framework. Overall the legacy IT systems may negatively impact business continuity, flexibility, innovation power, information security and quality of services.

### *Supplier & outsourcing/offshoring risks*

KPN could depend too heavily on the ability to obtain adequate supplies of telecommunications equipment, related software and IT services; KPN's contractors' ability to build and roll-out telecommunications networks on schedule, and suppliers' ability to deliver dependable technical support. This could lead to inability to deliver the required services at the right quality level.

### *Employees*

KPN may not be able to recruit, keep and invest in talents at leadership level and specialized technical levels. This could negatively affect the quality of the work performed in certain functions.

### **Financial risks**

#### *Market-, credit-, counterparty- and liquidity risk*

KPN is exposed to market risks (currency and interest rate risks), credit and counterparty risk and liquidity risks. KPN's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. KPN uses derivative financial instruments to hedge certain risk exposures.

Currency risk is the risk that the fair value of assets or future cash flows will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

Credit risk refers to the potential losses incurred by the Issuer as a result of debtors not being able to fulfil their obligations when due, or a perceived increased likelihood thereof. Counterparty risk refers to the risk that third parties owing money, securities or other assets to the Issuer do not pay or fulfil their obligations when due.

KPN's financial assets are subject to credit risk and counterparty risk. Credit risk arises from the possibility of asset impairment occurring because counterparties are not able to meet their obligations in transactions involving financial instruments.

All KPN's financial liabilities are subject to liquidity risk. Liquidity risk is the risk that the group will not be able to meet its financial obligations associated with financial instruments as they fall due.

#### *Continuing uncertain macroeconomic conditions*

If the economic climate would continue to decline, this could lead to lower revenue growth and lower results (especially within Business Market and Corporate Market), and may lead to an impairment of goodwill of E-Plus and Corporate Market. Continued uncertainty in financial markets and the Euro zone could negatively impact pricing and availability of KPN's funding sources.

### *Pensions*

Specifically for the defined benefit schemes of KPN, (unexpected) movements in interest rates, equity values, inflation rates and mortality rates could lead to volatility in KPN's equity, cash and P&L. At the end of 2011, KPN faced coverage deficits leading to additional payments relating to most defined benefit plans and increasing P&L charges. Further negative economic developments and turbulence in the financial markets could result in additional cash outflow. Furthermore, if new accounting standards for pensions are endorsed by the EU, this will lead to higher volatility in KPN's equity position as from 2013.

### *Net debt/EBITDA ratio*

KPN may not be able to maintain its Net debt / EBITDA ratio within the self-imposed financial framework, due to higher net debt levels and/or lower profitability. In that case, KPN's credit rating criteria would probably also deteriorate to such levels that KPN would not be able to maintain its current credit rating, which could negatively impact pricing and availability of financing sources.

### *Return on capital*

Return on Capital may come under pressure as high investments in fiber, copper or mobile infrastructure (e.g. to handle the expected growth in data) may not be recovered due to lower revenues or results.

### *Equity position*

Group equity position may be negatively impacted by impairments of goodwill (specifically Corporate Market, E-Plus) or lower results (or could even lead to Group equity lower than self-imposed minimum thresholds).

### ***Regulatory and compliance risk***

Most of KPN's network activities are monitored by regulatory bodies, such as OPTA and NMa in the Netherlands, *Bundesnetzagentur (BNetzA)* in Germany, *Belgisch instituut voor Postdiensten en Telecommunicatie (BiPT)* in Belgium and the European Commission generally in Europe. These authorities regulate, amongst others, the prices to be charged for a part of KPN's services and the extent to which KPN has to provide services to competitors. In recent years, these authorities have compelled KPN to reduce some of its wholesale prices. Regulatory authorities may increase the severity of pricing controls, extend the range of services to which regulations apply (including any new services to be offered in the future), and extend the services that KPN has to provide to its competitors. These and other regulatory actions may adversely impact the financial position, increase the severity of competition and decrease profitability. In addition, there is a risk of non-compliance associated with the complexity of regulation.

KPN has to comply with an extensive range of requirements regarding the licensing, construction and operation of its networks and services. Decisions by regulators regarding the granting, amendment or renewal of licenses, to KPN or to third parties, could adversely affect future operations.

Governments in the countries in which KPN operates may issue telecommunications licenses to new operators whose services will compete with KPN's services. In addition, other changes in the regulatory environment concerning the use of mobile phones may lead to a reduction in the usage of mobile phones or otherwise have an adverse effect. In the countries in which KPN operates, mobile terminating tariffs are regulated. Tariffs for mobile roaming services are now regulated by EU regulation and obligations were imposed by the EU on all mobile operators to reduce wholesale and retail roaming tariffs. Such regulatory intervention may increase pressure on pricing and could affect KPN's financial position.

## ***RISK FACTORS CONCERNING THE SECURITIES***

### ***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.

#### *Index Linked Notes and Dual Currency Notes*

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be very volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Additional risk factors in relation to issues of Index Linked Notes and Dual Currency Notes may be included in a supplement to the Prospectus.

#### *Partly-paid Notes*

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

#### *Variable Rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only



decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *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 principal 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.

#### *The Issuer's obligations under Subordinated Notes are subordinated*

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to those liabilities described in full in the applicable Final Terms. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent or any other event occurs in which the subordination provisions apply.

#### ***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 17 of the Conditions of the Notes.

### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, 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).

The European Commission has proposed certain amendments to the 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 Directive.

### *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 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 principal 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.

### ***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.

#### *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 Hong Kong 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 July 19, 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. In addition, participating banks are also required by the Hong Kong Monetary Authority to maintain a total amount of Renminbi (in the form of cash and its settlement account balance with the RMB Clearing Bank) of no less than 25% of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. 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 individual customers 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 US 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 US dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the US dollar or other foreign currencies, the value of investment in US 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 6(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).

## IMPORTANT INFORMATION

The Issuer accepts responsibility for the information contained in this Prospectus. 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 condensed consolidated interim financial statements of the Issuer for the first quarter ended 31 March 2012 and 2011 which appear on pages 10 to 16 (inclusive), including the notes thereto which appear on pages 17 to 23 (inclusive), all as included in the Issuer's Financial Report Q1 2012 dated April 24, 2012;
- (c) the publicly available consolidated audited annual financial statements of the Issuer for the financial year ended December 31, 2011 including comparative figures for the financial year ended December 31, 2010 (prepared in accordance with International Financial Reporting Standards as adopted by the EU (**IFRS-EU**)) which appear on pages 78 to 136 (inclusive) of the KPN Annual Report 2011 (the **2011 Annual Report**) and the auditor's report which appears on page 143 of the 2011 Annual Report;
- (d) the publicly available consolidated audited annual financial statements of the Issuer for the financial year ended December 31, 2010 including comparative figures for the financial year ended December 31, 2009 (prepared in accordance with IFRS-EU) which appear on pages 72 to 131 (inclusive) of the KPN Annual Report 2010 (the **2010 Annual Report**) and the auditor's report which appears on page 138 of the 2010 Annual Report; and
- (e) the Terms and Conditions of the Notes contained in previous Prospectuses dated April 28, 2004, pages 24 to 47 (inclusive); dated September 20, 2005, pages 38 to 61 (inclusive); dated August 9, 2006, pages 44 to 69 (inclusive); dated April 17, 2007, pages 46 to 72 (inclusive); dated April 8, 2008, pages 63 to 90 (inclusive); dated April 9, 2009, pages 60 to 87 (inclusive); dated April 9, 2010, pages 60 to 87 (inclusive); and dated April 4, 2011, pages 67 to 94 (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 [www.kpn.com](http://www.kpn.com).

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 (unless otherwise indicated in the applicable Final Terms) 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 receipts, 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 depositary (the Common Depositary) 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 receipts, 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, receipts, 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 8 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 14 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 receipts and 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, receipts 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, receipts 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 6(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 6(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 receipts, 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 8 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 14 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 10 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

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) 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 supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 39 of Part A below, provided such person is one of the persons mentioned in Paragraph 39 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

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].<sup>2</sup>

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so 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 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.

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<sup>2</sup> Consider including this legend where a non-exempt offer of Notes is anticipated.

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].<sup>3</sup>

## 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 April 27, 2012 [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 [www.kpn.com](http://www.kpn.com) 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 as set out in Schedule [ ] to this document. This document constitutes the Final Terms of the securities described herein for the purposes of Article 5.4 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**) and must be read in conjunction with the Base Prospectus dated April 27, 2012 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are replaced by the conditions as set out in Schedule [ ] to this document. Full information on the Issuer and the offer of the securities is only available on the basis of the combination of these Final Terms and the Base Prospectus dated April 27, 2012, save for the Conditions, which are replaced by the conditions as set out in Schedule [ ] to this document. 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 [www.kpn.com](http://www.kpn.com) 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.]*

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<sup>3</sup> Consider including this legend where only an exempt offer of Notes is anticipated.

1. Issuer: Koninklijke KPN N.V.
2. (i) Series Number: [    ]  
(ii) Tranche Number: [    ]  
  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. (i) Specified Currency or Currencies: [    ]  
(ii) Relevant Currency: [    ] *(only relevant in relation to Condition 6(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 *(Applicable to Notes in* *(If only one Specified Denomination, insert the Specified Denomination.*



*definitive form)*

*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>4</sup>
9. Interest Basis: [[     ] per cent. Fixed Rate]
- [[LIBOR/EURIBOR] +/- [     ]  
per cent. Floating Rate]
- [Zero Coupon]
- [Index Linked Interest]
- [Dual Currency Interest]
- [specify other]
- (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
- [Index Linked Redemption]
- [Dual Currency Redemption]
- [Partly Paid]
- [Instalment]
- [specify other]
- (NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*
11. Change of Interest Basis or [     ]  
Redemption/Payment Basis:
- [Specify details of any provision for

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<sup>4</sup> 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.

*change of Notes into another Interest Basis or Redemption/Payment Basis]*

12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. Status of the Notes: [Senior/Subordinated – give details, including any variations to the Negative Pledge and Events of Default.]
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 [annually/semi-annually/quarterly/other(*specify*)] in arrear]  
*(If payable other than annually, consider amending Condition 5)*
- (ii) Interest Payment Date(s): [ ] in each year 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>5</sup>  
*(Applicable to Notes in definitive form)*
- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]  
*(Applicable to Notes in definitive form)*
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [*specify other*]]
- (vi) [Determination Date[s]: [ ] in each year  
*(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long*

<sup>5</sup> 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.”

*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)))]*

- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:

[None/Give details]

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/[specify other]]

- (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/specify other]

- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):

[ ]

- (vi) Screen Rate Determination: – Reference Rate:

[Yes/No]

[ ]

*(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*

- 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)

*Other]*

*(See Condition 5 for alternatives)*

(xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]

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) Any other formula/basis of determining amount payable: [ ]

(iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e) and (j) apply/specify other]

*(Consider applicable day count fraction if not U.S. dollar denominated)*

18. Index Linked Interest Note Provisions [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

*(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*

(i) Index/Formula: [give or annex details]

(ii) Calculation Agent [give name]

(iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and the Interest Amount (if not the Agent): [ ]

(iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [ ](need to include a description of market disruption or settlement disruption events and adjustment provisions)

(v) Specified [ ]

Period(s)/Specified Interest  
Payment Dates:

- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (vii) Additional Business Centre(s): [ ]
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: [ ]

19. Dual Currency Interest Note Provisions [Applicable/Not Applicable]

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

*(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ] (*need to include a description of market disruption or settlement disruption events and adjustment provisions*)
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

## Provisions Relating to Redemption

20. 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) and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (iii) If redeemable in part:
  - (A) Minimum Redemption Amount: [ ]
  - (B) Higher Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions): [ ]

*(N.B. if setting notice periods which are different to those provided in the Conditions, 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)*

21. Investor Put: [Applicable/Not 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) and method, if any, of calculation of such amount(s): ☐ per Calculation Amount/specify other/see Appendix]

(iii) Notice period (if other than as set out in the Conditions): ☐

*(N.B. if setting notice periods which are different to those provided in the Conditions, 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/specify other/see Appendix]

*(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply).*

23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): ☐ per Calculation Amount/specify other/see Appendix]

#### **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 dates to which paragraphs 16(iii) and 18(vii) relate)*

26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details. NB: new forms of Global Note may be required for Partly Paid issues*]
28. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/*give details*]
- (ii) Instalment Date(s): [Not Applicable/*give details*]
29. Redenomination applicable: Redenomination [not] applicable
- (If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
30. Other terms or special conditions: [Not Applicable/*give details*]
- (When adding any other final terms consideration should be given as to whether such terms constitute 'significant new factors' and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*
31. For the purposes of Condition 14, notices to be published in the Financial Times: [Yes/No]
32. Condition 8(a) or 8(b) of the Notes applies: [Condition 8(a) applies and Condition 7(b) does not apply/Condition 8(b) applies and Condition 7(b) applies]
33. Additional tax disclosure [Not Applicable/*give details*]

## **Distribution**

34. (i) If syndicated, names and addresses of Managers and [Not Applicable/*give names and addresses and underwriting commitments*]

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) Stabilising Manager[s] (if any): [Not Applicable/give name and address]

35. If non-syndicated, name and address of relevant Dealer: [Not Applicable/give name and address]

36. Total commission and concession: [ ] per cent. of the Aggregate Nominal Amount]

37. U.S. Selling Restrictions: [Rule144A; Reg. S Compliance Category 2; TEFRA D Rules applicable/TEFRA C Rules applicable/TEFRA not applicable]

38. Non exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers other than pursuant to Article 3(2) of the Prospectus Directive in *[specify relevant Member State(s) - which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)]* (**Public Offer Jurisdictions**) during the period from *[specify date]* until *[specify date or a formula such as "the Issue Date" or "the date which falls [...] Business Days thereafter"]* (**Offer Period**). See further Paragraph 10 of Part B below.

*(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.)*

39. Additional selling restrictions: [Not Applicable/give details]

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading on [Euronext Amsterdam/*specify relevant regulated market and, if relevant, listing on an official list*] of the Notes described herein] pursuant to the Global Medium Term Note Programme of Koninklijke KPN N.V.

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms and to the best knowledge and belief of the Issuer the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information. [[ ] has been extracted from [ ]. 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 [ ], 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*

## 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.]

## 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.)*

[[*Insert the legal name of the relevant credit rating agency*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended) although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[*Insert the legal name of the relevant credit rating agency*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) [As such [*insert the legal name of the relevant credit rating agency*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert the legal name of the relevant credit rating agency*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended).]

[[*Insert the legal name of the relevant credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended). However, the application for registration under Regulation (EC) No. 1060/2009 (as amended) of [*insert the legal name of the relevant EU CRA affiliate that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert credit rating agency*].]

[[Insert the legal name of the relevant credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended). The ratings [[have been]/[are expected to be]] endorsed by [insert the legal name of the relevant EU-registered credit rating agency] in accordance with Regulation (EC) No. 1060/2009 (as amended). [Insert the legal name of the relevant EU-registered credit rating agency] is established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended).]

[[Insert the legal name of the relevant credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended), but it is certified in accordance with such 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. – *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]*]

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

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

**7. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index-linked Notes only)**

*[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*(N.B. The requirements below only apply if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

*[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]*

*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

**8. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)**

*[If there is a derivative component in the interest or the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*(N.B. The requirements below only apply if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

*[Need to include details of where past and future performance and volatility of relevant rates can be obtained.]*

*[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

## 9. 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]<br><br>[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,] <i>[include this text for Registered Notes which are to be held under the NSS]</i> 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.] <i>[include this text if "yes" selected in which case Bearer Notes must be issued in NGN form]</i> |

## 10. TERMS AND CONDITIONS OF THE OFFER

- |     |                                       |                               |
|-----|---------------------------------------|-------------------------------|
| (i) | Time period during which the offer is | [Not applicable/give details] |
|-----|---------------------------------------|-------------------------------|



open:

- (ii) Description of the application process: [Not applicable/*give details*]
- (iii) Description of possibility to reduce subscriptions: [Not applicable/*give details*]
- (iv) Manner for refunding excess amount paid by applicants: [Not applicable/*give details*]
- (v) Minimum and/or maximum amount of application: [Not applicable/*give details*]
- (vi) Method and time limit for paying up the securities and for delivery of the securities: [Not applicable/*give details*]
- (vii) Manner and date in which results of the offer are to be made public: [Not applicable/*give details*]
- (viii) Procedure for exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised: [Not applicable/*give details*]
- (ix) Categories of potential investors to which the Notes are offered and 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*]

## **SCHEDULE [ ] TO THE FINAL TERMS**

*(In relation to a tranche of Notes which is being increased and was originally issued under a Base Prospectus or Prospectus with an earlier date than the current Base Prospectus, insert full terms and conditions which shall be in the form set out in the previous Base Prospectus or Prospectus which, in the case of a listed issue shall have been previously approved by the relevant competent authority)*

## 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 April 27, 2012 [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 [www.kpn.com](http://www.kpn.com) 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 as set out in Schedule [ ] to this document. This document constitutes the Final Terms of the securities described herein for the purposes of Article 5.4 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**)) and must be read in conjunction with the Base Prospectus dated April 27, 2012 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are replaced by the conditions as set out in Schedule [ ] to this document. Full information on the Issuer and the offer of the securities is only available on the basis of the combination of these Final Terms and the Base Prospectus dated April 27, 2012, save for the Conditions, which are replaced by the conditions as set out in Schedule [ ] to this document. 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 [www.kpn.com](http://www.kpn.com) 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: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. (i) Specified Currency or Currencies: [ ]  
 (ii) Relevant Currency: [ ] *(only relevant in relation to Condition 6(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. Following the entry into force of the 2010 PD Amending Directive on 31 December 2010, Notes to be admitted to trading on a regulated market within the European Economic Area with a maturity date which will fall after the implementation date of the 2010 PD Amending Directive in the relevant European Economic Area Member State (which is due to be no later than 1 July 2012) must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities. Similarly, 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.)*

*(Note – Where Bearer Notes with 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].’)*

*[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 [€100,000] minimum denomination is not required.)*

(b) Calculation Amount  
(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>6</sup>

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

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

[Zero Coupon]

[Index Linked Interest]

<sup>6</sup> 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.

[Dual Currency Interest]

[specify other]

(further particulars specified below)

10. Redemption/Payment Basis: [Redemption at par]

[Index Linked Redemption]

[Dual Currency Redemption]

[Partly Paid]

[Instalment]

[specify other]

*(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*

11. Change of Interest Basis or [ ]  
Redemption/Payment Basis:

*[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]*

12. Put/Call Options: [Investor Put]

[Issuer Call]

[(further particulars specified below)]

13. Status of the Notes: [Senior/Subordinated – give details, including any variations to the Negative Pledge and Events of Default.]

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 [annually/semi-annually/quarterly/other(specify)] in arrear]

*(If payable other than annually, consider amending Condition 5)*

(ii) Interest Payment Date(s): [ ] in each year 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>7</sup>  
*(Applicable to Notes in definitive form)*

(iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]  
*(Applicable to Notes in definitive form)*

(v) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]

(vi) [Determination Date[s]: [ ] in each year

*(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))]*

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]

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/[specify other]]

<sup>7</sup> 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."

- (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/specify other]
- (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: [ ]  
 [ ]  
*(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*  
 – 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)

*Other]*

*(See Condition 5 for alternatives)*

(xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]

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) Any other formula/basis of determining amount payable: [ ]

(iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e) and (j) apply/specify other]

*(Consider applicable day count fraction if not U.S. dollar denominated)*

18. Index Linked Interest Note Provisions [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

*(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*

- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and the Interest Amount (if not the Agent): [ ]
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [ ](need to include a description of market disruption or settlement disruption events and adjustment provisions)
- (v) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vii) Additional Business Centre(s): [ ]
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: [ ]

19. Dual Currency Interest Note Provisions [Applicable/Not Applicable]

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

*(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ] *(need to include a description of market disruption or settlement disruption events and adjustment provisions)*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

### **Provisions Relating to Redemption**

20. 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) and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (iii) If redeemable in part:
  - (A) Minimum Redemption Amount: [ ]

(B) Higher Redemption Amount: [ ]

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

*(N.B. if setting notice periods which are different to those provided in the Conditions, 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)*

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) and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]

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

*(N.B. if setting notice periods which are different to those provided in the Conditions, 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/specify other/see Appendix]

*(NB: If the Final Redemption*

*Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply).*

23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)):

[[ ] per Calculation Amount/specify other/see Appendix]

### **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 dates to which paragraphs 16(iii) and 18(vii) relate)*

26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]

27. Details relating to Partly Paid Notes: amount of each payment comprising [Not Applicable/give details. NB: new forms of Global Note may be required for Partly Paid issues]

the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

28. Details relating to Instalment Notes:

(i) Instalment Amount(s): [Not Applicable/give details]

(ii) Instalment Date(s): [Not Applicable/give details]

29. Redenomination applicable: Redenomination [not] applicable

*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*

30. Other terms or special conditions: [Not Applicable/give details]

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

31. For the purposes of Condition 14, notices to be published in the Financial Times: [Yes/No]

32. Condition 8(a) or 8(b) of the Notes applies: [Condition 8(a) applies and Condition 7(b) does not apply/Condition 8(b) applies and Condition 7(b) applies]

33. Additional tax disclosure [Not Applicable/give details]

#### **Distribution**

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

*(Include names of entities agreeing to underwrite the issue on a firm commitment basis and names 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) Stabilising Manager[s] (if [Not Applicable/*give names*] any):
35. If non-syndicated, name of relevant Dealer: [Not Applicable/*give name and address*]
36. U.S. Selling Restrictions: [Rule 144A; Reg. S Compliance Category 2; TEFRA D Rules applicable/TEFRA C Rules applicable/TEFRA not applicable]
37. Additional selling restrictions: [Not Applicable/*give details*]

## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading on [Euronext Amsterdam/*specify relevant regulated market and, if relevant, listing on an official list*] of the Notes described herein] pursuant to the Global Medium Term Note Programme of Koninklijke KPN N.V.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms and to the best knowledge and belief of the Issuer the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information. [[ ] has been extracted from [ ]. 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 [ ], 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*



## 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]

*(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.)*

[[Insert the legal name of the relevant credit rating agency] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[Insert the legal name of the relevant credit rating agency] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) [As such [insert the legal name of the relevant credit rating agency] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[Insert the legal name of the relevant credit rating agency] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended).]

[[Insert the legal name of the relevant credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended).

However, the application for registration under Regulation (EC) No. 1060/2009 (as amended) of *[insert the legal name of the relevant EU CRA affiliate that applied for registration]*, which is established in the European Union, disclosed the intention to endorse credit ratings of *[insert the legal name of the relevant credit rating agency]*.

*[[Insert the legal name of the relevant credit rating agency]* is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended). The ratings *[[have been]/[are expected to be]]* endorsed by *[insert the legal name of the relevant EU-registered credit rating agency]* in accordance with Regulation (EC) No. 1060/2009 (as amended). *[Insert the legal name of the relevant EU-registered credit rating agency]* is established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended).]

*[[Insert the legal name of the relevant credit rating agency]* is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended), but it is certified in accordance with such 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. – *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]*

*(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. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index-linked Notes only)**

*[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]*

*[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer *[intends to provide post-issuance information *[specify what information will be reported and where it can be obtained]* *[does not intend to provide post-issuance information]*.*

*(N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

**7. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)**

*[Need to include details of where past and future performance and volatility of relevant rates can be obtained.]*

*[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

*(N.B. This paragraph 7 only apply if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

## 8. 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:   | <p>[Yes][No]</p> <p>[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,] <i>[include this text for Registered Notes which are to be held under the NSS]</i> 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.] <i>[include this text if "yes" selected in which case Bearer Notes must be issued in NGN form]</i></p> |

## **SCHEDULE [ ] TO THE FINAL TERMS**

*(In relation to a tranche of Notes which is being increased and was originally issued under a Base Prospectus or Prospectus with an earlier date than the current Base Prospectus, insert full terms and conditions which shall be in the form set out in the previous Base Prospectus or Prospectus which, in the case of a listed issue shall have been previously approved by the relevant competent authority)*

## 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 in relation to any Tranche of Notes may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Tranche of Notes. 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 17)) 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 for a global Note in registered form) and (iv) any global Note. The holders of the Notes, the Receipts (as defined below) 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 April 27, 2012 (the **Agency Agreement**), as further amended and/or supplemented and/or restated from time to time and made between the Issuer, and 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. Definitive Bearer Notes in the standard euromarket form repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and global Notes do not have Coupons, Talons or Receipts 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 **Receiptholders** shall mean the holders of the Receipts and 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 and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. 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 ([www.kpn.com](http://www.kpn.com)). The Noteholders, the Receiptholders 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 Specified Form(s).

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, an Index Linked Interest Note, an Index Linked Redemption Amount Note, a Dual Currency Interest Note, an Instalment Note, a Partly Paid Note, a Dual Currency Redemption 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, Receipts 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, Receipt 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 transferable for 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 7, 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 Receipts and 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 Receipts or 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 status and subordination of the Subordinated Notes is as set out in the applicable Final Terms.

### **4. Redenomination**

#### *(a) Redenomination*

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and, if applicable, Euroclear Nederland and at least 30 days' prior notice to the Noteholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market

practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;

- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent may approve) euro 0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro 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;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
  - (a) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal of the Notes represented by such Global Note; and
  - (b) in the case of definitive Notes, by applying the Rate of Interest to 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;

- (vii) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and
- (viii) such other changes shall be made to these Terms and Conditions as the Issuer may decide, after consultation with the Principal Paying Agent, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

(b) *Definitions*

In these Terms and Conditions, the following expressions have the following meanings:

**Established Rate** means the rate for conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

**euro** means the currency introduced at the start of the third stage of the economic and monetary union pursuant to the Treaty;

**Redenomination Date** means (in the case of interest bearing Notes) a date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above which falls on or after the date on which the country of the specified currency first participates in the third stage of European economic and monetary union; and

**Treaty** means the Treaty on the Functioning of the European Union, as amended.

## 5. 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, if they are Partly Paid Notes, the aggregate amount paid up); 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 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 5(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 (as specified in the applicable Final Terms) 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 (as specified in the applicable Final Terms) 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 and Index Linked Interest Notes*

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) 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 5(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 (if other than London or any Additional Business Centre) 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 and Index Linked Interest 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 as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest 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.



If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(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, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, 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. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest 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 or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest 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 or an Index Linked Interest 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 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 5(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 or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 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 14. 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, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders 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) *Interest on Dual Currency Interest Notes*

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

(d) *Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *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 14.

## **6. 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 any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

(b) *Presentation of definitive Notes, Receipts 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.

Payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant

Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above against surrender of the relevant Bearer Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes and 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 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) 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 Receipts and Talons (if any) appertaining thereto will become void and no payments in respect of any such Receipts and no further Coupons in respect of any such Talons will be made or issued, as the case may be.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Receipts, 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 Receipts, 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 bearer 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 (other than instalments of principal prior to the final instalment) 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 principal 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 and payments of instalments of principal (other than the final instalment) 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 fifteenth day (whether or not such 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) and instalments of principal (other than the final instalment) 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 and the final instalment of principal will be made in the same manner as payment of the principal 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 registered form in respect of Notes denominated in a Specified Currency other than 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, Receipt 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 (unless otherwise specified in the applicable Final Terms), **Payment Day** means any day which, subject to Condition 9, 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; and

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 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, Receipts 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, Receipts or Coupons shall be made in accordance with Condition 6(a)(i), 6(a)(iii) or Condition 6(d), as applicable.

In this Condition 6(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, Receipts 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, Receipts 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 6(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 8;
- (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 Instalment Notes, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount as defined in Condition 7; and
- (vii) 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 8.

## **7. Redemption and Purchase**

*(a) At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note, including each Index Linked Redemption Note and Dual Currency Redemption 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*

If so specified in the applicable Final Terms, 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, Index Linked Interest Notes or Dual Currency Interest Notes) or on any Interest Payment Date (in the case of Floating Rate Notes, Index Linked Interest Notes or Dual Currency Interest Notes), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (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 8 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 7(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 (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 to the Noteholders in accordance with Condition 14; 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 Higher 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 14 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 (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least 5 days prior to the Selection Date.

*(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 14 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 7(d) in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

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 7(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 principal 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. or Standard & Poor's Credit Market Services France S.A. and their respective successors 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 or any Notes by any Rating Agency 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 non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or (z) (if the rating assigned to the Notes by any Rating Agency shall be below an investment grade rating (as described above)) lowered one full rating category (from BB+ to BB 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 Notes or the Issuer and no Rating Agency assigns during the Change of Control Period an investment grade credit rating (as described above) to the Notes (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 confirm 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 14 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 7(d).

To exercise the option to require redemption or, as the case may be, purchase of a Note under this Condition 7(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 5) 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 7(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 10, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable to a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner 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
- (ii) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

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

where:

**RP** means the Reference Price; and

**AY** means the Accrual Yield; and

**y** is a fraction the numerator of which is 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 of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

- (iii) in any other case, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount.

*(f) Instalments*

Instalment Notes will be repaid in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

*(g) Partly Paid Notes*

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

*(h) 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 Receipts, 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.

*(i) Cancellation*

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

*(j) 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 10 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)(ii) 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 14.

## **8. Taxation**

All payments of principal and interest in respect of the Notes, Receipts 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, Receipts or Coupons, as the case may be, and shall not pay any additional amounts to the holders of the Notes, Receipts 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, Receipts 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, Receipts 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, Receipt or Coupon:
  - (i) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with The Netherlands other than the mere holding of such Note, Receipt or Coupon or the receipt of principal or interest in respect thereof; or
  - (ii) presented for payment by or on behalf of a Noteholder, Receiptholder 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 or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26th-27th, 2000 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, Receipt 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 14.

## 9. Prescription

The Notes, Receipts 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 6(b) or any Talon which would be void pursuant to Condition 6(b).

## 10. Events of Default

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 *surséance 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 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.

The applicable Final Terms may specify any variations to the above Events of Default in the case of an issue of Subordinated Notes.

## **11. Replacement of Notes, Receipts, Coupons and Talons**

Should any Note, Receipt, 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, Receipts 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, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **12. 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 or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 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 6(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 14.

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 14.

### **13. 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 9. 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.

### **14. 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 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 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.

## **15. 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 Receipts, 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, Receipts 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, Receipts 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 Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders 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 Receipts, 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 Receipts, 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, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

## 16. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders 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.

## 17. 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, the Receiptholders 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, Receiptholders 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, Receipts and Coupons in place of the Issuer;
  - (ii) in accordance with and subject to Condition 8, 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 8 shall apply);
  - (iii) all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer 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 10 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 the Issuer;

and (if the Substituted Debtor is not the Issuer) upon the Notes, Receipts and Coupons becoming valid and binding obligations of the Substituted Debtor, the Issuer undertakes that it will irrevocably and unconditionally guarantee in favour of each Noteholder, Receiptholder and Couponholder the payment of all sums payable by the Substituted Debtor as such principal debtor (such guarantee of

the Issuer 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, the Receiptholders and the Couponholders in accordance with Condition 14.

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

The Agency Agreement, the Notes, the Receipts 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, the Receiptholders 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, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts 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

All references to **we**, **us** and **our** in the description of the Company set out below on pages 101-130 of this Prospectus are references to 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 our selected historical financial data for the years ended December 31, 2010 and 2011.

Our Consolidated Financial Statements for the years 2011 and 2010 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 2011 Annual Report.

Amounts in millions of euro, except for shares and per share data		
	2011	2010
<b>Income Statement Data</b>		
Revenues	13,022	13,324
Other income	141	74
Operating profit	2,549	3,250
Profit before income tax	1,771	2,303
Profit attributable to equity holders	1,549	1,793
Earnings per ordinary share and per American Depositary Share (ADS) (non-diluted) <sup>(1)</sup>	1.06	1.15
Earnings per ordinary share and per ADS on a fully diluted basis <sup>(1)</sup>	1.06	1.15
Weighted average number of outstanding ordinary shares	1,460,869,236	1,561,730,185
Weighted average number of outstanding ordinary shares on a fully diluted basis	1,461,968,065	1,565,061,481
<b>Balance Sheet Data</b>		
	December 31, 2011	December 31, 2010
Total assets	22,387	22,737
Non-current liabilities	13,656	13,802
Non-current provisions and deferred tax liabilities	1,631	1,968
Shareholders' equity	2,930	3,500
Group Equity	2,930	3,500
Share capital (including Share premium)	7,061	8,561
Number of subscribed shares	1,431,522,482	1,572,609,884

1) Please refer to Note 8 of the Consolidated Financial Statements in our 2011 Annual Report for a discussion on the method used to calculate profit or loss per share.

## **INFORMATION ABOUT THE ISSUER**

### **History and development of the issuer**

Koninklijke KPN N.V. was incorporated under the laws of The Netherlands on January 1, 1989. On June 28, 1998 our name was changed from Koninklijke PTT Nederland N.V. to Koninklijke KPN N.V. We have our corporate seat in The Hague, The Netherlands. We are registered under number 02045200 at the Commercial Register of the Chamber of Commerce, The Hague, The Netherlands, and our executive offices are located at Maanplein 55, 2516 CK The Hague, The Netherlands. Our telephone number is +31 (0)70 4460986.

KPN is domiciled in The Netherlands and operates under the laws of The Netherlands. Our subsidiaries, where applicable, operate under the laws of the various jurisdictions in which they carry on business.

Our main objectives, as described in article 4 of our Articles of Association, are to participate in and to manage other enterprises and companies, including companies that operate in the field of the transmitting, storing and converting of information, as well as to manage and dispose of information and to let our subsidiaries carry out the concessions or licenses that are granted by the government in the field mentioned above. Our Articles of Association are accessible at the Chamber of Commerce.

KPN was incorporated with two main subsidiaries: PTT Telecom B.V., offering telecommunications services, and PTT Post B.V., serving as the primary postal company in The Netherlands. In the period from incorporation until the listing of our shares on Euronext Amsterdam in June 1994, the State of The Netherlands was our sole shareholder. On June 29, 1998, PTT Post B.V. was split-off from the Issuer. At the end of 2004, the State held 20.69 per cent. of the Issuer's outstanding shares. As of the end of 2006, the State held no interest in our outstanding shares, down from a 7.76% interest as of the end of 2005.

The demerger of our mail, express and logistics business operations to TNT Post Group was completed in 1998. In November 1999, we transferred our mobile business to a separately incorporated subsidiary, KPN Mobile N.V. KPN Mobile issued new shares to NTT DoCoMo in August 2000, as a result of which NTT DoCoMo held a 15% interest in KPN Mobile. In connection with a financial restructuring of KPN Mobile in December 2002, NTT DoCoMo elected not to exercise its anti-dilution rights, resulting in a decrease of its interest to 2.16%. In October 2005, we purchased NTT DoCoMo's remaining interest in KPN Mobile N.V.

In the period from 2000 to 2002, we acquired E-Plus and BASE, mobile network operators in Germany and Belgium, respectively. Following these acquisitions and the purchase of UMTS licenses, KPN initiated a refinancing program. The refinancing included share offerings in 2000 and 2001 and the sale of certain non-core assets.

In October 2005 we acquired Telfort, a Dutch mobile network operator. In March 2006, we acquired Nozema, a Dutch broadcast services company. In September 2006, KPN reached an agreement with Tiscali SpA regarding the acquisition of their Dutch operations. In June 2007 the deal was finalized for consideration of EUR 236 million.

KPN agreed to merge its international voice wholesale business into iBasis, a VoIP and international wholesale provider. In October 2007 KPN acquired 51% of iBasis, in exchange for the KPN Global Carrier Services business unit and USD 55 million in cash. On December 21, 2009, KPN successfully completed its tender offer for the outstanding shares it did not already own. The final offer amounted to USD 3.00 per share in cash, or approximately USD 93 million in total. In October 2007, KPN acquired Getronics, an international provider of ICT services and solutions, based in The Netherlands. Furthermore, KPN acquired Tele2/Versatel, a Belgian service provider for voice, internet and data to residential, business and carrier customers.

On January 22, 2010, KPN acquired the remaining 35% shares in Ortel Mobile from its founders. KPN already owned 65% following the acquisition in March 2008. Ortel Mobile provides prepaid

telecommunication services in the Netherlands, Germany and Belgium, particularly focusing on customers in the cultural segments.

On December 22, 2011, KPN announced the divestment of KPN France in line with KPN's strategy of focusing on accelerating Ortel Mobile's growth outside its domestic markets. The sale of KPN France resulted in a book profit of EUR 10 million in Q4 2011.

On January 24, 2012, KPN announced the divestment of Getronics International as part of KPN's strategy of strengthening its global delivery capabilities for major international clients through partnerships (subject to customary closing conditions). The related assets and liabilities were classified held for sale as at December 31, 2011, whereby the measurement of the asset and liabilities, at the lower of carrying amount and fair value less cost to sell, resulted in a loss of EUR 30 million.

Over the last several years, KPN has also disposed of a number of businesses; please see '*Other notes to the Consolidated Financial Statements*' in the 2011 Annual Report for more information.

### **Recent developments**

On January 24, 2012, KPN announced that due to strategic investment and macroeconomic uncertainty, there will be no share repurchase program in 2012.

On January 24, 2012, KPN announced the divestment of Getronics International as part of KPN's strategy of strengthening its global delivery capabilities for major international clients through partnerships (subject to customary closing conditions). The related assets and liabilities were classified held for sale as at December 31, 2011, whereby the measurement of the asset and liabilities, at the lower of carrying amount and fair value less cost to sell, resulted in a loss of EUR 30 million.

On January 31, 2012, KPN sold a part of its mobile towers, which resulted in a book gain of EUR 31 million. The mobile towers were classified as held for sale as at December 31, 2011.

On February 22, 2012, KPN priced a EUR 750m Eurobond with a maturity of 10 years and a coupon of 4.25%. The bond has been placed with a broad range of institutional investors. The proceeds of the bond will be used for general corporate purposes.

On April 10, 2012, KPN announced not to proceed with the acquisition of Dutch cable service provider Caiway as the Dutch competition authority, NMa, has too many objections against the transaction. The acquisition was first announced on May 2, 2011.

On April 16, 2012, KPN announced that it is conducting a review of the strategic options in respect of its mobile operations in Belgium ("BASE").

### **Investments**

In 2011, KPN spent EUR 2,047 million on investments (2010: 1,809 million). Following the increase of investments under the 'Strengthen-Simplify-Grow' strategy, full-year Capex increased by EUR 238 million due to increased investments in the Netherlands and at Mobile International. In the Netherlands, KPN invested in the fixed and mobile network to expand capacity and improve speed. In addition, the wireline proposition was improved by implementing a new user interface and by introducing the possibility of multi-room and multi-screen use of IPTV. Capex for customer equipment increased following the uptake in IPTV customers. During the year, KPN expanded its distribution footprint by adding shops in line with its strategy.

In Germany and Belgium, KPN invested over EUR 500 million in the wireless infrastructure. Capex increased due to an accelerated high-speed data network roll-out in both countries to capture data growth and

grow our market share in data service revenues. Higher IT investments were made to enable a shorter time-to-market at Mobile International.

### ***Commitments as of December 31, 2011***

Amounts in millions of euro	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Commitments by virtue of:		
Capital expenditure commitments and purchase commitments	1,972	2,256
Rental and operational lease contracts	2,222	1,820
Guarantees	251	229
Other commitments	15	14
<b>Total commitments</b>	<b>4,460</b>	<b>4,319</b>

### **Capital expenditure commitments and purchase commitments**

Capital expenditure commitments mainly relate to network infrastructure. The decrease in purchase commitments mainly relates to mobile handsets.

### **Rental and operational lease contracts**

For buildings, the majority of contracts include rental fees that are subject to a yearly indexation. Some contracts give KPN an option to buy the property when the landlord wants to sell that property.

For site rentals and mobile towers, the majority of agreements include an option for renewal of the contract and rental fees that are subject to a yearly indexation percentage. In addition, the majority of contracts can be cancelled by KPN only, with a notice period of 12 months.

The minimum non-cancellable sublease amounts expected to be received amount to EUR 185 million (2010: EUR 227 million), which relate to subleases of buildings and site sharing arrangements.

The total costs of operating leases and rental contracts totaled EUR 484 million in 2011 (2010: EUR 426 million) and is included in 'cost of work contracted out and other expenses' and 'other operating expenses' in the Consolidated Statement of Income. These operating lease and rental commitments mainly relate to property, plant and equipment.

### **Guarantees**

These commitments mainly consist of financial obligations of Group companies under certain contracts guaranteed by KPN.

As a customer of Reggefiber, KPN has agreed to guarantee ODF fees for homes connected in 14 projects up to a certain minimum penetration level in a project. The ODF fees paid accrue interest for a period of five years. The ODF fees paid and the accrued interest will be settled with Reggefiber when the minimum penetration level is reached against the ODF fees incurred above that minimum level. KPN and Reggeborgh jointly have a similar agreement with Reggefiber regarding 8 other projects. However, an additional condition regarding the repayment compared to the other 14 projects is that repayment is only due when free cash flow is available. The guarantees under the KPN and the KPN/Reggeborgh contracts terminate upon reaching specified penetration targets, but ultimately after 20 years. At the end of 2011 the prepaid fees and accrued interest amounted to EUR 20 million (2010: EUR 11 million).



## **BUSINESS OVERVIEW**

### **Introduction**

In The Netherlands, KPN offers wireline and wireless telephony, internet and TV to consumers, and end-to-end telecommunications and ICT services to business customers. KPN Corporate Market (Getronics) operates a ICT services company with a strong position in the Benelux, offering end-to-end solutions in infrastructure and network-related IT. In Germany and Belgium, KPN pursues a multi-brand strategy in its mobile operations and holds number three market positions through E-Plus and BASE. KPN provides wholesale network services to third parties and operates an efficient IP-based infrastructure with global scale in international wholesale through iBasis.

At December 31, 2011, KPN served 44.5 million customers, of which 36.6 million were in wireless services, 4.0 million in wireline voice, 2.5 million in broadband Internet and 1.4 million in TV. With 30,941 FTEs for the whole group, KPN reported full-year revenues of EUR 13.0bn and an EBITDA of EUR 5.1bn in 2011.

On January 1, 2012, KPN implemented a new divisional structure, which is run by the Executive Committee where all Dutch and international operations are represented. The new structure will facilitate a more direct and efficient management and is in line with the strategic plans for a simpler organization that enables KPN to respond better to changes in the ICT world. A key change is the split of the Consumer Segment into two new Segments, Consumer Residential (internet, television and fixed telephony) and Consumer Mobile (mobile telephony and mobile internet). ITNL and Wholesale & Operations are combined into the segment NetCo.

The activities of each Segment are described in more detail below.

### **CONSUMER SEGMENT**

KPN offers consumers a complete portfolio of services, consisting of Voice, Internet and TV services. KPN provides this portfolio on both its mobile and fixed networks.

Against a backdrop of strong competition and an unprecedented rapid transformation into an interactive data-centered world, KPN continued to exploit a multibrand approach, based on premium brands KPN and XS4all and the youth/budget brands Hi and Telfort.

Increasing speed and adding new functionalities are key to improving customer experience and win market share in consumer wireline. At wireless, a successful migration from volume-based bundles to integrated voice/data bundles is crucial to sustaining market share in a highly dynamic market.

#### **Products and services**

##### *Wireline Services (Voice, internet and TV services)*

During 2011, KPN enhanced its service footprint for higher speed Internet and (HD) IPTV service by building out a hybrid broadband infrastructure based on VDSL and FttH. In 2011, a 500 Mbps up and download speed FttH product was launched.

In 2011, TV on tablet and laptop, multi-room IPTV and a new IPTV user interface were introduced. KPN's IPTV product became available for the XS4all and Telfort brands, which supported an increase in net adds to 271,000 in 2011.

### *Wireless Services (Retail and Wholesale)*

In September 2011, new integrated data/voice/SMS propositions were launched. Special attention was given to advising customers about data usage and bundles in the new tariff structure, to help them choose the most appropriate propositions for their mobile usage requirements.

KPN's Dutch Mobile Wholesale activities offer flexible customized platforms which ensure that partners can introduce their own mobile propositions in the market. In particular, revenue of the cultural and messaging segment declined due to price pressure. Around 2.5 million end-users are connected to the KPN network via its mobile wholesale partners.

### **Environment and competition**

At wireless services, the change in customer behavior, leading to the substitution of voice and SMS by data and the ongoing competition from Vodafone and T-Mobile was visible throughout 2011. The company's wireless customer base slightly fell to 5.3 million customers, of which 3.1 million are postpaid and 2.2 million prepaid. Also our wireless market share in the Netherlands (in terms of service revenues) declined from 47% in 2010 to 46% in 2011. In 2011, KPN's wireline business remained under pressure from cable competition (Ziggo, UPC). Its broadband market share decreased from 41% to 40%. In fiber areas, however, KPN's market share is approximately 6% higher and amounted to 46%.

### **BUSINESS SEGMENT**

KPN offers its business customers a complete portfolio of services, from Voice and Internet (wireline and wireless) to a range of data network services, workspace management and data network services.

### **Products and services**

Voice and internet wireline services: KPN offers fixed-line telephony access services and Internet over analogue lines (PSTN), digital lines (ISDN) and increasingly over IP-based connections (VoIP).

Wireless services: KPN offers a wide range of mobile communication solutions both in voice and data. Currently, there is a rapid increase in customer demands for wireless e-mail solutions and internet access, driven by a sharp rise in the number of smartphones (such as BlackBerry, Windows Mobile, iPhone and Android), tablets and mobile internet cards.

In the Machine-to-Machine (M2M) market KPN has a strategic partnership with Jasper Wireless. KPN offers M2M solutions in the pan-European and local markets.

Data network services: KPN offers a wide range of data/network communication services ranging from traditional data services to modern Virtual Private Network services (such as IP-VPN, Ethernet VPN) and internet access services. KPN also provides its business customers with the KPN Corporate Market and Application Net portfolio, e.g. workspace, data center and consultancy services.

An example of product and service innovation is the 'SME Workspace'. This innovation enables entrepreneurs to buy all relevant workplace IT in one package. KPN invests in the software and makes sure that the licenses are always up to date. KPN is investing in growing ICT services jointly with Corporate Market (Getronics), such as unified communications, secure managed devices, private Cloud and service aggregation.

### **Environment and competition**

IP technology provides a future-proof foundation for new ways of communicating, such as mobile banking videoconferencing, e-learning and electronic payments enabling a new way of working.

The increasing broadband and smartphone penetration in the market for small enterprises accelerates the transition from old to new portfolios and brings the concept ‘work where you want’ within reach. KPN’s main competitors are Vodafone, T-Mobile, Tele2, UPC and Ziggo. Despite the increasing competition in this market, KPN’s wireless service revenues market share remained stable.

## **WHOLESALE & OPERATIONS**

The Wholesale & Operations Segment provides network services and facilitates all infrastructure needs to internal KPN segments as well as external wholesale customers with a strong emphasis on operational excellence. Through Wholesale & Operations, KPN operates an open access model and is a dedicated wholesale partner for all providers that need connections to their clients.

### **Products and services**

#### *National Wholesale Services*

KPN’s copper and fiber network are open networks, on which telecom operators and service providers could offer their own services to end customers. KPN offers components to wholesale customers to service their end customers and services for business customers such as triple-play products.

KPN offers a variety of services of the value chain from just a physical access connection to a full service concept whereby the wholesale customer adds its marketing and sales to the end customer.

#### *Network and services*

KPN’s infrastructure is going through a radical change. By further migrating to fiber and rolling-out the VDSL network, the company aims to become an even more highly efficient network operator. In the coming years, KPN will focus on accommodating the increasing capacity requirements on its mobile as well as its fixed networks.

### **Environment and competition**

In 2011 consumer wireless was impacted by a change in customer behaviour. The increase in usage of communication applications spurred considerably during 2011, declining voice and SMS traffic and rising data usage. KPN experienced a strong increase in data users, with the average data usage per customer also increasing.

At wireline services, the trend seen in previous years continues whereby ISDN/PSTN connections continued to decline. For the broadband connections the providers’ demand is shifting from traditional copper-based networks to fiber-based networks.

Both impacted the revenues of Wholesale and Operations.

Parts of KPN’s Wholesale services are regulated. Regulated services by OPTA are services to grant access to KPN’s local copper loop, wholesale services for fixed telephony and wholesale services on leased lines.

### **Infrastructure**

#### *Wireline network – Fiber network*

The fiber-optic network provides unlimited data transport to multinationals or smaller companies that need a high bandwidth. Upload and download speeds are equally fast (symmetrical) and KPN can offer its customers options for expansion such as high-definition TV, electronic payment transactions, data networks, and video conferencing.

The roll-out of the fiber network to the home (Ftth) is done through KPN's joint venture Reggefiber Group B.V. which operates on the basis of an open-access model. KPN has a minority share of 41% in Reggefiber Group B.V. with the other shares held by Reggeborgh. In November 2011, the joint venture agreement with Reggeborgh was amended. In the amended structure, KPN holds the option to increase ownership to 60% based on a defined time-line as opposed to solely on operational milestones under the original arrangements.

For additional details on Reggefiber, please refer to Investments in associates and joint ventures on page 107-108 of the 2011 Annual Report.

#### *Wireline network – Copper network*

KPN has been operating high-quality copper networks for over a century and continued to invest in this network in 2011. Investments were made in new technologies, such as VDSL and ADSL2+ and VDSL pair-bonding to enable to achieve speeds of up to 40 Mbps. The roll out of VDSL outer-rings and VDSL upgrades of the last Central Offices (CGB3) is on target. At the end of 2011 KPN enabled more than 3.4 million households for > 40 Mb speeds. In addition, the introduction program of VDSL Bonding is on plan.

#### *Wireless network*

To move from a voice- to a data-centric portfolio, the quality and speed of the wireless network are important differentiators. Mobile data continued to grow at 112% over 2011, and signalling traffic grew at about 233%.

Ethernet connectivity via fiber optics was introduced as part of KPN's future-proof mobile network architecture. HSPA 7.2 and HSPA 14.4 coverage were further expanded. New equipment was installed in the radio and core network domains, heavily expanding the available network capacity. The number of sites connected to fiber optics was expanded to 3,100 with approximately 460 extra sites. The UMTS coverage ultimo 2011 was 93.8% population coverage. About 34% of mobile voice traffic is carried by KPN's UMTS network.

### **CORPORATE MARKET (GETRONICS)**

Corporate Market (Getronics) is the ICT services company of KPN covering enterprise market customers. KPN Corporate Market offers end-to-end solutions centered around workspace management, connectivity solutions and data centers.

In January 2012, KPN announced the divestment of Getronics International as part of KPN's strategy of strengthening its global delivery capabilities for major international clients through partnerships (subject to customary closing conditions). As a founding member of the Getronics Workspace Alliance (GWA), the company will remain committed to offering consistent global IT support through a formal network of IT service companies.

#### **Strategy**

In the Netherlands, Corporate Market is concentrating on retaining and strengthening its market leadership by leveraging the company's services aggregator advantage, stimulating the New Way of Working and utilizing the potential to widen its IT and telecom service provisioning amongst its customers.

#### **Products and services**

##### *Workspace Management*

KPN sees workspace as the virtual and physical environment where people access, create and share information to deliver business value, on any scale at any location. Employees expect more freedom in how, where and when to work, balancing work and private life and bringing consumer and home experiences to the enterprise.

KPN provide different service models so clients can bridge existing legacy with new Cloud-based services containing standardized IT capabilities (services, software, or infrastructure) delivered via internet technologies in a pay-per-use, self-service way. Together with the Business Market Segment, KPN sells and delivers packaged online, hybrid and traditional workspace services in the Netherlands in all segments ranging from midmarket to the corporate enterprise market. An example of KPN's workspace service is Workspace Online, a standardized pay-per-use Software as a Service solution, with Microsoft Office 365 as online productivity options available on-demand.

#### *Connectivity Services*

The next step up from Workspace services and data centers requires connectivity services that enable companies to exchange information effectively and securely. World-class connectivity between employees, customers, partners and suppliers has become businesscritical as media-rich communication achieves increasing business penetration. During 2011, the relationships and synergies between Corporate Market and other members of the KPN Group continued to develop. The rise in demand for collaborative video-conferencing and the increased business need for optimized and integrated IT and telecommunications services led to focused and collaborative business development between Corporate Market, Talk and Vision (a business entity which focuses on visual communication such as video conferencing) and KPN International (a business entity which provides data and IP communication for international corporates and wholesale customers).

#### *Data Center*

The data center is the engine for businesses in a webconnected world. This becomes even more pronounced as Cloud and virtualization increase in importance for international enterprises. KPN is facilitating the development of traditional workspace management portfolio to more Cloud-based solutions. Corporate Market is responsible for all KPN data center resources.

Data Center services are under increasing scrutiny from the perspective of sustainability, and KPN's green data centers can now both service customers' growing need for virtual access to storage and processing, and also help to significantly reduce carbon emissions.

#### *Consulting Services*

Consulting services is driven by the desire to improve workforce productivity at acceptable cost. This objective looks at both an organization's IT staff and at non-IT staff. Consulting services uses formal, standard-based tools and methods to undertake meaningful analysis and produce practical and executable recommendations. Advice on the New Way of Working and Cloud strategy, for example, helps its customers establish improvement and transformation programs which fully take into consideration the need to respond differently to the requirements of different employee communities.

### **Environment and competition**

The business markets in the Netherlands are continuously impacted by economic headwind, resulting in significant price pressure. IT projects and investment are being postponed especially in the banking and the government sector, waiting for revival of the overall financial situation.

### **IBASIS**

Through iBasis, KPN operates in the international wholesale voice market. iBasis carries international phone calls worldwide. The company offers its carrier customers a range of global call termination products that provide flexibility of coverage and features, as well as a portfolio of value-added data services for mobile operators.

## **Strategy**

iBasis' strategy is to leverage its global IP infrastructure and expertise, back office systems, and scale to provide international communications services to fixed and mobile operators worldwide with high quality and efficiency.

## **Products and services**

iBasis offers a comprehensive voice product portfolio: Value Voice, Direct Voice, Certified Voice and Premium Voice. The four products offer a progression of code coverage, pricing and features formulated to meet the varied requirements of fixed carriers, mobile operators, consumer voice over broadband carriers, and prepaid calling card service providers. In the mobile market, iBasis offers a portfolio of value-added mobile data services, called Mobile Matrix, which includes global signalling, mobile messaging and roaming to enhance mobile operators' Average Revenue Per User and customer loyalty. This product portfolio enables iBasis to compete effectively in all international voice markets and gives iBasis particular strengths in the fastest-growing segments of VoIP and mobile.

## **Environment and competition**

Challenges are to maintain margins and market share in current markets despite strong price and margin pressure.

The international wholesale voice business has become a commodity business that requires low-cost infrastructure and the efficiencies that come from massive scale. With its global footprint and approximately 25 billion minutes of international voice traffic annually, iBasis is one of the largest carriers of international voice traffic in the world. Its main competitors in the wholesale voice business are Verizon, AT&T, Tata, BICS and Deutsche Telekom.

## **GERMANY**

In Germany, E-Plus is the third largest\* mobile telecommunications network operator, offering 'value for money' mobile services.

## **Products and services**

E-Plus continued its multi-brand strategy with various tariff structures: E-Plus brand with bundle packages like Time & More, BASE offering flat-fee packages, Simyo as web-only prepaid mobile operator and Ay Yildiz offering prepaid and postpaid products for the Turkish-speaking community. Wholesale solutions are offered for an increasing number of partners which act as branded resellers, including Medion, WAZ, MTV and MVNOs like Versatel, NetCologne and Ecotel.

In 2011, BASE had an increase in data propositions in its customer base related to the Mein BASE product with a mobile data offer, consisting of smartphone and the 'internet flat' option which was introduced in November 2010.

## **Environment and competition**

Four mobile network operators, all holding spectrum licenses, are currently active in the German mobile telecommunications market: T-Mobile, Vodafone, E-Plus and O2. The two largest mobile telecommunications providers are T-Mobile and Vodafone. All operators currently expand capacity to absorb the growth in mobile data. In addition, next to the German independent service providers like Freenet/Mobilcom and Victor Vox, numerous branded resellers like Medion, Fonix, Congstar, Klarmobil or

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\* Source: Management estimate based on publicly reported service revenues of mobile operators.

Tchibo sell products and services from various network operators, normally exclusively with one network operator.

## **BELGIUM**

In Belgium, KPN Group Belgium is the third largest\*\* mobile telecommunications provider. It is positioned as an innovator in products and services via a segmented, multi-brand approach.

### **Products and services**

KPN Group Belgium offers, under a variety of brands, a portfolio of voice and data products and services in Belgium that offer 'value for money' and simplicity. BASE is the retail brand for prepaid and postpaid products. Simyo as web-only prepaid mobile operator. BASE Business offers products for the business market (SoHo-SME) and under the Ay Yildiz brand, prepaid and postpaid products for the Turkish-speaking community are offered. In 2011, BASE launched two new rate packages focusing on specific segments: BASE Check which is targeting the youth segment and BASE C which offers a flexible solution for our prepaid and postpaid retail customers. Together with its partner RTL, KPN Group Belgium launched Contact Mobile with a special focus on the Walloon area and the company continued to develop JIM Mobile with its partner VMMA.

### **Environment and competition**

As in previous years, KPN Group Belgium remains an important partner to MVNO's in Belgium. The key competitors in the Belgian mobile communication market are Belgacom Mobile (Proximus) and Mobistar. Belgacom Mobile is a wholly-owned subsidiary of Belgacom, the incumbent telecommunications provider in Belgium. France Telecom holds a majority stake in Mobistar. Belgacom Mobile remains the market leader in Belgium with Mobistar, as the runner-up, at a clear distance. KPN Group Belgium, being the third-largest provider, is the challenger in the Belgian mobile market.

## **REST OF WORLD**

The Rest of World Segment includes KPN Spain, Ortel Mobile and Magnum. In Spain KPN targeted at specific market segments through its own low-cost/no-frills brands and partner brands.

At the end of 2011, KPN sold its subsidiary KPN France to Bouygues Telecom. KPN France provided mobile services through the Bouygues Telecom network to some 180 thousand French customers under the Simyo brand. Customers have not been affected by the sale.

### **Products and services**

#### *Ortel Mobile*

KPN offers 'value for money' prepaid mobile services to multi-cultural communities across various European markets through KPN and partner networks. KPN differentiates through an understanding of its customers' needs, strong distribution capabilities and reliable partnerships.

#### *KPN Spain*

In Spain KPN offers 'value for money' prepaid and postpaid mobile services through the Orange Spain network, targeting specific market segments via its own Simyo brand and wholesale partners.

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\*\* Source: Management estimate based on publicly reported service revenues of mobile operators.

## *Magnum*

Magnum is KPN's international MVNO platform, implemented in partnership with Huawei, it enables increased flexibility at lower costs for its own international brands (e.g. Simyo, Ortel) and wholesale partners in Rest of World.

### **Environment and competition**

KPN believes in a Challenger strategy aimed at market leadership in various market segments which are underserved by the major MNOs. For Rest of World this is executed through an 'asset light' approach, based on Mobile International's multi-brand and commercial and technical partnership principles to offer 'value for money' services. KPN expects further growth in the European MVNO markets, fuelled by the no-frills and online segments, as well as by the growing multi-cultural population.

In all its markets, Ortel has started facing tougher competition from its main rivals Lebara and Lyca Mobile. In Spain KPN competes for market share with small local MVNOs as well as major MNOs.

## **INNOVATION**

### **Product & Services Innovation**

A significant part of KPN's innovation projects covers the improvement and renewal of KPN's product- & services portfolio. Examples of product & services innovations are: Interactive TV, Mobile Data usage apps, Machine-to-Machine solutions (Smart metering).

### **Infrastructure & Network Innovation**

#### *Fixed Infrastructure (the Netherlands)*

KPN's fixed infrastructure in the Netherlands is of vital importance for its strategic objective to reach a minimum of 45% broadband market share. To achieve this objective the company invests in a hybrid FttH and VDSL-based network, expanding the addressable market for the services that it delivers over these All-IP networks. All-IP is considered KPN's largest and most important innovation project. The use of All-IP networks enables more efficient, effective and scalable usage of the telecom infrastructure, providing larger bandwidth and higher speeds.

In 2011, KPN made further investments in upgrading copper (VDSL). New technologies have been rolled out which significantly increased the broadband bandwidth on copper for subscribers and enabled the commercial roll-out of multi-room HD TV. KPN is on track with the VDSL upgrades, including pair bonding that is planned for a commercial roll-out in Q2 2012. At the end of 2011, KPN was able to deliver guaranteed downlink speeds of over 40 Mbps to around 40% of Dutch households.

In the long term KPN aims to distinguish itself from its competitors through the use of fiber in the access network that is being rolled out through its joint venture Reggefiber.

#### *Mobile Infrastructure (the Netherlands, Germany, Belgium)*

In the Netherlands, KPN's mobile network ambition is to operate a best-in-class network that provides a superior customer experience, both in voice and data services. To be able to handle the mobile data growth KPN continued to expand the capacity of its mobile network by installing new equipment in the radio and core network. Ethernet connectivity via fiber optics was introduced as part of our future-proof mobile network architecture. The number of sites connected to fiber optics was expanded to 3,100. With approximately 460 extra sites, the UMTS coverage ultimo 2011 was 93.8% of population. About 34% of KPN's mobile voice traffic is carried by its UMTS network. HSPA 7.2 and HSPA 14.4 coverage was further



expanded. In 2012, KPN will start upgrading 2.5G sites to 3G. The company will also be upscaling its next generation mobile technology (LTE) pilots to support its number one mobile network position in the Netherlands.

The Challenger strategy in Germany and Belgium is being extended into mobile data. KPN continued its efforts in accelerating the mobile data network roll-out on a selective regional basis through strategic partnerships, ensuring lower cost-to-serve and supporting the network roll-out speed. At the end of 2011 96% of the UMTS sites in Germany were HSDPA enabled.

In Germany, E-Plus has become the first MNO to operate a base station without using any German grid electricity. Together with its partner Nokia Siemens Networks KPN set up a 'green' base station site that relies on a combination of solar and wind power, supported by fuel cell and deep cycle battery technology. Electricity grid-independent base stations can be used at locations lacking an affordable energy grid connection to cover 'white spot' areas and increase the broadband penetration. In addition, the environment-friendly site operation and remote energy management help to achieve zero CO2 emissions during the operation, supporting E-Plus' target to increase energy efficiency by 5% by the year 2012, and by 20% by the year 2020.

### **Innovation expenditure**

The expenditure (operating expenses) related to these innovations in 2011 amounted to more than EUR 150 million in the Netherlands (2010: EUR 140 million). In 2011 approximately 3,000 employees in the Netherlands were involved in projects and activities to innovate KPN's infrastructure, to create new products and services and improve processes.

### **Patent application and intellectual property rights**

KPN's current portfolio of intellectual property rights consists of approximately 13 registered core trademark and 350 patent families. KPN takes the necessary 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, trade marks, service marks, trade secrets, copyrights, database protection, confidentiality agreements with its employees and third parties and protective contractual provisions. Approximately 50 of the patents 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.

## **REGULATORY DEVELOPMENTS**

Telecommunications regulations are, to a large extent, based on EU regulations and directives, but the application is national and depends on national market characteristics. Therefore the regulatory treatment of KPN's activities in different countries varies. KPN chooses a pro-competition strategy in all countries where it is active.

### **The Digital Agenda for Europe and the deployment of next generation access networks**

In April 2010 the European Commissioner for Digital Agenda published 'the Digital Agenda for Europe'. The document outlines policies and actions to maximize the benefit of the digital economy by 2020 for European citizens. The announced actions include a strengthened European policy for spectrum (e.g. aimed at allocating additional spectrum for mobile internet access), targets for broadband penetration in the EU and the promotion of next generation access networks (NGA's). In relation to NGA's the European Commission on September 20, 2010 published a Recommendation on regulated access to NGA's. The recommendation

aims at the provision of regulatory certainty to telecom operators in order to promote the deployment of NGA's.

Following the publication of a Recommendation on regulated access to NGAs, European Commissioner Kroes organized a CEO round table, involving CEOs of various market parties in electronic communications and ICT markets to seek support and an action plan for the Digital Agenda goals, in which KPN's CEO participated. As a follow-up, the Commission started a consultation on a recommendation on costing in relation to NGAs in September 2011, which is aimed to lead to another Recommendation by end of 2012.

### **Implementation of European Regulatory Framework 2009**

The European directives for the regulation of electronic communications services, as amended in 2009, were to be implemented by EU Member states by May 25, 2011. Many member states, amongst which the Netherlands, Belgium and Germany had not implemented the new regulatory framework by that date. The European Commission announced infraction procedures to be started by the end of January 2012. In the Netherlands the legislative process is in a final phase. During the discussion in the Dutch Parliament various (consumer protection related) amendments were added to the proposal, including a provision on net neutrality. By law it will be forbidden to hinder or slow down applications and services on the internet, unless in specifically listed situations (such as necessary network management and security). Providers of internet access services will not be allowed to make tariffs for internet access services dependent on the services and applications which are offered or used. The Netherlands will thereby be the first EU country with regulation on net neutrality that exceeds requirements for transparency on network management. The Act will enter into force only after it has been approved by the Dutch Senate (*Eerste Kamer*).

In Germany, in February 2012, the legislative bodies agreed upon the final amendments of the telecoms act (which is necessary to transpose the revised EU telecoms directives into German law) while the coming into force is awaited by May 2012. On net neutrality, the draft foresees an empowerment of the government to adopt a net neutrality regulation in the future. Such regulation would inter alia have to take account of respective EU law provisions. Thus, the draft foresees a number of consumer protection provisions, most notably a prohibition to charge for waiting loops when some premium services are called (*Kostenlose Warteschleifen*).

In Belgium, the implementation in Belgian Law on Electronic Communication is expected to come into force by early Q3 2012 at the latest. The Belgian Parliament will vote on the amendments of the Law on Electronic Communications during Q2 2012. One of the most important amendments is that consumers will be able to terminate their telecommunication contract at no cost as from the sixth month after the starting date of the contract.

### **Market analyses decisions fixed markets (the Netherlands)**

In 2011, OPTA conducted a new analysis of the fixed telecommunications markets in the Netherlands, aimed at replacing the current decisions, which came into force on January 1, 2009. New decisions based on this recent market analyses partially took effect on January 1, 2012. The remainder of the decisions are ultimately due to be announced by OPTA for Q2 2012, as described hereunder. Until new decisions enter into force the existing decisions remain effective.

The decisions for 2009–2011 were characterized by deregulation of end-user markets and tightening of KPN's wholesale obligations to facilitate this deregulation. The wholesale obligations imposed upon KPN included access obligations and tariff regulation for copper as well as on fiber networks (except for an obligation for wholesale broadband access on FttH) and the introduction of a strict margin squeeze preventing rule of conduct. All of the relevant decisions are or have been subject to appeals to the Trade and Industry Appeals Tribunal (*College van Beroep voor het bedrijfsleven* or **CBb**). The appeals to the decisions that have been decided upon by the CBb have resulted in (partial) annulment of OPTA's decisions, mainly

based on conclusion of the court that OPTA had insufficiently proved the definition of the relevant markets on which these decisions were based:

- In 2009 – and upon renewal of the decision of OPTA again on May 3, 2011 – the CBb annulled OPTA's market analyses decisions on the unbundled local loop market, because OPTA has included unbundled local loop access to FttO (ODF access) and FttH networks (ODF access) in the same product market without sufficient grounds. In its 2011 decision the CBb left the regulation for unbundled access to copper and FttH in place.
- In 2010, the CBb annulled OPTA's market analyses decision on leased lines. The markets for leased lines remains unregulated until new decisions enter into force in 2012.
- In 2010, the CBb annulled OPTA's market analyses decision on broadcast (cable) networks, which thereby remains unregulated.
- On May 3, 2011, the CBb concluded that the annulment of the decision on the market for unbundled access of that date should lead to annulment of the decision on the wholesale broadband market. The CBb left the regulation for the wholesale broadband market in place except for High Quality WBA.
- On September 30, 2011, the CBb partially annulled OPTA's market analyses decision on the fixed telephony market in so far as OPTA had withdrawn retail regulation for the business market as of January 1, 2010 and ordered OPTA to take a new decision on that market.

The tariffs for KPN's regulated wholesale services during the regulatory period 2009–2011 are part of separate decisions, which are still subject to appeal.

On June 23, 2011, OPTA published the first results of its third round analyses of the fixed markets for the period 2012–2014. In a phased approach, OPTA published draft decisions — and amendments thereof — for consultation during the second half of 2011. On December 29, 2011 OPTA published a new decision on the market for unbundled access to copper and FttH, in which KPN and Reggefiber are regulated. Compared to the decisions of 2008/2009, OPTA introduced a safety cap regulation for unbundled access tariffs based on existing cost-oriented tariffs, rather than based on a renewed cost calculation, but on the other hand strengthened some of the non-discrimination obligations. On the same date OPTA published the decision that it will no longer regulate (cable) television services.

Based on the draft decisions that have been consulted it is expected that in the market for voice telephony for 'single lines' the regulation might be lessened (with safety caps for wholesale line rental and carrier(pre)selection), but in the markets for two and more lines, retail regulation for KPN will be re-introduced in the form of anti-price squeeze regulation. OPTA has announced not to regulate Wholesale broadband access (low quality) and FttO access any longer, but intends to regulate Wholesale broadband access (high quality) and leased lines. The exact details of regulation, however, will only be known after final decisions are published, ultimately in Q2 2012.

The regulation of the markets of fixed and mobile call termination were combined in a decision of OPTA of July 7, 2010. For fixed call termination, OPTA imposed a glide path for the period until September 1, 2012, to a symmetric tariff level of EUR 0.36 ct/min for all operators, reflecting 'pure BULRIC' tariffs levels as defined in a cost model developed for OPTA. On August 31, 2011, the CBb partially annulled OPTA's decision, on grounds that a pure BULRIC cost model is not in line with the Telecommunications Act. The CBb therefore ordered OPTA to set new tariffs for fixed call termination based on 'plus BULRIC' and to review certain costs included in the model. On November 7, 2011, OPTA published for consultation a draft decision in which the tariff was set at EUR 0.37 ct/min as of September, 2012, including an amended glide path. Due to the serious doubts of European Commission on OPTA's draft decision, the draft decision cannot be adopted until the serious doubt-procedure is finished, which is expected at the end of Q2 2012.

## Market analyses decisions mobile markets (mobile call termination)

In Germany, Belgium and the Netherlands, KPN has been designated as having significant market power in the markets for call termination on its individual mobile networks. Apart from various obligations in relation to transparency and the obligation to offer direct interconnection upon reasonable request, in all countries tariff regulation is part of the decisions of regulators. The following table provides details of the current tariffs and the status of the decisions:

(Tariffs in EUR cent/minute, as of the dates specified)

### The Netherlands<sup>(1)</sup>

	January 1, 2011	September 1, 2011	September 1, 2012
All mobile operators	4.20	2.70	2.40

### Germany<sup>(2)</sup>

	December 1, 2010
	November 30, 2012
T-Mobile	3.38
Vodafone	3.36
E-Plus	3.36
O2 (Germany)	3.39

### Belgium<sup>(3)</sup>

	January 1, 2011	January 1, 2012	January 1, 2013
Base	4.76 (4.90 after indexation)	2.92 (3.11 after indexation)	1.08
Proximus	3.83 (3.94 after indexation)	2.46 (2.62 after indexation)	1.08
Mobistar	4.17 (4.29 after indexation)	2.62 (2.79 after indexation)	1.08

(1) OPTA decision of July 7, 2010 ( amended by CBb decision of August 31, 2011)

(2) BNetzA decision of November 30, 2010

(3) BIPT decision of June 29, 2010 (appeal procedure running).

With their decisions the National Regulatory Authorities of Belgium and the Netherlands adhered to the EU Commissions Recommendation on the regulatory treatment of fixed and mobile termination rates of May 7, 2009. The Commission recommended applying a 'pure BULRIC approach', which no longer takes account various costs which had so far been considered when setting MTRs.

In the Netherlands OPTA applied a glide path towards the tariffs defined by the pure BULRIC cost models (1.20 ct/ min). In its decision of August 31, 2011, the CBb partially annulled OPTA's decision, on grounds that a pure BULRIC cost model is not in line with the Telecommunications Act. The CBb therefore set the tariffs based on 'plus BULRIC' costs that were also modeled by OPTA at 2.40 ct/min.

In Belgium BIPT imposed an asymmetric glide path between Proximus (Belgacom), Mobistar and BASE. KPN Group Belgium has launched both a suspension and an annulment procedure against the decision. The request for suspension, which focused on the fact that BIPT has awarded a glide path to Proximus and Mobistar, instead of forcing them immediately to the pure LRIC-based MTA of EUR 1.08 ct/min, was rejected on formal grounds. The annulment procedure is pending and was pleaded in mid-December 2011. A decision of the court is expected in the course of Q1 or Q2 2012.

As to the German 2010 mobile call termination markets decisions, the court has dismissed all preliminary proceedings by all market parties. It is unlikely that there will be court decisions on the merits before BNetzA's decisions will elapse on November 30, 2012. As to its upcoming 2012 decisions, BNetzA has

commissioned a bottom-up cost model to WIK Consulting which aims at evaluating pure LRIC costs of the German MNOs and to thereby enable the regulator to implement the EU Commission Recommendation as of December 1, 2012. In this context, one has again to proceed from the assumption that BNetzA will publish its respective mobile call termination markets decision only on November 30, 2012.

### **Supervision by OPTA**

The Dutch National Regulatory Authority OPTA put KPN on close supervision as at December 21, 2011, further to alleged violations of obligations based on the Telecommunications Act. KPN's business conduct comes under increased scrutiny, specifically in cases concerning possible noncompliance with non-discrimination requirements (i.e. specific requirements fostering a level playing field under which KPN is to deliver Wholesale services to each operator and to its own business segments under equal conditions).

### **International roaming on mobile networks**

Based on the EU Roaming Regulation (as amended in 2009), additional tariff reductions for roaming calls and SMS were implemented in 2010. Further tariff reductions for calls made, calls received and SMS in other EEA (European Economic Area) countries are foreseen in the Regulation by July 2011 and July 2012. For data roaming only a maximum wholesale tariff is regulated. Retail data roaming tariffs are not regulated, but by March 1, 2010 the Regulation required operators to offer tariff caps to customers for data roaming (with at least a cap of EUR 50). These caps had to be implemented by July 1, 2010 for all customers who did not opt out.

On July 6, 2011 the European Commission presented a proposal to further amend the Roaming Regulation. The proposal includes a further glide path for regulated roaming rates and structural measures, including wholesale access and the obligation to separate retail roaming services from national services. These structural measures should be available by July 2014 and will ensure that further tariff regulation would no longer be necessary in the future. The proposal will be decided upon by the European Council and Parliament during the first half of 2012. In Parliament a glide path to lower tariffs has been proposed, which will be part of the discussions.

### **Licenses for mobile communications (the Netherlands)**

In the Netherlands, KPN holds licenses for GSM900, DCS1800, UMTS, 2.6 GHz, DVB-T (Broadcast) and a number of licenses of minor significance. The GSM900 and the DCS 1800 licenses will end on February 25, 2013. Rules for a simultaneous auction of 800, 900 and 1800 spectrum for mobile communications (to be conducted in October 2012) were published on January 6, 2012. At the request of Parliament, parts (2\*10 MHz) of the 800 spectrum and (2\*5 MHz) of the 900 spectrum will be reserved for at least two new operators. The licenses will have a duration until 2030, in line with the 2.6 GHz licenses auctioned in 2010.

### **Licenses for mobile communications (Germany)**

#### *BNetzA's 900 MHz Frequency Investigation*

On November 21, 2011, BNetzA published its final decision on the distribution of 900 MHz frequencies in the German mobile market (*Frequenzverteilungsuntersuchung*). Based on the assumption that only E-Plus will refarm its 900 MHz frequencies to offer both GSM 900 and UMTS 900 services, BNetzA finds that the current distribution of 900 MHz frequencies is not distorting competition in the German mobile market and that it will therefore not reallocate those frequencies until December 31, 2016. E-Plus is evaluating whether to challenge this decision in court.

### *900 / 1800 MHz usage rights as of January 1, 2017*

On November 21, 2011, BNetzA also started proceedings to clarify which demand interested market players will have as of January 1, 2017 for the 900 and for those 1800 MHz frequencies which will expire on December 31, 2016. In its respective call for demand substantiation, BNetzA has stated that it would only decide upon a potential spectrum cap for 900 MHz frequencies in case scarcity is found. Interested parties had to substantiate their demands until January 16, 2012, which E-Plus did.

### **Licenses for mobile communications (Belgium)**

In Belgium, KPN Group Belgium holds licenses for DCS1800, GSM 900 and UMTS. Under the law of March 15, 2010, the existing 2G licenses will be renewed until 2021 in return for an additional license fee of approximately EUR 52,000 per month per MHz for the 900 MHz band (for KPN Group Belgium, this amounts to approximately EUR 96 million for a renewal from July 2013 until March 2021). Operators can choose to pay the additional license fee either at the beginning of the renewal period or pro-rata on an annual basis. KPN Group Belgium disagrees with imposing an additional license fee for its GSM-license, insofar as KPN Group Belgium considers that its GSM-license should be tacitly renewed until July 2018 at no additional license fee. KPN Group Belgium launched a procedure before the Belgian Constitutional Court against the law of March 15, 2010. On July 15, 2011, the Belgian Constitutional Court referred questions on the interpretation of the Authorization Directive to the European Court of Justice.

On August 2, 2011, BIPT announced that it had granted the fourth 3G license to Telenet Tecteo Bidco NV/SA, i.e. the only candidate for this license.

On November 28, 2011, KPN Group Belgium obtained a license to use 30 MHz FDD in the 2.6 GHz spectrum band in Belgium for a consideration of EUR 15 million. The license will become available as of July 1, 2012 and will expire in 2027. In total, 155 MHz were successfully auctioned for a total amount of EUR 77.8 million. Belgacom (40 MHz FDD for EUR 20 million), Mobistar (40 MHz FDD for EUR 20 million) and BUCD (45 MHz TDD for EUR 22.5 million) also obtained spectrum in the 2.6 GHz band. It is expected that the auction for 800 MHz spectrum will not be held before 2013.

## LEGAL STRUCTURE

The following table sets forth the name and jurisdiction of incorporation of, and our ownership and voting interest (if different) in, our principal operating subsidiaries and other principal interests as of December 31, 2011.

<b>Name of Subsidiaries and other principal interests</b>	<b>Country of incorporation</b>	<b>Percentage ownership/ voting interest</b>
KPN B.V.	The Netherlands	100.0
KPN EuroRings B.V.	The Netherlands	100.0
XS4ALL Internet B.V.	The Netherlands	100.0
iBasis Inc.	USA	100.0
Telfort B.V.	The Netherlands	100.0
E-Plus Nederland B.V.	The Netherlands	100.0
Reggefiber Group B.V.	The Netherlands	41.0
KPN Telecommerce B.V.:	The Netherlands	100.0
SNT Deutschland A.G.	Germany	100.0
KPN Mobile Holding B.V.:	The Netherlands	100.0
E-Plus Mobilfunk GeschGmbH	Germany	100.0
– E-Plus Mobilfunk GmbH & Co.KG	Germany	22.5
KPN Mobile N.V.:	The Netherlands	100.0
– KPN Mobile International B.V.	The Netherlands	100.0
– KPN Group Belgium N.V.	Belgium	100.0
– Ortel Mobile Holding B.V.	The Netherlands	100.0
– KPN Spain S.L.	Spain	100.0
Getronics N.V.:	The Netherlands	100.0
– NV Getronics Belgium SA	Belgium	100.0
– Getronics Ltda	Brazil	100.0
– Getronics Columbia Ltda	Columbia	100.0
– Getronics (Schweiz) AG	Switzerland	100.0
– Getronics Deutschland GmbH	Germany	100.0
– Getronics UK Ltd	United Kingdom	100.0
– Getronics Hungary Kft	Hungary	100.0
– Getronics Mexico SA	Mexico	100.0
– KPN Corporate Market B.V.	The Netherlands	100.0
– Tetraned VOF	The Netherlands	100.0
– Call-2 B.V.	The Netherlands	100.0
– Newtel Essence B.V.	The Netherlands	100.0
– Getronics Solutions (S) Pte Ltd	India	100.0

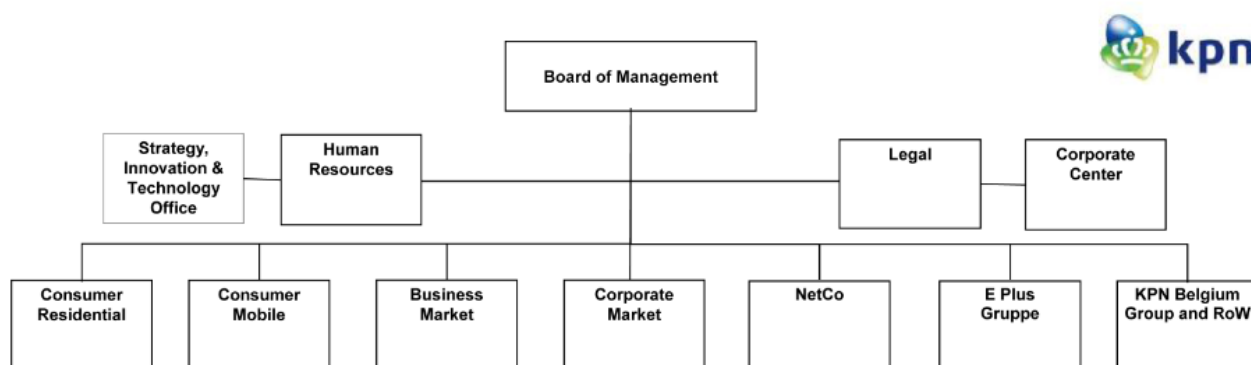
## ORGANIZATIONAL STRUCTURE

On January 1, 2012, a new divisional structure was implemented within KPN. The new divisional structure is run by the Executive Committee where all Dutch and international operations are represented. The new structure will facilitate a more direct management and is in line with the strategic plans for a simpler organization that enables KPN to respond better to changes in the ICT world. A key change is the split of the Consumer Segment into two new Segments, Consumer Residential (internet, television and fixed telephony) and Consumer Mobile (mobile telephony and mobile internet). ITNL and Wholesale & Operations are combined into the Segment Netco.

KPN's organization in the Netherlands consists of the Segments Consumer Residential, Consumer Mobile, Business Market, Corporate Market and NetCo.

KPN has two segments operating outside the Netherlands, E Plus Gruppe and KPN Belgium Group and the Rest of World.

The overview below reflects the organizational structure described above, as of January 1, 2012.



## ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

### Composition of the Board of Management as of April 1, 2012

Name	Position	Year of birth	Start of term	End of current term
E. Blok (Chairman)	Chief Executive Officer	1957	June 2006/2010*	2014
T. Dirks	Board member	1963	November 2011	2015

\* Reappointment

The Board of Management, supervised and advised by the Supervisory Board, manages KPN's strategic, commercial, financial and organizational matters and appoints senior managers. The Supervisory Board appoints and discharges members of the Board of Management and establishes their individual remuneration within the boundaries of the remuneration policies approved by the Annual General Meeting of Shareholders (AGM) and the recommendations by the Remuneration and Organizational Development Committee. Currently, the Board of Management consists of two members. In 2011, Mr. Scheepbouwer left the Board of Management. At the end of 2011, Mr. Dirks was appointed as a member of the Board of Management. As of April 1, 2012 Mrs. Smits-Nusteling and Mr. Coopmans left the Board of Management. Mr. Coopmans and Mrs. Smits-Nusteling were as of January 1, 2012 no longer involved in decision making and management of KPN. On the basis of contractual arrangements, Mr. Coopmans and Mrs. Smits-Nusteling are not accountable vis-à-vis the Supervisory Board for decisions of the Board of Management as of January 1, 2012. As of January 3, 2012 Mr. Hageman and Mr. van Schilfgaarde act as interim CFO's. The Supervisory Board has announced its intention to find a permanent successor for CFO at the shortest possible notice.

### E. Blok

As of the AGM in April 2011, Mr. Blok is the Chairman of the Board of Management and Chief Executive Officer.

Eelco Blok was appointed as a member of the Board of Management on June 1, 2006 and was responsible for KPN's Fixed division until January 1, 2007. Until February 1, 2010, he was Managing Director of the Business, Getronics and Wholesale & Operations Segments (including iBasis). As of February 1, 2010, Mr.



Blok assumed responsibility for KPN's international operations, comprising Mobile International and iBasis, KPN's wholesale international voice traffic carrier. He assumed the additional role of Chief Operating Officer in October 2010.

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 KPN's Board of Management. He is a member of the Supervisory Board of Reggefiber Groep B.V., he is a member of the Board of ICT Office and he is a member of the Cyber Security Council.

## **T. Dirks**

As of November 8, 2011, Mr. Dirks is a member of the Board of Management and is responsible for the international mobile activities within the KPN Group. He is also the Chief Executive Officer of E-Plus and Mobile International.

Thorsten 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.

## **Supervisory Board**

The Supervisory Board oversees strategic and organizational policy-making by the Board of Management and the way in which it manages and directs KPN's operations and affiliated/associated companies. Members of the Supervisory Board are appointed by the AGM upon binding nomination by the Supervisory Board. The Central Works Council has the right to recommend persons for nomination up to one third of the Supervisory Board.

The Supervisory Board must nominate the recommended persons unless it is of the opinion that 1) any such person would be unsuitable to fulfil the duties of a Supervisory Board member, or 2) such appointment would cause the Supervisory Board to be improperly constituted.

According to the Articles of Association, the Supervisory Board must consist of at least five and not more than nine members. KPN's Supervisory Board currently consists of seven members. Members of the Supervisory Board resign according to a schedule set by the Supervisory Board. A member steps down at the first AGM following his four-year term in office. In line with the revised Code, members can be reappointed twice, leading to a maximum term in office of 12 years.

The Supervisory Board has determined its 'profile', defining the basic principles for the composition of the Supervisory Board. All nominees for election to the Supervisory Board must fit within this profile. According to this profile, the Supervisory Board must be composed in such a way that members of the Supervisory Board are able to operate independently of each other and of the Board of Management. The profile was amended at the AGM 2010 in order to fully comply with diversity principles in the Dutch Corporate Governance Code. The profile is available on the website [www.kpn.com](http://www.kpn.com) under the section Investor Relations, Corporate Governance.

The by-laws of the Supervisory Board contain, among other things, rules regarding the members' duties, powers, working methods and decision-making, what decisions by the Board of Management it must approve, training and conflict handling. The by-laws are available on the website [www.kpn.com](http://www.kpn.com) under the section Investor Relations, Corporate Governance. The composition of the Supervisory Board did not change

in 2011. At the AGM of April 6, 2011, Mr. Streppel, Mr. Bischoff and Ms. Hooymans were reappointed for a four-year term. Mr. Van Rooij, Chief Legal Officer and company secretary, acts as secretary to the Supervisory Board.

### **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 Bischoff, Mrs Van Lier Lels and Mr Van Bommel. The Audit Committee's task is to supervise in particular the (quality of the) accounting and financial reporting practices, including quarterly and annual reporting, accounting and financial reporting policies and procedures, the (quality of the) internal control system and internal audit function, the independent external audit of the financial statements, the performance and evaluation of the external auditor and the compliance with relevant legislation and regulations. The task of the Audit Committee in the area of financial reporting and accounting practices is to provide reasonable assurance that the financial disclosures prepared by management adequately reflect KPN's financial condition, results of operations, cash flows and long-term commitments.

#### *Remuneration and Organization Development Committee*

The Remuneration and Organization Development Committee consists of four Supervisory Board Members, Mr Routs (Chairman), Mr Streppel, Mr Risseeuw and Ms Hooymans. The task of the Remuneration and Organization Development Committee is to assist the Supervisory Board regarding the development and appropriate application of remuneration policies for our Board of Management, including the remuneration of the members of the Board of Management for the coming year; the individual bonuses of members of the Board of Management on the basis of the policy framework for performance related pay, achieved targets and goals; allocation policies for options (to members of the Board of Management and to other KPN senior management) and the conditions under which options are granted; and the remuneration of members of the Supervisory Board for submission to the Supervisory Board and to the General Meeting of Shareholders.

#### *Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee consists of three Supervisory Board Members, Mr Streppel (Chairman), Mr Routs, Mr Risseeuw and Ms Hooymans. The task of the Nominating and Corporate Governance Committee is to assist the Supervisory Board with respect to the nomination of the Board of Management and the Supervisory Board and the oversight of development policies for senior management, as well as the Company's corporate governance policies.

## Composition of the Supervisory Board

Name	Year of birth	Start of term	End of current term	Committees
J.B.M. Streppel (Chairman)	1949	May 12, 2003, April 17, 2007* April 6, 2011*	2015	Chairman Nominating and Corporate Governance Committee; Member Remuneration and Organizational Development Committee
A.H.J. Risseeuw	1936	May 2, 2001, April 12, 2005* April 7, 2009*	2013	Member Nominating and Corporate Governance Committee; Member Remuneration and Organizational Development Committee
M.E. Van Lier Lels	1959	May 2, 2001, April 12, 2005* April 7, 2009*	2013	Member Audit Committee
M. Bischoff	1942	May 12, 2003, April 17, 2007* April 6, 2011*	2015	Member Audit Committee
C.M. Hooymans	1951	April 17, 2007 April 6, 2011*	2015	Member Nominating and Corporate Governance Committee; Member Remuneration and Organizational Development Committee
R.J. Routs (Vice-Chairman)	1946	April 7, 2009	2013	Chairman Remuneration and Organizational Development Committee; Member Nominating and Corporate Governance Committee
D.J. Haank	1953	April 7, 2009	2013	Chairman Audit Committee
P.A.M. Van Bommel	1957	April 12, 2012	2016	Member Audit Committee
* Reappointment				

### *J.B.M. Streppel*

Mr Streppel was appointed as a member of the Supervisory Board on May 12, 2003, and has been the Chairman of the Supervisory Board since April 13, 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 Organizational Development Committee. Mr Streppel is the former Chief Financial Officer of AEGON N.V. and a member of the Supervisory Board of Van Lanschot N.V., member of the Board of the Holland Financial Center and non-executive director of the RSA Group Ltd. He is Chairman of the Shareholders Communication Channel, Chairman of the Monitoring Committee Corporate Governance Code and Chairman of the Board of Duisenberg School of Finance. Mr Streppel is a Dutch citizen.

### *A.H.J. Risseeuw*

Mr Risseeuw was first appointed as a member of the Supervisory Board on May 2, 2001. His current (third) term expires in 2013. Mr Risseeuw is member of the Nominating and Corporate Governance Committee as well as of the Remuneration and Organizational Development Committee. Mr Risseeuw was the Chairman of the Supervisory Board of KPN from September 10, 2001 till April 13, 2010. He has held various management positions with Dutch international companies and is the former President of Getronics N.V. He is Chairman of the Supervisory Boards of Groeneveld Groep B.V. Mr Risseeuw is a Dutch citizen.

### *M.E. van Lier Lels*

Ms Van Lier Lels was first appointed as a member of the Supervisory Board on May 2, 2001, and her current (third) term expires in 2013. She is a member of the Audit Committee. Ms Van Lier Lels held various management positions with Dutch international companies and is the former Chief Operating Officer of Schiphol Group. She is a member of the Supervisory Boards of USG People N.V., TKH Group N.V, Reed Elsevier N.V, and Maersk B.V. She is the chairman of the Supervisory Council of The Netherlands Society

for Nature and Environment and a member of the Council for Transport and Waterways. Ms Van Lier Lels is a Dutch citizen.

*M. Bischoff*

Mr Bischoff was appointed as a member of the Supervisory Board on May 12, 2003, and his current (third and final) term expires in 2015. He is a member of the Audit Committee. Mr Bischoff, a former member of the Management Board of DaimlerChrysler, is currently Chairman of the Supervisory Board of Daimler AG. Furthermore, he is a member of the Supervisory Boards of Fraport AG, SMS GmbH and Voith AG and a non-executive member of the Board of Directors of Unicredit. Mr Bischoff is a German citizen.

*C.M. Hooymans*

Ms Hooymans was appointed as a member of the Supervisory Board on April 17, 2007, and her current term (second) expires in 2015. She is a member of the Remuneration and Organizational Development Committee, as well as the Nominating and Corporate Governance Committee, as well as the Nominating and Corporate Governance Committee. Ms Hooymans is a member of the Management Board of TNO and a member of the Supervisory Board of Rabobank Vallei en Rijn. Furthermore, she is a member of the Board of the Radboud Foundation (Radboud University and Radboud University Medical Center) and a member of the Dutch Government's Advisory Council for Science and Technology. Ms Hooymans is a Dutch citizen.

*R.J. Routs*

Mr Routs was appointed as a member of the Supervisory Board on April 7, 2009, and has been the Vice Chairman of the Supervisory Board since April 13, 2010. His term expires in 2013. Mr Routs chairs the Remuneration and Organizational Development Committee and is a member of the Nominating and Corporate Governance Committee. From 2004 until his retirement in 2008 Mr Routs was an executive board member at Royal Dutch Shell PLC. 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 Canadian Utilities and member of the Boards of AP Moddler-Maersk Denmark, KPM-Kymmene Finland and AECOM. Mr Routs is a Dutch citizen and resides in Switzerland.

*D.J. Haank*

Mr Haank was appointed as a member of the Supervisory Board on April 7, 2009, and his term expires in 2013. He is the Chairman of the Audit Committee. Mr Haank is currently CEO of Springer Science+Business Media (Springer). Mr Haank holds several supervisory and advisory positions, including those of member of the Supervisory Board of NUON and the Supervisory Council of the Dutch broadcast association TROS. Before his appointment at Springer, Mr Haank was the CEO of Elsevier Science and Executive Board Member of Reed Elsevier PLC. Mr Haank is a Dutch citizen.

*P.A.M. Van Bommel*

Mr Van Bommel was appointed as member of the Supervisory Board on April 12, 2012, and his term expires in 2016. Mr Van Bommel is currently CFO of ASMI and non-executive director of ASM PT (Hong Kong). Prior to his appointment as CFO of ASMI in July 2010, Mr Van Bommel was the CFO at Odersun (a start-up company in the solar industry), the executive vice president at NXP and CFO at various divisions of Philips. Mr Van Bommel is a Dutch citizen.

The business address of each of the members of the Supervisory Board is Maanplein 55, 2516 CK The Hague, The Netherlands.

## 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 132 of the 2011 Annual Report for details of the material transactions between the Issuer and members of the Board of Management or the Supervisory Board.

## BOARD PRACTICES

### Corporate governance: Compliance with the Dutch Corporate Governance Code

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 shares are listed on a stock exchange.

The Corporate Governance Code defines a company as a long-term form of collaboration between the principal organs of a company. For KPN, these organs include the Board of Management, the Supervisory Board and the General Meeting of Shareholders. The Board of Management values and considers the interests of the various stakeholders involved, supervised by the Supervisory Board. According to the 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.

The current Dutch Corporate Governance Code entered into force on January 1, 2009. In December 2011, the Dutch Corporate Governance Code Monitoring Committee presented its report on compliance with the Dutch Corporate Governance Code in 2011, particularly regarding appointments of managing directors, composition and functioning of the Supervisory Board, voting and communication of foreign shareholders and the quality of explanation of non-application of the corporate governance principles. KPN fully endorses the underlying principles of the Dutch Corporate Governance Code which is reflected in a policy that complies with the best practice provisions as stated in the Dutch Corporate Governance Code. KPN fully complies with the provisions of the Dutch Corporate Governance Code. For a limited period in 2011, KPN did not apply the following principle:

II.2.4: “if options are granted, they shall, in any event not be exercised in the first three years after the date of granting. The number of options to be granted shall be dependent on the achievement of challenging targets specified beforehand”

Even though the current share plans are fully compliant with the revised Code, KPN does not apply provision II.2.4 on those options granted to Mr Scheepbouwer before the revised Code came into force. At the time of Mr Scheepbouwer’s appointment, KPN and Mr Scheepbouwer agreed that the Supervisory Board could annually grant Mr Scheepbouwer unconditional options. Stock options already granted before 2008 have been respected. As Mr. Scheepbouwer stepped down from his position on April 6, 2011, this deviation from the Code no longer exists since that date.

In addition, KPN does not fully apply the following principle:

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 Management Board member who is dismissed during his first term of office, such Board member shall be eligible for severance pay not exceeding twice the annual salary.”

Mr. Dirks joined the Board of Management of KPN on November 8, 2011. Mr. Dirks’ employment contract contains a non-competition clause for which he will, as required by German law, receive compensation equal to 50% of his (German) salary during a maximum period of 12 months. In 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.

Furthermore, given the short, remaining period between his appointment and the end of the year 2011, Mr. Dirks continued to be eligible for the variable incentives for 2011 as agreed under his former contract. As of January 2012, his compensation package is fully in line with KPN's remuneration policy as adopted by the Annual General Meeting of Shareholders.

KPN's application of the Corporate Governance Code is available on the website ([www.kpn.com](http://www.kpn.com)) under the section Investor Relations, Corporate Governance.

### **Legal structure of the Company**

Under Section 6, Part 4 of Book 2 of the Dutch Civil Code, the rules for large companies (*structuurvennootschap*) are mandatory for KPN. As such, KPN has a two-tier management structure with a Board of Management and a Supervisory Board. New legislation to amend the rules on management and supervision within Dutch companies (the **Act on management and supervision**), including the possibility of introducing a one-tier management structure for Dutch NVs (public limited liability companies) and BVs (private limited liability companies), was adopted on May 31, 2011 and is expected to enter into force on July 1, 2012.

Under Dutch corporate law, shareholders are entitled to approve decisions of the Board of Management that have a company-transforming effect. Moreover, they are entitled to approve the remuneration policy and share (option) plans. Also, they are entitled to appoint members of the Supervisory Board upon proposal by the Supervisory Board and to dismiss the Supervisory Board.

Currently, legislation is still pending on shareholder rights such as raising the threshold for proposing items to the shareholders meeting and decreasing the threshold for disclosure obligations for shareholders regarding their voting and capital interest. KPN closely monitors these developments. Where relevant, changes in legislation will be implemented in KPN's Articles of Association. The Articles were last amended on April 18, 2012.

None of KPN's shareholders hold special rights and no restrictions apply to the exercise of voting rights. For further information, please see 'Share capital' under 'Shareholders' rights', and 'Restrictions on non-Dutch shareholders' rights' on page 43 of the 2011 Annual Report.

On the basis of the Dutch Act on financial supervision (*Wet op het financieel toezicht (Wft)*), The Dutch Authority for Financial Markets (**AFM**) supervises the financial reporting by Dutch listed companies.

### **Major Shareholders**

On January 11, 2012, Capital Research and Management Company notified that they held 15.11% of the voting rights related to KPN's ordinary share capital. On January 25, 2012, Capital Income Builder Inc. notified that they held 5.08% of KPN's ordinary share capital, excluding voting rights.

### **Other shareholders**

Shareholders who have an interest of 5% or more in KPN, are legally obliged to notify the AFM and possible foreign supervisors, such as the SEC. These notifications will be published in public registers.

## **The State of The Netherlands**

Until September 22, 2006, the State of The Netherlands, referred to hereinafter as the State, represented by the Ministry of Finance, was a large shareholder in our Company. On that date the State sold the remainder of its shareholding in KPN, bringing an end to its long standing relationship with KPN as a shareholder.

The State is a major customer and purchases our services on normal market terms and conditions. The State may further require us by law to provide certain services in connection with national security or the investigation of criminal offences. The services include tapping telephone lines and providing and maintaining a special secure network for emergencies.

## **The Foundation Preference Shares B KPN (*Stichting Preferente Aandelen B KPN*)**

According to its Articles of Association, the statutory goal of the Foundation Preference Shares B KPN (the **Foundation**) 'is 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 the Company 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), with a view to enabling the Company to determine its position in relation to the circumstances as referred to above, and seek alternatives. The Board of the Foundation is of the opinion that under normal circumstances it should not exercise its voting rights for longer than a limited period. The Board of the Foundation considers it undesirable for the Board of Management to ignore a shift in the balance of power in the AGM over an extended period of time per event. It is furthermore undesirable that the Board of Management should (be able to) use anti-takeover measures to further the personal interests of individuals involved with the company.

The members of the Board of the Foundation are J.H. Schraven (Chairman), P. Bouw (vice-Chairman), J. Klaassen, P. Wakkie and H. Zwarts. The Board of Management and the members of the Board of the Foundation share the view that the Foundation is independent from KPN in accordance with parts c and d of the first subsection of article 5:71 of the Dutch Act on financial supervision.

The views of the Board of the Foundation, summarized above, have been published at the Foundation's website ([www.prefs-KPN.nl](http://www.prefs-KPN.nl)).

The Foundation has a call option, which is not limited in time, to acquire a number of Class B preference shares from KPN not exceeding the total issued amount of ordinary shares, minus one share and minus any shares already issued to the Foundation.

Upon exercise of the call option, 25% of the nominal value of EUR 0.24 per Class B preference share needs to be paid by the Foundation. 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.

## **FINANCIAL INFORMATION UPDATE FROM NOTES**

### **Historical Financial Information**

This Prospectus incorporates by reference the publicly available consolidated audited financial statements of the Issuer for the years ended December 31, 2011, including comparative figures for the financial year ended December 31, 2010 (prepared in accordance with IFRS-EU) and December 31, 2010. The financial statements (*jaarrekening*) for the year 2011 are subject to adoption by the general meeting of shareholders of KPN to be held on April 12, 2012.

### **Financial Statements**

The Issuer has prepared both statutory and consolidated financial statements in respect of the 2011 and 2010 financial years.

### **Auditing of Historical Annual Financial Information**

As described under *General Information – Auditors* below, the auditors of the Issuer have audited the financial statements of the Issuer in accordance with IFRS-EU for the financial years ended December 31, 2011 (including comparative figures as at December 31, 2010) and December 31, 2010 and have issued reports without qualification for each of these years.

### **Age of Latest Financial Information**

The most recent audited financial information is as of December 31, 2011.

### **Credit Rating**

KPN's current credit ratings are:

- BBB with stable outlook by Standard & Poor's Credit Market Services France S.A. (**S&P**) (per February 21, 2012); and
- Baa2 with negative outlook by Moody's Investor Service Investors Service España S.A. (**Moody's**) (per January 26, 2012).

Each of S&P and Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). Each of S&P and Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

## **LEGAL PROCEEDINGS**

KPN is involved in several legal proceedings, most of which are primarily related to regulatory or other issues in the ordinary course of business. KPN does not expect these proceedings to result in liabilities that have a material effect on KPN's financial position. Where it is probable that the outcome of the legal proceedings will be unfavorable for KPN, and the financial outcome of these proceedings can be reliably estimated, a provision has been accounted for in the Consolidated Financial Statements. In the following paragraphs, the main pending proceedings for which the outcome can not be reliably estimated are described.



## KPNQWEST

KPN is involved in several legal proceedings related to the bankruptcy of KPNQwest.

On September 13, 2006, KPN was served with a writ of summons by Citibank N.A. and Cargill Financial Markets Plc. claiming EUR 218.9 million, excluding interest and costs, from various former officers and former shareholders, including KPN, of KPNQwest. 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. A hearing of the District Court of Amsterdam has been held on September 26 and September 27, 2011.

On September 28, 2010 the bankruptcy trustees 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. Trustees hold all defendants liable for damages caused by the bankruptcy of KPNQwest. We are preparing our statement of defence, the next ruling is expected in the second quarter of 2012.

## ADDITIONAL INFORMATION

### Consolidated Statement of Changes in Group Equity change

Amounts in millions of EUR, except number of shares	Number of subscribed shares	Share capital	Share premium	Other reserves	Retained earnings	Equity attributable to owners of the parents	Non-controlling interests	Total Group equity
<b>Balance as of January 1, 2010</b>	<b>1,628,855,322</b>	<b>391</b>	<b>8,799</b>	<b>-370</b>	<b>-4,982</b>	<b>3,838</b>	<b>3</b>	<b>3,841</b>
Share based compensation	-	-	-	-	3	3	-	3
Exercise of options	-	-	-	14	-	14	-	14
Shares repurchased	-	-	-	- 1,000	-	-1,000	-	-1,000
Dividends paid	-	-	-	-	-1,152	-1,152	-	-1,152
Shares cancelled	-56,245,438	-14	-615	629	-	-	-	-
Purchased from non-controlling interests	-	-	-	-	-14	-14	-5	-19
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>1,793</b>	<b>1,811</b>	<b>2</b>	<b>1,813</b>
<b>Balance as of December 31, 2010</b>	<b>1,572,609,884</b>	<b>377</b>	<b>8,184</b>	<b>-709</b>	<b>-4,352</b>	<b>3,500</b>	<b>-</b>	<b>3,500</b>
Share based compensation	-	-	-	-	1	1	-	1
Exercise of options	-	-	-	7	-	7	-	7
Shares repurchased	-	-	-	-1,000	-	-1,000	-	-1,000
Dividends paid	-	-	-	-	-1,202	-1,202	-	-1,202
Shares cancelled	-141,087,402	-33	-1,467	1,500	-	-	-	-
<b>Comprehensive income for the period</b>				<b>75</b>	<b>1,549</b>	<b>1,624</b>	<b>-</b>	<b>1,624</b>
<b>Balance as of December 31, 2011</b>	<b>1,431,522,482</b>	<b>344</b>	<b>6,717</b>	<b>-127</b>	<b>-4,004</b>	<b>2,930</b>	<b>-</b>	<b>2,930</b>

The aggregate amount of current and deferred tax recorded directly in equity in 2011 was EUR 28 million negative (2010: EUR 8 million positive).

### **Rights attaching to the Issuer's shares**

The KPN authorized capital stock totals EUR 1,440,000,000, divided into 3 billion ordinary shares of EUR 0.24 each and 3 billion Class B preferred shares of EUR 0.24 each. As of December 31, 2011, a total of 1,431,522,482 ordinary shares were outstanding. No Class B preferred shares were outstanding.

Dutch law prohibits KPN from casting a vote on shares it holds. The ordinary shares and Class B preference shares carry the right to cast one vote each. For a description of the preference shares, please see *The Foundation Preference Shares B KPN*. The ordinary shares are registered or payable to bearer. Shareholders may request the Company to convert their registered shares to bearer shares but not vice versa.

### **Articles of Association**

Pursuant to Article 4 of the Issuer's Articles of Association, its objects and purposes 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 objects set out hereinabove.

### **MATERIAL CONTRACTS**

As of the date of this Prospectus, we are not party to any contracts (not entered into in the ordinary course of business) that are considered material to our results, financial condition or operations.

### **THIRD PARTY INFORMATION**

The Issuer accepts responsibility for third party information contained in this prospectus. 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 a third party no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **STATEMENT OF EXPERT**

The auditor's opinion in respect of the Issuer's 2011 financial statements is included on page 143 of the 2011 Annual Report and is incorporated herein by reference. The auditor's opinion in respect of the Issuer's 2010 financial statements is included on page 138 of the 2010 Annual Report, and is also incorporated herein by reference.

## 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**

### **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 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. 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.

However, Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays (or credits) interest to or receives interest for the benefit of a Noteholder, or who either pays amounts payable on the redemption of Notes that constitute deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of an individual, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before April 5, 2013. Any information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the noteholder is resident for tax purposes.

##### *EU Savings Directive*

Under Council Directive 2003/48/EC on the taxation of savings income, 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).

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

### **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 in relation thereto. 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) 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;
- (ii) investment institutions (*fiscale beleggingsinstellingen*);
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax; and
- (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*).

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.

Where this summary refers to a holder of Notes, such reference is restricted to a holder holding legal title to as well as an economic interest in such Notes.

### **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 is a resident or deemed to be a resident of the Netherlands for Netherlands 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 holder is a resident or deemed to be a resident of the Netherlands for Netherlands 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 holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the holder 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 include the performance of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Notes, taxable income with regard to the Notes must be determined 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. The individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Notes 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 holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (nor has not opted to be taxed as a resident of the Netherlands), such holder 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 holder is not an individual and such holder (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 holder is an individual and such holder (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 activities include the performance of activities in the Netherlands with respect to the Notes which 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 and inheritance tax 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 that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax 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.

## **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 United States 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. 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.

A **Non-U.S. Holder** means a beneficial owner other than a U.S. Holder.

## **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 principal 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.

### *Index Linked Notes*

Special U.S. Federal income tax rules apply with respect to Index Linked Notes and information concerning the United States Federal income tax consequences of such Notes to U.S. Holders may be provided in the applicable Final Terms. Prospective investors should consult their own tax advisors concerning the tax consequences of holding Index Linked 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 or Index Linked 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 of Notes 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 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, under recently enacted legislation, individual 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 the application of this legislation.

### *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.

## 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 imports and exports of goods between approved pilot enterprises in five designated pilot cities in the PRC being Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On June 17, 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186) (the **Circular**), pursuant to which (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 was expanded to cover 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (iii) the restriction on designated offshore jurisdictions was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only been effected by approved pilot enterprises in designated pilot districts in the PRC). In particular, any foreign invested enterprises located in the designated pilot districts may remit all lawful dividends and distribution payments in Renminbi to its foreign investors outside the PRC. The pilot scheme was further extended in August 2011 to cover all provinces in the PRC and to make RMB trade and other current account settlement available in all countries worldwide.

As a new regulation, the Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circular and impose conditions for settlement of current account items.

### Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans.

Prior to October 2011, capital account items of foreign invested entities were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) were generally 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 any other relevant PRC parties were also generally required to make capital account item payments including proceeds from liquidation, transfer of shares and

reduction of capital in a foreign currency. That said, the relevant PRC authorities could approve a foreign entity to make a capital contribution or 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 could also be required to complete registration and verification process with the relevant PRC authorities before such RMB remittances.

According to the Circular on Issues concerning Foreign Investment Management promulgated by the Ministry of Commerce of the PRC (**MOFCOM**) (the **MOFCOM Circular**) on February 25, 2011, if a foreign investor intends to make investments by way of (i) establishing a new enterprise, (ii) increasing the registered capital of an existing enterprise, (iii) acquiring an onshore enterprise or (iv) providing a loan in the PRC, in each case, with Renminbi that is generated from cross-border trade settlement or that is lawfully obtained outside the PRC, such investments need to be approved by MOFCOM. On April 7, 2011, the State Administration of Foreign Exchange (**SAFE**) promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (the **SAFE Circular**), which provides that borrowing by an onshore entity of Renminbi loans from an offshore entity shall in principle follow the current regulations on borrowing foreign debts.

On June 3, 2011, PBOC issued the Notice on Relevant Issues Clarifying the Cross-Border Renminbi Business (the **PBOC Notice**), which provided that the pilot programme of foreign direct investment in RMB would be launched on a case by case basis, and approval by the PBOC is required for foreign direct investment in RMB. For industries under restrictions or strictly regulated by the PRC government, foreign direct investment in RMB is prohibited.

On October 12, 2011, MOFCOM promulgated the Circular on Issues in relation to Cross-border RMB Foreign Direct Investment (the **MOFCOM RMB FDI Circular**). In accordance with the MOFCOM RMB FDI Circular, MOFCOM's prior written consent which was previously required under the MOFCOM Circular, is no longer required for RMB foreign direct investment (**RMB FDI**), and MOFCOM and its local counterparts are authorised to approve RMB FDI in accordance with existing PRC laws and regulations regarding foreign investment, with the following exceptions which require the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM: (i) RMB FDI with the capital contribution in Renminbi of RMB300 million or more; (ii) RMB FDI in financing guarantee, financing lease, micro financing or auction industries; (iii) RMB FDI in foreign invested investment companies, venture capital or equity investment enterprises; or (iv) RMB FDI in cement, iron & steel, electrolytic aluminium, shipbuilding or other policy sensitive sectors. In addition, RMB FDI in real estate sector is allowed following the existing rules and regulations of foreign investment in real estate, although RMB foreign debt remains unavailable to foreign invested real estate enterprises. 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 PRC domestic listed companies through private placements or share transfers by agreement.

On October 13, 2011, PBOC issued the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment (**PBOC RMB FDI Measures**), pursuant to which, PBOC special approval for RMB FDI and shareholder loans which is required by the PBOC Notice is no longer necessary. The PBOC RMB FDI Measures provide that, among other things, foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of RMB settlement, a foreign investor is allowed to open a RMB expense account to reimburse some expenses before the establishment of a foreign invested enterprise and the balance in such an account can be transferred to the RMB capital account of such foreign invested enterprise when it is established, commercial banks can remit a foreign investor's RMB proceeds from distribution (dividends or otherwise) by its PRC subsidiaries out of the PRC after reviewing certain requisite documents, if a foreign investor intends to use its RMB proceeds from distribution (dividends or otherwise) by its PRC subsidiaries, the foreign investor may open a RMB re-investment account to pool the RMB proceeds, and the PRC parties selling stake in domestic enterprises to foreign investors can open RMB accounts and receive the purchase price in RMB paid by foreign investors. The PBOC RMB FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its RMB debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a RMB account to receive its RMB proceeds borrowed offshore by submitting the RMB loan contract

to the commercial bank and make repayments of principal of and interest on such debt in RMB by submitting certain documents as required to the commercial bank.

As the MOFCOM Circular, the SAFE Circular, the PBOC Notice, the MOFCOM RMB FDI Circular and the PBOC RMB FDI Measures are relatively new circulars, they will be subject to interpretation and application by the relevant PRC authorities.

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 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 April 27, 2012 (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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising 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 Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any such stabilisation action may begin on or after the date on which adequate public disclosure of the final terms (in the case of Notes convertible or exchangeable into shares or into other securities equivalent to shares) or terms (in all other cases) 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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising 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 Stabilising Manager(s) (or persons acting on behalf of a Stabilising 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 REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES 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. 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.

Each issue of Index Linked Notes and Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree, as indicated in the applicable Final Terms.

## **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.

Each Dealer has represented and agreed that any Notes with a maturity of less than 12 months and a denomination of less than EUR 100,000 will only be offered in or outside The Netherlands to professional market parties as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the decrees issued pursuant thereto.

### **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 other additional restrictions set out in the applicable Final Terms.

## **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 August 24, 1998. This resolution was lawfully approved by the Supervisory Board on September 1, 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 June 19, 2000. The resolution was lawfully approved by the Supervisory Board on June 26, 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 March 1, 2007. The resolution was lawfully approved by the Supervisory Board on April 3, 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 March 20, 2008 and that resolution was lawfully approved by the Supervisory Board on March 27, 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 March 15, 2012. 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 2010 and 2011 (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 Receipts, 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.

## **Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries, taken as a whole, and there has been no material adverse change in the financial position or prospects of the Issuer, or the Issuer and its subsidiaries taken as a whole, since December 31, 2011.

## **Litigation**

There are no, nor has there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the twelve months preceding the date of this document which may have or have had in such period a significant effect on the financial position or profitability of the Issuer or the Issuer and its subsidiaries taken as a whole. See *Description of the Company – Legal and Arbitration Proceedings* for a description of the main legal proceedings pending which concern the Issuer.

## **Auditors**

The auditors of the Issuer are PricewaterhouseCoopers Accountants N.V. (**PwC**). The relevant auditors who have signed the opinions in respect of the Issuer are members of The Dutch Professional Organization for Accountants (**NBA**). PwC have audited the financial statements of the Issuer, prepared in accordance with IFRS-EU for the financial years ended December 31, 2011 and December 31, 2010 and issued reports without qualification for each of these years. The auditors of the Issuer have no material interest in the Issuer. The business address of PwC is P.O. Box 90351, 1006 BJ Amsterdam, The Netherlands.

The reports of the auditors of the Issuer are included or incorporated in the form and context in which they are included or incorporated, with the consent of the auditors who have authorised the contents of that part of this Prospectus.

## **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.



## **GLOSSARY OF TERMS**

### **ADS**

American Depository Share

### **ADSL (Asymmetric Digital Subscriber Line)**

With ADSL, transmissions from provider to user take place at a higher speed than from user to provider. ADSL allows high-speed digital communication, including video signals, across an ordinary twisted-pair copper phone line. An ADSL modem is required.

### **All-IP**

IP is a technology based on the Internet Protocol. ‘All-IP’ refers to the transformation of KPN to an ICT-Multimedia organization which offers its customers all needs for communication. The new organization will be fully based on IP-service using a new fibre-network.

### **Average Revenue Per User**

Average Revenue Per User is 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.

### **Backbone**

Part of network infrastructure used for transmission of data.

### **BiPT (Belgisch instituut voor Postdiensten en Telecommunicatie)**

The Belgian Institute for Postal Services and Telecommunications is active as the telecommunications regulator in Belgium.

### **Broadband**

Broadband refers to telecommunication that provides multiple channels of data over a single communications medium, typically using some form of frequency or wave division multiplexing.

### **BULRIC**

BULRIC means the Bottom-Up Logn Run Incremental Cost model used by OPTA.

### **Bundesnetzagentur (BNetzA, former RegTP)**

The Federal Network Agency is active as the telecommunications regulator in Germany.

### **CAPEX**

CAPEX means Capital Expenditures.

### **Churn**

The number of mobile customers no longer connected to a mobile operator’s network divided by the operator’s customer base.

### **Customer base**

The customer figures of mobile network operators of KPN consist of the number of registered SIM cards – excluding dual cards but including data-only PC connections and machine-based SIM cards – at the end of each reporting period. The customer base also comprises inactive prepaid users, who have had neither incoming nor outgoing traffic during a three-month period, but have not yet met the disconnection criteria (generally 12 months of inactivity).

### **DCS (Digital Cellular System)**

Mobile telephone network based on the GSM standard.

**DSL (Digital Subscriber Line)**

DSL is a technology for bringing high-bandwidth information to homes and small businesses over ordinary copper PSTN lines. The widely used term xDSL refers to different variations of DSL, such as ADSL, HDSL, VDSL and SDSL.

**DVB-T (Digital Video Broadcasting – Terrestrial)**

DVB-T constitutes a transparent transmission channel, via which all types of digital signal can be broadcast. In addition to digitalized video and audio data, multimedia and computer data can be broadcast as well.

**Fiber-to-the-Curb (FttC)**

FttC is a fiber connection to the street and last part of the connection up to the consumers' location is a copper cable.

**Fiber-to-the-Home (FttH)**

FttH is a fiber connection to the consumers' location.

**Fiber-to-the-Office (FttO)**

FttO is fiber connection for business customers to the customers' office.

**GP**

General Practitioners.

**GSM (Global System for Mobile communications)**

GSM is a second generation, digital mobile telephone system that is widely used in Europe and other parts of the world to send and receive voice and data.

**HDTV**

High definition, which is the new format in television, requiring higher bandwidths.

**HSDPA (High-Speed Downlink Packet Access)**

HSDPA is a new mobile telephony protocol that, as an evolution of UMTS, is designed to increase the available data rate by a factor 5 or more.

**HSPA**

HSPA means High Speed Packet Access.

**ICT**

Information and Communication Technology.

**Information Security Framework**

KPN's Information Security Framework consists of risk based security measures that are currently being implemented throughout the organization, periodic monitoring of the effectiveness of these measures, and supporting policies, procedures and security baselines, targeted at delivering secure services to customers.

**IP**

IP means Internet Protocol.

**IP-VPN (Internet Protocol – Virtual Private Network)**

Offers a secured and private network using IP-based infrastructure.

**ISDN (Integrated Services Digital Network)**

A worldwide digital communications network evolving from existing telephone services. A standard ISDN connection consists of three channels, i.e. two B channels to carry data and voice at a speed of 64 Kbps and one D channel to carry control information at a speed of 16 Kbps.

**ISP (Internet Service Provider)**

A company that provides individuals and companies access to the Internet. Therefore, ISP maintains one or more connection points to the Internet for ISP subscribers. An ISP itself can be a subcontractor of an ISP that is connected with an Internet backbone.

**IPTV (Internet Protocol Television)**

IPTV is a system through which television services are delivered using the architecture and networking methods of the internet protocol over a packet switched network infrastructure.

**LTE (Long Term Evolution)**

LTE refers to a new mobile telephony technology that succeeds 3G.

**M2M**

Machine-toMachine.

**Market share**

Market share is the percentage or proportion of the total available market that is being serviced by KPN. These figures are based on externally available market data, which may not be completely accurate.

**MNO**

MNO means Mobile Network Operator.

**MTA**

MTA means Mobile Termination Agreement.

**MTA tariff (Mobile Terminating Access tariff)**

The tariff, charged by mobile operators for the termination of incoming telephone traffic (originating from either a fixed or a mobile network) on their network.

**MVNO (Mobile Virtual Network Operator)**

A mobile operator that does not have its own spectrum, nor its own network infrastructure. Instead, MVNOs have business arrangements with traditional mobile operators to buy minutes of use to sell to their own customers.

**NMa (*Nederlandse Mededingingsautoriteit*)**

The Dutch Anti-trust Authority is the Dutch authority responsible for monitoring compliance with anti-trust rules.

**ODF (Optical Distribution Frame)**

Fiber optic management unit used to organize fiber optic cable connections.

**OPTA (*Onafhankelijke Post en Telecommunicatie Autoriteit*)**

The Independent Post and Telecommunications Authority operates as the telecommunications regulator in the Netherlands.

**PSTN (Public Switched Telephone Network)**

Traditional telephone system that runs through copper cables (voice up to 64 Kbps, data up to 56 Kbps).

**Roaming**

Transfer of mobile traffic from one network to another, mostly referring to the exchange of mobile international traffic.

**Service revenues**

Service revenues are defined as the aggregate of connection fees, monthly subscription fees and traffic fees.

**SIM card (Subscriber Identity Module card)**

A chip card inserted into a mobile phone, which contains information such as telephone numbers and memory for storing a directory.

**SMS (Short Message Service)**

SMS is a service for sending messages of up to 160 characters to mobile phones that use GSM communications.

**SoHo-SME**

SoHo refers to Small Office/Home Office companies. SME refers to Small and Medium Enterprises.

**Triple-play**

Term used for households that are connected for their telephone, internet and television needs.

**UMTS (Universal Mobile Telecommunications System)**

One of the major third generation mobile communications systems being developed. UMTS is suited to deliver voice, text, music and animated images. Data can be sent via UMTS at approximately 6 times the speed of ISDN.

**VDSL (Very-high-bitrate Digital Subscriber Line)**

A new DSL technology providing faster data transmission over a single flat untwisted or twisted pair of copper wires. These fast speeds mean that VDS 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. VDSL-CO refers to VDSL from the Central Office.

**VoIP (Voice over IP)**

Voice traffic is transported over an IP-based data network. It enables new ways of communicating, such as combinations of telephony, messaging and videoconferencing.

**Wholesale line rental (WLR)**

This system enables telecommunications providers to invoice customers for line rental and phone charges on the same bill, as opposed to having to pay for calls and line rental separately. With WLR, one can rationalize his organization's invoicing with one bill for line rental and call charges.

## REGISTERED OFFICE OF THE ISSUER

**Koninklijke KPN N.V.**  
Maanplein 55  
2516 CK The Hague  
The Netherlands

## DEALERS

**ABN AMRO Bank N.V.**  
Gustav Mahlerlaan 10  
1082 PP Amsterdam  
The Netherlands

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**BNP PARIBAS**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
London E14 5LB  
United Kingdom

**Coöperatieve Centrale Raiffeisen-  
Boerenleenbank B.A. (Rabobank International)**  
Croeselaan 18  
3521 CB Utrecht  
The Netherlands

**Credit Suisse Securities (Europe) Limited**  
One Cabot Square  
London E14 4QJ  
United Kingdom

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**ING Bank N.V.**  
Foppingadreef 7  
1102 BD Amsterdam  
The Netherlands

**J.P. Morgan Securities Ltd.**  
125 London Wall  
London EC2Y 5AJ  
United Kingdom

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**Société Générale**  
29 boulevard Haussmann  
75009 Paris  
France

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR  
United Kingdom

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

**UniCredit Bank AG**  
Arabellastr. 12  
81925 Munich  
Germany

## PRINCIPAL PAYING AGENT

*For all Notes (other than Notes deposited with  
Euroclear Nederland):*

### **Citibank, N.A., London Branch**

13th Floor, Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

*For Notes deposited with Euroclear Nederland:*

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

Croeselaan 18  
3521 CB Utrecht  
The Netherlands

## REGISTRAR

### **Citibank, N.A., London Branch**

13th Floor, Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

## PAYING AND TRANSFER AGENT

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

Croeselaan 18  
3521 CB Utrecht  
The Netherlands

## LEGAL ADVISERS

*To the Issuer as to English, U.S. and Dutch law*

### **Allen & Overy LLP**

One Bishops Square  
London E1 6AD  
United Kingdom

Apollolaan 15  
1077 AB Amsterdam  
The Netherlands

*To the Arranger and Dealers as to Dutch law*

### **Linklaters LLP**

World Trade Centre Amsterdam  
Tower H, 22nd Floor  
Zuidplein 180  
1077 XV Amsterdam  
The Netherlands

## AUDITOR

### **PricewaterhouseCoopers Accountants N.V.**

Thomas R. Malthusstraat 5  
1066 JR Amsterdam  
The Netherlands