AFM note:
this bid was not brought out

This Offer expires at 17:30 hours CET on 13 December 2013 unless extended

OFFER MEMORANDUM

dated 16 October 2013

CASH OFFER

BY

CARSO TELECOM B.V.

(formerly known as AMOV Europa B.V.)

(a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under Dutch law), an indirect wholly-owned subsidiary of

AMÉRICA MÓVIL, S.A.B. DE C.V.

(a *sociedad anónima bursátil de capital variable* organised under the laws of the United Mexican States)

FOR (I) ALL ISSUED AND OUTSTANDING ORDINARY SHARES WITH A NOMINAL VALUE OF EUR 0.24, AND (II) ALL ISSUED AND OUTSTANDING AMERICAN DEPOSITARY SHARES (EACH OF WHICH REPRESENTS ONE ORDINARY SHARE), IN EACH CASE NOT ALREADY HELD BY AMÉRICA MÓVIL, S.A.B. DE C.V. OR ANY OF ITS SUBSIDIARIES OR AFFILIATES, IN THE SHARE CAPITAL OF

KONINKLIJKE KPN N.V.

(a public limited liability company (*naamloze vennootschap*) incorporated under the laws of The Netherlands, with its corporate seat in The Hague, The Netherlands)

This offer memorandum (the "**Offer Memorandum**") contains the details of, and the terms, conditions and restrictions to, the cash offer within the meaning of article 5:76 of the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*) ("**Wft**") made by Carso Telecom B.V. (the "**Offeror**"), an indirect wholly-owned subsidiary of América Móvil, S.A.B. de C.V. ("**AMX**" including, where appropriate, its Subsidiaries (including, without limitation, the Offeror) or any of them), to all holders, save for AMX and the Offeror, of (i) all issued ordinary shares with a nominal value of EUR 0.24 (the "**Ordinary Shares**"; holders of such Shares other than AMX and the Offeror being referred to as "**Ordinary Shareholders**") in the share capital of Koninklijke KPN N.V. ("**KPN**" or the "**Company**" including, where appropriate, its Subsidiaries or any of them), and (ii) all holders of issued and outstanding American depositary shares, each of which represents one Ordinary Share (the "**ADSs**" and together with the Ordinary Shares the "**Shares**", holders of such ADSs other than AMX and the Offeror being referred to as "**ADS Shareholders**" and together with the Ordinary Shareholders the "**Shareholders**"), to purchase for cash the Shares held by them subject to the terms, conditions and restrictions contained in this Offer Memorandum (the "**Offer**"). Capitalised terms used in this Offer Memorandum have the meanings as set out in Section 2 (*Definitions*). Shareholders tendering their Shares under the Offer will be paid, on the terms and subject to the conditions and restrictions contained in this Offer Memorandum, in consideration of each Share validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) by such Shareholder and delivered (*geleverd*) to the Offeror, a cash amount of EUR 2.40 per Share (the "**Offer Price**") without interest and subject to any required withholding of taxes. If, on or after the date hereof but on or prior to the Settlement Date, any cash or share dividend or other distribution is declared in respect of the Shares and the record date for such cash or share dividend or other distribution occurs on or prior to the Settlement Date, the Offer Price per Share will be decreased by an amount per Share equivalent to any such cash or share dividend or other distribution per Share.

Amounts will be payable for ADSs in U.S. dollars, based on the conversion of the Offer Price into U.S. dollars at the exchange rate obtainable by the US Settlement Agent, on the spot market on the date the cash consideration is received by the US Settlement Agent for delivery in respect of such ADSs less the costs of conversion and any applicable withholding taxes.

The Acceptance Period under the Offer commences at 09:00 hours CEST, on 18 October 2013 and, unless extended, expires at 17:30 hours CET, on 13 December 2013 (such time, as may be extended in accordance with article 15 of the Decree on public offers Wft (*Besluit openbare biedingen Wft*, the "**Takeover Decree**") being referred to as the "**Acceptance Closing Time**" and the day on which the Acceptance Closing Time, as may be extended in accordance with article 15 of the Takeover Decree, occurs being referred to as the "**Acceptance Closing Date**"). Acceptance under the Offer must be made in the manner specified in this Offer Memorandum. Shares tendered on or prior to the Acceptance Closing Time may not be withdrawn, subject to the rights of withdrawal of any tender (i) in case of an increase of the Offer Price in accordance with the provisions of article 15a, paragraph 3 of the Takeover Decree and (ii) during any extension of the Acceptance Period in accordance with the provisions of article 15, paragraph 3 of the Takeover Decree. The Offeror reserves the right to extend the Offer past the Acceptance Closing Time. If the Offer is extended past the Acceptance Closing Time, the Offeror will make an announcement to that effect in accordance with the Takeover Decree. See Section 4 (*Invitation to Shareholders*). The provisions of article 15, paragraph 2 of the Takeover Decree require that such an announcement be made within three (3) Business Days following the initial Acceptance Closing Time.

The Offer is conditional upon, among other things, the satisfaction or waiver of certain conditions, including the condition that the aggregate number of: (i) Shares validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) pursuant to the Offer prior to the Acceptance Closing Time; plus (ii) Shares purchased by but not yet delivered to the Offeror, subject only to the Offer being declared unconditional, plus (iii) Shares directly or indirectly held by AMX, represent at least 50% plus 1 of the voting rights exercisable in a general meeting of shareholders of KPN at the Unconditional Date, and provided furthermore that prior to the Unconditional Date the Preference Shares issued by KPN to the Preference Shares Foundation having either been cancelled (*ingetrokken*) by KPN, or having been redeemed (*ingekocht*) by KPN and whereby such redemption will be followed by cancellation (*intrekking*), resulting in the Preference Shares Foundation no longer holding any shares in the capital of KPN and the Preference Shares being cancelled, and the Option Agreements and all other agreements, arrangements and understandings between KPN and the Preference Shares Foundation pursuant to which KPN can issue shares or other securities to the Preference Shares Foundation or the Preference Shares Foundation can require KPN to issue shares or other securities to it, having been irrevocably and unconditionally terminated and furthermore provided that no other agreements, arrangements and understandings between KPN and any third party (including but not limited to the Preference Shares Foundation) in relation to the issue of Preference Shares having been made (the "**Minimum Acceptance Condition**"). The Offeror reserves the right to waive any or all of the Offer Conditions, including the Minimum Acceptance Condition, to the extent permitted by law.

Unless the Acceptance Period is extended, the Offeror will, in accordance with article 16, paragraph 1 of the Takeover Decree, announce on a day within three (3) Business Days following the Acceptance Closing Date if it declares the Offer unconditional (*gestand wordt gedaan*) (the date on which the Offeror announces that it declares the Offer unconditional being referred to in this Offer Memorandum as the "**Unconditional Date**").

Announcements stating that the Offeror declares the Offer unconditional (*gestand wordt gedaan*) and announcements concerning an extension of the Offer past the Acceptance Closing Time will be made by press release, a copy of which will be made available on AMX' website at www.americamovil.com. See Section 4.11 (*Announcements*).

If the Offeror declares the Offer unconditional (*gestand wordt gedaan*), Shareholders who have tendered their Shares to the Offeror prior to the Acceptance Closing Time will receive promptly, but in any event within five (5) Business Days following the Unconditional Date (the "**Settlement Date**"), the Offer Price in respect of each Share validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and delivered (*geleverd*).

Neither the U.S. Securities and Exchange Commission nor any securities commission of any State of the United States has: (i) approved or disapproved of the Offer, (ii) passed upon the merits or fairness of the

Offer, or (iii) passed upon the adequacy or accuracy of the disclosure in this Offer Memorandum. Any representation to the contrary is a criminal offence in the United States.

This Offer Memorandum has been prepared in accordance with article 5:76 of the Wft in conjunction with the provisions of article 8 of the Takeover Decree, including schedules A and B thereto, and has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten* or "AFM") in accordance with the provision of article 8 of the Takeover Decree on 16 October 2013.

THIS OFFER MEMORANDUM CONTAINS DETAILED INFORMATION CONCERNING THE OFFER FOR SHARES AND THE PROPOSED TRANSACTIONS AS THEY RELATE TO AMX AND THE OFFEROR. AMX AND THE OFFEROR RECOMMEND THAT YOU READ THIS OFFER MEMORANDUM CAREFULLY.

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1. RESTRICTIONS AND IMPORTANT INFORMATION

1.1 Restrictions

The Offer is not being made, and the Shares will not be accepted for purchase from or on behalf of any Shareholders, in any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities or other laws or regulations of such jurisdiction or would require any registration or approval with any regulatory authority not expressly contemplated by the terms of this Offer Memorandum. However, acceptances of the Offer by Shareholders not residing in The Netherlands will be accepted by the Offeror if such acceptances comply with (i) the acceptance procedure set out in this Offer Memorandum; and (ii) the applicable laws and regulations in the jurisdiction from which such acceptances have been made. Persons obtaining the Offer Memorandum are required to take due notice of and observe all such restrictions and obtain any necessary authorisations, approvals or consents. Each of the Offeror and AMX and each of their respective affiliates, and any of their respective directors, employees and advisors accepts no liability for any violation by any person of any such restriction. Any person (including, without limitation, custodians, nominees and trustees) who would or otherwise intends to forward this Offer Memorandum or any related document to any jurisdiction outside The Netherlands should carefully read this Section 1 (*Restrictions and Important Information*) before taking any action. The distribution of this Offer Memorandum in jurisdictions other than The Netherlands may be restricted by law and therefore persons that obtain possession of this Offer Memorandum should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the law of any such jurisdiction.

1.2 Notice to U.S. Shareholders

The Offer described in this Offer Memorandum is made for Ordinary Shares of KPN and ADSs, and is subject to Dutch disclosure and procedural requirements, which are different from those of the United States. The Offer is being made in the United States in compliance with Section 14(e) of, and Regulation 14E under, the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), subject to the exemptions provided by Rule 14d-1(d) under the U.S. Exchange Act and otherwise in accordance with the requirements of Dutch law. Accordingly, the Offer is subject to disclosure and other procedural requirements, including with respect to withdrawal rights, the offer timetable, settlement procedures and timing of payments, that are different from those applicable under U.S. domestic tender offer procedures and laws.

To the extent permissible under applicable law or regulation, the Offeror, AMX and their affiliates or brokers (acting as agents for the Offeror, AMX, or any of their respective affiliates, as applicable) may from time to time after the date hereof, and other than pursuant to the Offer described herein, directly or indirectly purchase, or arrange to purchase, outside of the United States Shares that are the subject of the Offer or any securities that are convertible into, exchangeable for or exercisable for such Shares. Any such purchases will not be made at prices higher than the Offer Price unless the Offer Price is increased accordingly. To the extent information about such purchases or arrangements to purchase is made public in The Netherlands, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. Shareholders. In addition, affiliates of the financial advisor to the Offeror and AMX may also engage in ordinary course trading activities in the Shares, which may include purchases or arrangements to purchase such securities outside the United States.

1.3 Important information

1.3.1 *Important information in the Offer Memorandum*

This Offer Memorandum contains important information that should be read carefully before any decision is made to tender Shares in connection with the Offer. Shareholders are advised to seek independent advice where necessary. In addition, Shareholders may wish to consult with their tax advisors regarding the tax consequences of tendering their Shares in the Offer.

The information regarding KPN (including financial information) and the Preference Shares Foundation as contained in the definition "Issued and Outstanding" in Section 2

(*Definitions*), Section 5.1 (*Overview*) up to and including Section 5.9 (*Preference Shares Foundation*), Section 6.1 (*Authorised and Issued Share Capital*), Section 6.2 (*Change in Share Capital*) and Section 13 (*Financial Information*) of this Offer Memorandum has been consistently derived by the Offeror from publicly available sources, such as the annual reports of KPN, the website of KPN and the website of the Preference Shares Foundation and has not been commented on or verified by the Offeror or AMX or any of their respective affiliates, or any of their respective directors, employees or advisors. Each of the Offeror and AMX and each of their respective affiliates, and any of their respective directors, employees or advisors accepts no responsibility for the accuracy of such information regarding KPN and/or the Preference Shares Foundation, nor does the Offeror or AMX guarantee, whether implicitly or explicitly, that all information regarding KPN and the Preference Shares Foundation which is publicly available has been included in this Offer Memorandum. The Offeror confirms that the information regarding KPN and the Preference Shares Foundation as contained in this Offer Memorandum has been accurately reproduced from such sources and, so far as the Offeror is aware and is able to ascertain from information published by KPN and the Preference Shares Foundation, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, as the underlying information has been prepared by parties other than the Offeror or AMX, neither the Offeror nor AMX nor any of their respective affiliates, nor any of their respective directors, employees or advisors can assume responsibility for the accuracy of such underlying information.

Except as set forth above, the Offeror is solely responsible for the accuracy and completeness of the information contained in this Offer Memorandum. The Offeror confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Offer Memorandum, at the date hereof, is in accordance with the facts and contains no omission likely to affect its import.

Please be aware that certain financial and statistical information and other figures contained in this Offer Memorandum may be rounded up or down and should therefore not be regarded as exact.

The information included in this Offer Memorandum reflects the situation as at the date of this Offer Memorandum unless specified otherwise. Neither the issue nor the distribution of this Offer Memorandum shall under any circumstances imply that the information contained herein is accurate and complete as of any time subsequent to this date or that there has been no change in the information set out in this Offer Memorandum or in the affairs of the Company and/or its Subsidiaries and/or its affiliates since the date of this Offer Memorandum. The foregoing does not affect the obligation of the Offeror to make a public announcement of any information pursuant to article 4, paragraph 3 of the Takeover Decree and article 5:53, paragraph 1 of the Wft, if applicable.

No persons other than AMX and the Offeror are authorised in connection with the Offer to provide any information or to make any statements on behalf of AMX and the Offeror in connection with this Offer or any information contained in this Offer Memorandum. If any such information or statement is provided or made by parties other than AMX and the Offeror, such information or statements should not be relied upon as having been provided by or made by or on behalf of AMX and the Offeror. Any information or representation not contained in this Offer Memorandum must not be relied upon as having been provided by or made by or on behalf of AMX and/or the Offeror.

Any tender, purchase and delivery of the Shares means acceptance of the terms and conditions contained in this Offer Memorandum as further set out in this Section 1 (*Restrictions and Important Information*), Section 3 (*Explanation of the Offer*) and Section 4 (*Invitation to Shareholders*).

This Offer Memorandum and the agreements entered into between the Offeror and the Shareholders pursuant to the Offer are, and any tender, purchase or delivery of Shares will be, governed by and construed in accordance with the laws of The Netherlands. The

District Court of Amsterdam (*Rechtbank Amsterdam*) and its appellate courts shall have exclusive jurisdiction to settle any disputes which might arise out of or in connection with this Offer Memorandum, the agreements entered into between the Offeror and the Shareholders pursuant to the Offer and/or any tender, purchase or delivery of Shares. Accordingly, any legal action or proceedings arising out of or in connection with the Offer Memorandum, the Offer and/or any tender, purchase or delivery of Shares may be brought exclusively in such courts.

This Offer Memorandum is published in the English language and a Dutch language summary is included as Section 10 (*Nederlandse samenvatting van het bod*). In the event of any differences, whether or not in interpretation, between the English language text of the Offer Memorandum and the Dutch language summary of this Offer Memorandum, the English language text of the Offer Memorandum shall prevail.

SNS Securities N.V. has been appointed as Settlement Agent, The Bank of New York Mellon has been appointed as US Settlement Agent and D.F. King & Co., Inc. has been appointed as Information Agent in the context of the Offer.

1.3.2 *Addresses*

The Offeror

Carso Telecom B.V.
Fred. Roeskestraat 123
1076 EE Amsterdam
The Netherlands

The Settlement Agent

SNS Securities N.V.
Nieuwezijds Voorburgwal 162 - 170
1012 SJ Amsterdam
The Netherlands
Telephone: +31 (0) 20 550 8536
E-mail: offer@snssecurities.nl

The US Settlement Agent

The Bank of New York Mellon

If delivering by certified, registered or express mail:
The Bank of New York Mellon
Voluntary Corporate Actions
P.O. Box 43031
Providence, RI 02940-3031

If delivering by overnight courier:
The Bank of New York Mellon
Voluntary Corporate Actions Suite V
250 Royall Street
Canton, MA 02021

Information Agent

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, NY 10005
Telephone: Banks and Brokers call collect: (212) 269-5550
All others call toll free: (800) 659-6590
E-mail: kpn@dfking.com

1.3.3 *Availability of copy documentation*

Digital copies of this Offer Memorandum are available on AMX' website at www.americamovil.com. This website does not constitute a part of, and is not incorporated by reference into, this Offer Memorandum. Copies of this Offer Memorandum are furthermore available free of charge at the office of the Settlement Agent at the address mentioned above.

A digital copy of the Articles of Association is available on KPN's website at www.kpn.com/corporate/aboutkpn/investor-relations.htm. This website does not constitute a part of, and is not incorporated by reference into, this Offer Memorandum.

1.3.4 *Forward looking statements*

This Offer Memorandum includes forward looking statements that involve risk and uncertainty. Generally, words such as may, will, expect, intend, estimate, anticipate, believe, plan, seek, continue or similar expressions identify forward looking statements. Although AMX and the Offeror believe that the expectations reflected in such forward looking statements are based on reasonable assumptions and are, to the best of their knowledge, true and accurate on the date of this Offer Memorandum, no assurance can be given that such statements will be fulfilled or prove to be correct, and no representations are made as to the future accuracy and completeness of the forward looking statements. Any such forward looking statement must be considered together with the fact that actual events or results may vary materially from such forward looking statements due to, among other things, political, economic or legal changes in the markets and environments in which AMX and the Offeror or the Company do business, to competitive developments or risks inherent to their respective business plans and to uncertainties, risk and volatility in financial markets and other factors affecting them.

AMX and the Offeror undertake no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws and regulations or by any appropriate regulatory authority.

1.3.5 *Financial advisor*

Deutsche Bank AG is acting as financial advisor exclusively to AMX and the Offeror and to no one else in connection with the Offer and will not be responsible to anyone (whether or not recipient of this Offer Memorandum) other than AMX and the Offeror for providing the protections afforded to the clients of Deutsche Bank AG or for providing advice in relation to the Offer. Deutsche Bank AG, acting solely in its capacity as financial advisor in connection with the Offer, has provided advice and assistance to AMX and the Offeror on the financial aspects of the Offer and in preparation thereof.

2. DEFINITIONS

Any reference in this Offer Memorandum to defined terms in plural form shall constitute a reference to such defined terms in singular form, and vice versa. All grammatical and other changes required by the use of a definition in singular form shall be deemed to have been made herein and the provisions hereof shall be applied as if such changes have been made. A reference to "**including**" means "**including without limitation**".

Defined terms used in this Offer Memorandum shall have the following meaning:

"**Acceptance Closing Date**"	the day on which the Acceptance Closing Time, as may be extended in accordance with article 15 of the Takeover Decree, occurs
"**Acceptance Closing Time**"	the time and date on which the Offer expires, being at 17:30 hours CET, on 13 December 2013, or such later time and date, where appropriate, if the Acceptance Period is extended in accordance with article 15 of the Takeover Decree
"**Acceptance Period**"	the period during which the Shareholders can tender their Shares to the Offeror, which begins at 09:00 hours CEST on 18 October 2013 and ends at the Acceptance Closing Time, which period may be extended only once in accordance with article 15, paragraph 3 of the Takeover Decree
"**ACM**"	means the Dutch Authority for Consumers and Markets (*Autoriteit Consument en Markt)*
"**Action by any Mexican Governmental Authority**"	has the meaning ascribed thereto in Section 3.6.7
"**Administrative Agent**"	means that entity acting as the administrative agent under the Credit Agreement
"**Admitted Institutions**"	those institutions admitted to Euronext Amsterdam
"**ADRs**"	American depositary receipts, evidencing ADSs
"**ADSs**"	American depositary shares, each representing one Ordinary Share
"**ADS Shareholders**"	holders of such ADSs other than AMX and the Offeror
"**AFM**"	the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*)
"**Agent's Message**"	a message, transmitted by DTC to, and received by, the US Settlement Agent and forming part of a book-entry confirmation, which states that DTC has received an express acknowledgement from the tendering Shareholder that the Shareholder has received and agrees to be bound by the terms of the Letter of Transmittal and the Offer Memorandum and that the Offeror may enforce such agreement against the tendering Shareholder
"**AMX**"	América Móvil, S.A.B. de C.V., a *sociedad anónima bursátil de capital variable* organised under the laws of the United Mexican States, having its statutory seat in Mexico City, the United Mexican States, including, where appropriate, its Subsidiaries (including, without limitation, the Offeror) or any of them
"**AMX Group**"	AMX and any of its Subsidiaries
"**AMX Material Adverse Effect**"	has the meaning ascribed thereto in Section 3.6.7

"**AMX Nominees**"	has the meaning ascribed thereto in Section 8 (*Further Declarations pursuant to the Takeover Decree*)
"**Annual Report 2011**"	means the audited annual financial statements for the financial year ending in 2011, as published by KPN on its website
"**Annual Report 2012**"	means the audited annual financial statements for the financial year ending in 2012, as published by KPN on its website
"**Articles of Association**"	means the articles of association (*statuten*) of KPN, as most recently amended on 17 May 2013
"**AT&TI**"	means AT&T International, Inc.
"**Boards**"	the Supervisory Board and the Management Board
"**Bonds**"	means all transferable debt securities (including hybrid securities) issued by KPN from time to time
"**Business Day**"	any day other than a Saturday, Sunday or public holiday on which banks in The Netherlands, according to the collective agreements for the banking sector (*Algemene Bank-CAO*) are generally open for business
"**CEST**"	Central European Summer Time
"**CET**"	Central European Time
"**Capital Leases**"	means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with the International Financial Reporting Standards
"**Company**" or "**KPN**"	Koninklijke KPN N.V., a public limited liability company (*naamloze vennootschap*), incorporated under the laws of The Netherlands, having its statutory seat (*statutaire zetel*) in The Hague, having its registered office at Maanplein 55, 2516 CK, The Hague, The Netherlands, and registered with the Dutch commercial Register (*Handelsregister*) under number 02 04 52 00, including, where appropriate, its Subsidiaries or any of them
"**Competent Competition Authority**"	has the meaning ascribed thereto in Section 3.6.2
"**Constitutional Documents**"	means the Articles of Association, the by-laws of the Management Board, the by-laws of the Supervisory Board, the profile of the Supervisory Board, the terms of reference of the audit committee of the Supervisory Board, the terms of reference of the remuneration & organization development committee of the Supervisory Board, and the terms of reference of the nominating and corporate governance committee of the Supervisory Board
"**Credit Agreement**"	means the credit agreement entered into by, among others, AMX and the Offeror with regard to the financing of the Offer
"**Direct Registration System**"	a system administered by DTC pursuant to which Deutsche Bank Trust Company Americas, the depositary for the ADSs, may register the ownership of the uncertificated ADSs
"**DTC**"	Depository Trust Company
"**Dutch Civil Code**"	the Dutch civil code (*Burgerlijk Wetboek*)

"**EBITDA**"	means earnings before taxes, depreciation and amortization
"**EGM**"	an extraordinary general meeting of Shareholders of the Company
"**Eligible Institution"**	a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agent Medallion Program or any other "eligible guarantor institution", as such term is defined in Rule 17Ad-15 of the U.S. Exchange Act
"**Engagement Protocol**"	means the engagement protocol entered into by AMX and KPN on 12 July 2012
"**EqFCF**"	means equity free cash flow equivalent to net income plus depreciation plus amortization minus capital expenditures
"**EUR**", "**Euro**" or "**€**"	Euro, the legal currency of the European Monetary Union
"**Euronext Amsterdam**"	NYSE Euronext in Amsterdam, the regulated market of Euronext Amsterdam N.V.
"**Family Trust**"	has the meaning ascribed thereto in Section 7.3.1
"**FCC**"	has the meaning ascribed thereto in Section 3.6.2
"**Governmental Authority**"	means any nation or government, international or multi-national authority or government, or any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.
"**Guarantee**"	of any Person means, without duplication, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing any Indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including obligations incurred through an agreement, contingent or otherwise, by such Person (a) to purchase such Indebtedness or obligation or any Property constituting security therefore, (b) to advance or supply funds for the purchase or payment of such Indebtedness or obligation or (c) to maintain financial statement conditions or otherwise entered into for the purpose of assuring a creditor of such other Person against loss
"**Hedge Agreements**"	means interest rate cap agreements, interest rate swap agreements, foreign currency exchange and swap agreements, equity or equity index swap agreements and other hedging agreements or arrangements (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions
"**HY 2013 Press Release**"	the press release relating to the half year 2013 results, dated 23 July 2013, as published by KPN on its website
"**Indebtedness**"	of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of Property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (b) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (c) all liabilities of such Person in respect of Capital Leases, (d) all obligations of such Person in respect of letters of credit and acceptances (or instruments serving a similar function) issued or created for the account of such Person (other than contingent obligations in respect of documentary letters of credit to support trade transactions of such

	Person in the ordinary course of business), (e) all liabilities secured by any Lien on any Property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof, (f) the net exposure of such Person in respect of Hedge Agreements (calculated by such Person on a basis in accordance with accepted practice) and (g) any Guarantee of such Person with respect to liabilities of a type described in any of clauses (a) through (f) of this definition
"**Independent Supervisory Board Members**"	has the meaning ascribed thereto in Section 3.7.6
"**Information Agent**"	means D.F. King & Co., Inc., who will provide ADS Shareholders with assistance related to the procedures for tendering and delivering ADSs and copies of the documentation relating to the Offer
"**Issued and Outstanding**"	all Ordinary Shares issued by KPN and not held by KPN or one of its Subsidiaries; on the basis of publicly available information, the number of Issued and Outstanding Ordinary Shares at the date hereof is 4,258,098,273 Ordinary Shares, based on a total issued Ordinary Share capital of 4,270,254,664 and 12,156,391 Ordinary Shares held by KPN or its Subsidiaries
"**KPN Group**"	KPN and the group companies as referred to in article 2:24b of the Dutch Civil Code owned by it
"**KPN Material Adverse Event**"	has the meaning ascribed thereto in Section 3.6.6
"**Legal Merger**"	has the meaning ascribed thereto in Section 3.8.3
"**Lenders**"	means any of banks and financial institutions that are a party to the Credit Agreement
"**Letter of Transmittal**"	means the letter of transmittal that ADS holders obtain from the Information Agent pursuant to which a holder of ADSs may tender such ADSs pursuant to the Offer
"**Lien**"	means any mortgage, pledge, hypothecation, encumbrance, lien (statutory or other), charge, *fideicomiso de garantia* or other security interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any Property of such Person
"**Loan Documents**"	means collectively the Credit Agreement and the Notes, any letter relating to an administrative agency fee and any other document AMX or the Offeror may from time to time designate as such
"**Loans**"	means the loans made to AMX and/or the Offeror under the Credit Agreement
"**Management Board**"	the management board (*raad van bestuur*) of the Company
"**Merger Date**"	has the meaning ascribed thereto in Section 3.8.3
"**Merger Rules**"	all applicable laws and regulations relating to the Offer, including without limitation the applicable provisions of the Wft, the Takeover Decree, any rules and regulations promulgated pursuant to the Wft and/or the Takeover Decree and regulations of Euronext Amsterdam, the Dutch Civil Code and any other applicable securities or competition

regulatory laws

"**Minimum Acceptance Condition**"	the aggregate number of: (i) Shares validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) pursuant to the Offer prior to the Acceptance Closing Time; plus (ii) Shares purchased by but not yet delivered to the Offeror, subject only to the Offer being declared unconditional, plus (iii) Shares directly or indirectly held by AMX, represent at least 50% plus 1 of the voting rights exercisable in a general meeting of shareholders of KPN at the Unconditional Date, and provided furthermore that prior to the Unconditional Date the Preference Shares issued by KPN to the Preference Shares Foundation having either been cancelled (*ingetrokken*) by KPN, or having been redeemed (*ingekocht*) by KPN and whereby such redemption will be followed by cancellation (*intrekking*), resulting in the Preference Shares Foundation no longer holding any shares in the capital of KPN and the Preference Shares being cancelled, and the Option Agreements and all other agreements, arrangements and understandings between KPN and the Preference Shares Foundation pursuant to which KPN can issue shares or other securities to the Preference Shares Foundation or the Preference Shares Foundation can require KPN to issue shares or other securities to it, having been irrevocably and unconditionally terminated and furthermore provided that no other agreements, arrangements and understandings between KPN and any third party (including but not limited to the Preference Shares Foundation) in relation to the issue of Preference Shares having been made.
"**Notes**"	means a single promissory note in substantially the form of exhibit A to the Credit Agreement executed and delivered by each of AMX or the Offeror who actually receives the proceeds of the Loans from the Administrative Agent, and in the case of the borrowing of Loans made by the Offeror AMX shall execute "*por aval*", for the account of each Lender
"**Notice of Guaranteed Delivery**"	means the notice of guaranteed delivery that ADS holders may obtain from the Information Agent
"**Offer**"	the offer described in this Offer Memorandum
"**Offer Memorandum**"	this offer memorandum relating to the Offer
"**Offeror**"	Carso Telecom B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands, having its seat (*statutaire zetel*) in Amsterdam, The Netherlands and its registered office at Fred. Roeskestraat 123, 1076 EE Amsterdam, The Netherlands and registered with the Dutch Commercial Register (*Handelsregister*) under number 55341535
"**Offer Price**"	a cash amount of EUR 2.40 per Share, without interest and subject to any required withholding of taxes, and decreased by an amount per Share equivalent to any cash or share dividend or other distribution declared in respect of the Shares on or after the date hereof but on or prior to the Settlement Date, and the record date for such cash or share dividend or other distribution occurs on or prior to the Settlement Date
"**OpFCF**"	means operating free cash flow equivalent to EBITDA minus capital expenditures
"**OPTA**"	the Netherlands Regulatory Authority for the Telecommunications and

	Postal Sector
"**Option Agreements**"	means the call option agreement and the put option agreement in relation to the Preference Shares entered into by KPN and the Preference Shares Foundation on 3 June 1994
"**Ordinary Shares**"	all ordinary shares with a nominal value of EUR 0.24 each in the share capital of Koninklijke KPN N.V. issued from time to time
"**Ordinary Shareholders**"	holders of one or more Ordinary Shares, save for AMX and the Offeror
"**Person**"	means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature
"Preference Shares"	all class B preference shares (*preferente aandelen B*) in the share capital of the Company with a nominal value of EUR 0.24 each
"**Preference Shares Foundation**"	Stichting Preferente Aandelen B KPN
"**Preference Shares Offer**"	has the meaning ascribed thereto in Section 8 (*Further Declarations pursuant to the Takeover Decree*)
"**Property**"	of any Person means any property, assets or revenues of such Person or any interest therein
"**Post Acceptance Period**"	a period after the Acceptance Closing Date during which Shares not tendered under the Offer may be tendered to the Offeror in the same manner and on the same terms as set out in this Offer Memorandum (*na-aanmeldingstermijn*)
"**Relationship Agreement**"	means the relationship agreement entered into between AMX and KPN dated 20 February 2013
"**Section**"	a section of this Offer Memorandum
"**Security Agreement**"	has the meaning ascribed thereto in Section 3.7.2
"**Settlement**"	payment of the Offer Price in accordance with the terms and restrictions of the Offer by the Offeror to the Shareholders who have validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) under the Offer prior to the Acceptance Closing Time, against delivery (*levering*) of their Shares
"**Settlement Agent**"	SNS Securities N.V., a public limited liability company (*naamloze vennootschap*), incorporated under the laws of The Netherlands, having its statutory seat (*statutaire zetel*) in Amsterdam, having its registered office at Nieuwezijds Voorburgwal 162 – 170, 1012 SJ Amsterdam, The Netherlands, and registered with the Dutch commercial Register (*Handelsregister*) under number 33191824
"**Settlement Date**"	the date on which settlement occurs, which date shall be promptly, but in any event within five (5) Business Day following the Unconditional Date
"**Shareholders**"	all Ordinary Shareholders and ADS Shareholders
"**Shareholders Agreement**"	has the meaning ascribed thereto in Section 7.3.1
"**Shares**"	all Ordinary Shares and ADSs issued from time to time

"**Slim Family**"	Mr Carlos Slim Helú, together with his sons and daughters (Mr Carlos Slim Domit, Mr Marco Antonio Slim Domit, Mr Patrick Domit, Mrs María Soumaya Slim Domit, Mrs Vanessa Paola Slim Domit and Mrs Johanna Monique Slim Domit)
"**Specific Covenants**"	the covenants included in Section 3.7.7 (*Strategic Covenants*) through and including Section 3.7.11 (*National Security. Privacy*)
"**Squeeze-Out**"	has the meaning ascribed thereto in Section 3.8.3
"**Subsidiaries**"	means, as to any Person, (a) any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns, directly or indirectly, more than 50% of the outstanding equity interests or voting interests, (b) any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries) or (c) any corporation, association, partnership, joint venture or other business entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors, in the case of the Offeror including the members of a supervisory board, or other persons performing similar functions are at the time directly or indirectly owned by such Person
"**Supervisory Board**"	the supervisory board (*raad van commissarissen*) of the Company
"**Surviving Entity**"	has the meaning ascribed thereto in Section 3.8.3
"**Takeover Decree**"	the Decree on public offers Wft (*Besluit openbare biedingen Wft*)
"**Telefónica**"	Telefónica S.A.
"**Telefónica Deutschland**"	Telefónica Deutschland Holdings AG
"**Tendered Share**"	has the meaning ascribed thereto in Section 3.6.1
"**Unconditional Date**"	the date on which the Offeror publicly announces that it declares the Offer unconditional (*gestand wordt gedaan*), in accordance with the Merger Rules. Article 16, paragraph 1 of the Takeover Decree requires that such announcement be made within three (3) Business Days following the Acceptance Closing Date
"**U.S. Business Day**"	any day on which the principal offices of the SEC in Washington, D.C. are open to accept filings and consists of the time period from 12.01 a.m. through 12.00 midnight, New York City time
"**U.S. Exchange Act**"	The U.S. Securities Exchange Act of 1934, as amended
"**US Settlement Agent**"	The Bank of New York Mellon
"**Wft**"	Netherlands Financial Supervision Act (*Wet op het financieel toezicht*)

3. EXPLANATION OF THE OFFER

3.1 Introduction

On 9 August 2013, AMX announced its intention to make (directly or through a wholly owned subsidiary) a voluntary tender offer in cash for all of the issued and outstanding ordinary shares in the capital of KPN at an offer price of EUR 2.40 per ordinary share.

3.2 Substantiation of the Offer Price

3.2.1 *Offer Price*

In establishing the Offer Price, the Offeror has carefully considered the history and prospects of the Company, including analyses of historic financial information derived from the Company's financial statements and press releases and potential future developments in profitability, cash flows and balance sheet. The Offer also takes into account historical market valuation of the Shares, as well as the wider equity market background, developments in the telecom sector and valuation levels of peer companies in the European telecom sector. Furthermore, the Offeror has performed careful financial analyses and considered other relevant data in establishing such offer prices, which consist of:

a) an analysis of the volume weighted average closing prices of the Ordinary Shares since 9 August 2012 up to and including 8 August 2013. During this period, the volume weighted average closing prices of the Ordinary Shares for the three (3), six (6) and twelve (12) month period prior to and including 8 August 2013 were EUR 1.67, EUR 1.68 and EUR 2.06 respectively[1];

b) a trading multiple analysis based on the expected financial performance of KPN and the closing prices of the Ordinary Shares compared with those of selected publicly-traded Western European PTT companies and their securities.[2] For this analysis, enterprise values were adjusted for minorities and associates, while EqFCF, OpFCF and EBITDA forecasts are based on FactSet estimates on 8 August 2013;

c) for this group of companies the median ratio of the consensus EqFCF[3] forecast for the financial year ending 2013 to market capitalization was approximately 12.4% on 8 August 2013. By comparison, the ratio of the consensus EqFCF forecast for the financial year ending 2013 to the market capitalization of KPN, as implied by the Offer Price, was approximately 8.2% on 8 August 2013. The ratio of EqFCF to market capitalization is defined such that a lower EqFCF yield implies a higher market valuation;

d) for this group of companies the median ratio of enterprise value to the consensus OpFCF[4] forecast for the financial year ending 2013 was approximately 9.9x on 8 August 2013. By comparison, the ratio of the enterprise value of KPN, as

[1] The volume weighted average share price is the sum of each trading day's multiplication of the Company's closing share price on Euronext Amsterdam and the Company's trading volume, which is divided by total trading volume. Share prices and volumes are taken for the three (3), six (6) and twelve (12) month period prior to and including 8 August 2013 to arrive at the respective volume weighted average closing prices. Prices prior to and including 25 April 2013 have been adjusted with an adjustment factor of 0.6063 to take into account the Company's rights issue, which was completed in May 2013. Source: Bloomberg.

[2] Consists of Belgacom, Deutsche Telekom, France Telecom, Portugal Telecom, Telecom Italia, Telefonica, Telekom Austria and TDC.

[3] Consensus EqFCF reflects the average forecast of this metric for the Company by the equity research community as provided by data provider FactSet.

[4] Consensus OpFCF reflects the average forecast of this metric for the Company by the equity research community as provided by data provider FactSet.

implied by the Offer Price, to the consensus OpFCF forecast for the year ending 2013 was approximately 11.9x[5] on 8 August 2013;

e) for this group of companies the median ratio of enterprise value to the consensus EBITDA[6] forecast for the financial year ending 2013 was approximately 4.8x on 8 August 2013. By comparison, the ratio of the enterprise value of KPN, as implied by the Offer Price, to the consensus EBITDA forecast for the year ending 2013 was approximately 5.1x[7] on 8 August 2013; and

f) a standalone discounted cash flow analysis for KPN, assuming (i) financial forecasts for KPN based on extrapolated consensus and (ii) a weighted average cost of capital of 7.5% to 8.5% and (iii) a terminal growth rate of 0.25% to 0.75%.

3.2.2 *Premia*

The Offer Price of EUR 2.40 per Share represents:

a) a premium of 35.4% to the average unweighted closing price per Ordinary Share during a period of 30 Business Days prior to and including 8 August 2013, the last Business Day before AMX publicly announced its intention to make a full cash offer for the Company;

b) a premium of 43.6% to the volume weighted average closing price of the Ordinary Shares on Euronext Amsterdam for the 3 (three) month period prior to and including 8 August 2013;

c) a premium of 43.1% to the volume weighted average closing price of the Ordinary Shares on Euronext Amsterdam for the 6 (six) month period prior to and including 8 August 2013; and

d) a premium of 16.2% to the volume weighted average closing price of the Ordinary Shares on Euronext Amsterdam for the 12 (twelve) month period prior to and including 8 August 2013.

3.3 The Offeror

3.3.1 *Information on the Offeror*

The Offeror is Carso Telecom B.V. (formerly known as AMOV Europa B.V.), a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) duly incorporated on 22 May 2012 and validly existing under the laws of The Netherlands, having its seat (*statutaire zetel*) in Amsterdam, The Netherlands and its registered office at Fred. Roeskestraat 123, 1076EE Amsterdam, The Netherlands and registered with the Dutch Commercial Register (*Handelsregister*) under number 55341535.

3.3.2 *Management Board of the Offeror*

The statutory board of managing directors of the Offeror consists of Alejandro Cantú Jiménez, Dirk Stolp and Allard van der Veen, all appointed on 22 May 2012. None of the members of the management board of the Offeror holds any Shares.

[5] Reported net debt of EUR 9.5 billion adjusted for EUR 1.0 billion equity credit related to hybrid bonds.

[6] Consensus EBITDA reflects the average forecast of this metric for the Company by the equity research community as provided by data provider FactSet.

[7] Reported net debt of EUR 9.5 billion adjusted for EUR 1.0 billion equity credit related to hybrid bonds.

3.3.3 *Capital and Shares of the Offeror*

The authorised share capital of the Offeror amounts to EUR 90,000.00 and consists of 90,000 ordinary shares with a nominal value of EUR 1.00 each. All ordinary shares of the Offeror are registered shares. On the date of the publication of this Offer Memorandum, 18,000 ordinary shares have been issued and fully paid-up. The Offeror is an indirect wholly-owned subsidiary of AMX.

3.4 Rationale behind the Offer

In recent years, AMX has been exploring opportunities to expand its operations to other regions outside the Americas in order to achieve geographical diversification and create attractive long-term returns for its shareholders. KPN represented its first investment outside of the Americas. More than a year after its initial investment in KPN, AMX' objective is to acquire a majority stake in KPN in order to facilitate greater operational co-operation and co-ordination between the two companies, to exploit all areas for potential partnerships and to intensify the realisation of synergy potential for both companies. AMX aims to support to a greater extent KPN's plans in a rapidly changing environment in Europe so that both companies benefit from their respective experiences in the sector. In this respect, AMX will explore existing and new opportunities to expand KPN's and AMX' business, for instance by expanding its network's capacity (including by investing in the next generation of wireless networks, subject to available spectrum).

AMX believes that the transaction could provide significant benefits to both KPN and AMX because:

a) AMX' focus on advanced telecommunication services and KPN's access to AMX resources and global reach combined with the scale and scope of AMX provide a good opportunity to accelerate KPN's business growth, to the benefit of KPN's customers and to enhance the status of KPN's business;

b) AMX and KPN could benefit from sharing of marketing and innovation skills and knowledge;

c) AMX is committed to people development and training and sees many opportunities for the management and employees of both the KPN Group and the AMX Group as a result of a combination through best practice transfer, skill development and international career enhancement; and

d) KPN and its customers and employees could derive significant benefits from being a part of an enterprise with significant access to technology on a global scale.

3.5 Financing of the Offer

On 9 August 2013, AMX announced its intention to make (directly or through a wholly owned subsidiary) a voluntary tender offer in cash for all issued and outstanding ordinary shares in the capital of KPN at an offer price of EUR 2.40 per share.

On 21 August 2013, AMX announced that it has secured the necessary funds to fully finance payment of the Offer Price for all Ordinary Shares not yet held by AMX under the Offer.

AMX has entered into binding credit facilities subject to customary conditions with reputable global financial institutions regarding the full financing of the Offer.

3.6 Offer Conditions

The obligation of the Offeror to declare the Offer unconditional (*gestand te doen*) shall be subject to the satisfaction or, to the extent legally permitted and at the Offeror's sole discretion, waiver of the following conditions:

3.6.1 *Minimum Acceptance Condition*

The aggregate number of:

a) Shares validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) pursuant to the Offer prior to the Acceptance Closing Time (each a "**Tendered Share**"); plus

b) Shares purchased by but not yet delivered to the Offeror, subject only to the Offer being declared unconditional; plus

c) Shares directly or indirectly held by AMX,

represent at least 50% plus 1 of the voting rights exercisable in a general meeting of shareholders of KPN at the Unconditional Date, and provided furthermore that prior to the Unconditional Date the Preference Shares issued by KPN to the Preference Shares Foundation having either been cancelled (*ingetrokken*) by KPN, or having been redeemed (*ingekocht*) by KPN and whereby such redemption will be followed by cancellation (*intrekking*), resulting in the Preference Shares Foundation no longer holding any shares in the capital of KPN and the Preference Shares being cancelled, and the Option Agreements and all other agreements, arrangements and understandings between KPN and the Preference Shares Foundation pursuant to which KPN can issue shares or other securities to the Preference Shares Foundation or the Preference Shares Foundation can require KPN to issue shares or other securities to it, having been irrevocably and unconditionally terminated and furthermore provided that no other agreements, arrangements and understandings between KPN and any third party (including but not limited to the Preference Shares Foundation) in relation to the issue of Preference Shares having been made.

3.6.2 *Regulatory Approvals*

Each of the following events having occurred on or before the Acceptance Closing Date:

a) the U.S. Federal Trade Commission or the U.S. Department of Justice, as the case may be, and any other competent competition authority (each a "**Competent Competition Authority**") issuing a decision in respect of the Offer constituting clearance of the proposed concentration; or the expiry, lapsing or termination of all applicable waiting and other time periods (including extensions thereof) under any applicable legislation or regulation in the relevant jurisdictions, or the referral of the Offer or any part thereof to another competition authority in accordance with applicable law and the relevant clearance having been obtained or waiting period having expired, lapsed or terminated;

b) the Federal Communications Commission of the United States (the "**FCC**") shall have granted approval or authority for the Offeror to acquire (beneficial) ownership or control of all applicable FCC licences held by any member of the KPN Group; and

c) any other competent authority issuing a decision in respect of the Offer constituting clearance thereof; or the expiry, lapsing or termination of all applicable waiting and other time periods (including extensions thereof) under any applicable legislation or regulation in the relevant jurisdictions, or the referral of the Offer or any part thereof to another competent authority in accordance with applicable law and the relevant clearance having been obtained or waiting period having expired, lapsed or terminated.

3.6.3 *No Competing Transaction*

Since the date of this Offer Memorandum, no public announcement has been made indicating that a third party has commenced, revised, re-affirmed or made or that a third party is preparing or making a partial offer (*partieel bod*), tender offer (*tender bod*), full offer (*volledig bod*), mandatory offer (*verplicht bod*) or other type of transaction (including without limitation any legal merger or demerger), or preparing a revision of a partial offer (*partieel bod*), tender offer (*tender bod*), full offer (*volledig bod*), mandatory offer (*verplicht bod*) or other type of transaction (including without limitation any legal merger or demerger) for a business combination that would involve an attempt to effect a change of control over KPN for (i) all or any material portion of the Issued and Outstanding Ordinary Shares or Bonds or (ii) all or a substantial part of the assets of the KPN Group.

3.6.4 *No Obstructing Transactions or Activation of Anti-Takeover Measures*

Since the date of this Offer Memorandum, none of KPN and/or any of its Subsidiaries has taken any action on or prior to the Unconditional Date that, individually or in the aggregate, may materially and adversely affect the Offer, the Offeror's ability to consummate the Offer, the value of the Shares, the Bonds, or the value of KPN's assets or that is not taken in the ordinary and usual course of business and consistent with past practice of KPN, including, without limitation, by (i) entering into any agreement, or completing any transaction or action, involving the sale, purchase, redemption or issue by KPN or its Subsidiaries of any securities, securities convertible or exchangeable into shares or options to subscribe for any of the foregoing (other than pursuant to equity incentive plans operated in the ordinary course of business in accordance with past practice), or involving the acquisition of material assets or the sale or transfer of a material part of the business or assets by KPN or its Subsidiaries (including the sale of shares in its Subsidiaries, any licence, approval, right, privilege, franchise or concession necessary or required for KPN or any of its Subsidiaries to conduct their respective businesses, or any exchange and transmission equipment, including switches, cellular base stations, microcells and local links and repeaters, or related assets used by KPN or any of its Subsidiaries in connection with the provision of telecommunication services), including, without limitation, transactions by way of any legal merger, legal demerger, liquidation or any other transactions with similar effect, (ii) entering into any joint venture or similar agreement or arrangement that is reasonably likely to have a material adverse impact on the ability of AMX and/or the Offeror to operate the business of KPN or the ability of AMX, the Offeror and/or KPN to operationally coordinate their respective businesses following the consummation of the Offer, (iii) effecting a split or reverse split of any securities issued by KPN, (iv) entering into, varying or terminating any material agreement outside the ordinary course of business inconsistent with past practice, including, without limitation, providing severance payments upon the termination of employment or similar agreements, (v) approving, declaring or paying any dividend[8], (vi) the incurrence of significant indebtedness by KPN or any member of the KPN Group, (vii) the making of any undue or unlawful payment to any third party, (viii) transferring any assets of the KPN Group to any third party not at commercial arm's length terms or for no consideration at all, or (ix) giving any undertaking to do any of the foregoing, in each case as a result of which the Offeror is of the reasonable opinion that it cannot be reasonably expected to continue with the Offer. For the avoidance of doubt, the envisaged sale of E-Plus to Telefónica Deutschland at the improved terms as presented to the EGM held on 2 October 2013 and included in the shareholders' circular dated 21 August 2013 and the supplement thereto published by KPN on 29 August 2013 does not constitute a transaction or measure as described in this Section 3.6.4 (*No Obstructing Transactions or Activation of Anti-Takeover Measures*).

[8] KPN has in the context of the sale of E-Plus announced that it intends to recommence dividend payments as early as 2014, contrary to its earlier statements that it did not intend to pay any dividends in the coming years (see also Section 3.7.5 (*Dividend Policy*). The Offeror believes that KPN is undercapitalized and that KPN should adopt a prudent dividend policy that takes into account the operational performance, investment needs and future debt financing obligations of the KPN Group. To date, KPN has not indicated that it will require additional external funding to realize its business plans. In this context the Offeror believes that it would not be beneficial for KPN to pay any dividend in the short term and consequently the approval, declaration and payment of any dividend is included in this Offer Condition (even though the Offer Price is cum dividend).

3.6.5 *No change to Constitutional Documents or Implementation of Measures*

Since the date of this Offer Memorandum, none of the Constitutional Documents have been amended, nor has any resolution to amend the Constitutional Documents been adopted by or proposed to the relevant corporate body of KPN. In addition, since the date of this Offer Memorandum none of KPN and/or any of its Subsidiaries and/or affiliates has taken any action that may result in a reduction or restriction of Shareholder rights or that may otherwise lead to or result in any measure (*beschermingsmaatregel*) by KPN to the detriment of the rights of the Offeror.

3.6.6 *KPN Material Adverse Event*

Since the date of this Offer Memorandum, no KPN Material Adverse Event having occurred, becoming known or being reasonably likely to occur.

For the purposes of this Offer Condition a "**KPN Material Adverse Event**" shall mean the occurrence prior to the date of determination of a KPN Material Adverse Event of any fact, matter, event or circumstance which taken together with all other facts, matters, events or circumstances, has or would reasonably be expected to have a material adverse effect to the assets, business, financial conditions, prospects or results of operations or capitalization of the KPN Group companies taken as a whole, excluding any event:

a) that does not have a materially disproportionate effect on the KPN Group relative to other telecom companies operating in the jurisdictions in which the KPN Group operates;

b) that arises as a result of or is attributable to:

   i. any act or omission of the Offeror or AMX, whether before or after the date of this Offer Memorandum;

   ii. any failure, in and of itself, by the KPN Group to meet any published projections, forecasts or revenue or earnings predictions (provided that the underlying cause for such failure may be considered in determining whether or not there may be a Material Adverse Event); or

   iii. conditions generally affecting the telecom industry in the jurisdictions in which the KPN Group operates; or

c) the effect of which on the KPN Group is cured to the reasonable satisfaction of the Offeror prior to the Settlement Date.

3.6.7 *No Action by any Mexican Governmental Authority*

Since the date of this Offer Memorandum, no Action by any Mexican Governmental Authority having occurred, whereby an "**Action by any Mexican Governmental Authority**" means (A) any Mexican Governmental Authority imposing exchange controls prohibiting the making of payments in any freely tradable currency in respect of the Loans or the Notes, (B) any Mexican Governmental Authority taking any action to condemn, seize, nationalize or appropriate any substantial (on a consolidated basis) portion of the Property of either AMX or the Offeror (with or without the payment of compensation), that results in an AMX Material Adverse Effect, or (C) any action is taken by a Mexican Governmental Authority, including the declaration of a moratorium on payment of any Indebtedness, that has a material adverse effect on (i) the ability of either AMX or the Offeror to perform its obligations under the Loan Documents or (ii) the schedule of payments under the Credit Agreement or under the Notes.

For the purposes of this Section, an "**AMX Material Adverse Effect**" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance, properties or prospects of AMX and its Subsidiaries taken as a whole or (b) the legality, validity, binding nature or enforceability of any of the Loan Documents or the rights and remedies of the Administrative Agent and the Lenders there under.

3.6.8 *Restraint Orders AFM*

No notification having been received from the AFM that the Offer is in conflict with any of the provisions of chapter 5.5 of the Wft or the Takeover Decree, within the meaning of section 5:80 Wft in which case, pursuant to those rules, investment firms (*beleggingsondernemingen*, as defined in the Wft) would not be permitted to cooperate with the execution and completion of the Offer.

3.6.9 *Restraint Orders other Authorities*

Since the date of this Offer Memorandum, no change in any law, regulation or any other rules applicable to the KPN Group or any shareholder in the KPN Group being proposed, pending or adopted, nor any order, stay, judgment or decree having been issued by any court, arbitral tribunal, government, governmental authority or other regulatory or administrative authority, or any statute, rule, regulation, governmental order or injunction having been enforced or deemed applicable to the Offer, the KPN Group or any shareholder in the KPN Group, in each case, which restrains or prohibits or is reasonably likely to restrain or prohibit the consummation of the Offer, is likely to have a material adverse impact on the ability of AMX and/or the Offeror to operate the business of KPN, and/or the ability of AMX, the Offeror and/or KPN to operationally coordinate their respective businesses following the consummation of the Offer, including but not limited to the suspension of trading in the Shares by Euronext Amsterdam.

3.6.10 *No Rating Downgrade*

Since the date of this Offer Memorandum, there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the credit rating accorded to KPN or any of the securities issued by KPN or by any of its Subsidiaries by any of Moody's Investors Service, Standard & Poor's or Fitch prior to the Unconditional Date.

3.7 AMX Strategic View and Specific Covenants

<u>AMX Strategic View</u>

3.7.1 *Strategy and Organisation*

The Offeror intends to respect the identity of KPN and more particularly, to retain the KPN headquarters in The Hague, The Netherlands. AMX also envisages KPN continuing to offer services under the KPN brands and to investigate expansion investments (e.g. through organic growth or acquisitions) that will differentiate KPN as a leading telecom service provider in its home markets. The Offeror expects KPN maintaining its listing on Euronext Amsterdam for as long as the Offeror does not hold at least 95% of all Issued and Outstanding Ordinary Shares.

With AMX as a majority shareholder, KPN can focus on executing its business plans[9], positioning itself as a leader in all areas of its operations and providing outstanding services to its customers currently and in the future, all backed by the operational experience of AMX.

The Offeror aims for the KPN Group to continue to be a state-of-the-art telecom operator (in terms of quality, technology and innovation among other things) in The Netherlands and the other jurisdictions in which KPN operates (save for Germany as and when the sale of E-Plus to Telefónica Deutschland completes), while retaining its existing licences

[9] Reference is made here to the business plans as publicly disclosed by KPN as at the date of this Offer Memorandum included in KPN's Annual Report 2012, KPN's strategy for 2011-2015 (http://www.kpn.com/v2/static/annualreport-2012/english/strategy/strategy-2011-2015.html), KPN's strategy in a glance (http://www.kpn.com/v2/static/annualreport-2012/english/strategy/strategy-in-a-glance.html) and KPN's strategy in action (http://www.kpn.com/v2/static/annualreport-2012/english/strategy/strategy-in-action.html).

(including operating licences) and continuing to fulfil the conditions necessary to maintain such licences. To that end the Offeror will respect, maintain and in no manner obstruct or diminish the KPN Group's commitment to continue to invest in the networks and services in The Netherlands at a level which is at least consistent with KPN's current operational business plan as publicly disclosed by KPN prior to the date of this Offer Memorandum, which include its plans to further roll out a fibre network and 4G network in The Netherlands.

The Offeror believes that the employees of KPN are important to the achievement of future success for the Company. The Offeror therefore plans to continue to invest in the people in KPN and anticipates that there will be attractive career opportunities for the employees of KPN.

3.7.2 *National Security*

The Offeror recognizes that it is critical to the national security of The Netherlands and to the safety, well-being and privacy of persons in The Netherlands to maintain the continuity, integrity and security of KPN's infrastructure and KPN's services in The Netherlands. Therefore, the Offeror is fully committed to KPN maintaining all current measures, and where necessary introducing new measures, to protect against the unauthorized disclosure of the contents of electronic communications, and to safeguard and warrant the continuity, integrity and security of its communication systems and networks and its compliance with all applicable laws and regulations in this respect. This commitment includes the continuance and, where required, the reinforcement of the measures taken by KPN to ensure the security and continuity of networks and services provided to the Dutch government and its agencies, including but not limited to the police, fire brigade, hospitals, national security agencies, army, coast guard, and customs.

AMX is engaged in a constructive dialogue with the Dutch government (represented by the Ministry of Economic Affairs) with a view to entering into a binding security agreement with the Dutch government to address the aforementioned national security, law enforcement, public safety and economic issues and interests (the "**Security Agreement**"). In this context various calls and exchanges of comments and draft agreements have taken place. AMX intends to work towards finalisation of the Security Agreement prior to declaring the Offer unconditional (*gestanddoening*).

AMX envisages that KPN would also become a party to such Security Agreement, which agreement would include binding undertakings *inter alia* in relation to:

- the control, supervision, configuration and further development of KPN's infrastructure and services;
- assistance and compliance with electronic surveillance obligations;
- the location and the manner of storage of communications related data, domestic communications and electronic surveillance data;
- the protection of communications related data, classified (government) information and electronic surveillance data against unauthorised access, including against any access by AMX (or its directors or employees), unless such access is approved in writing by the Dutch government or another duly authorised government entity;
- surrender and disclosure of communication related data and electronic surveillance data to the Dutch government in accordance with applicable laws and regulations;
- the maintenance or implementation of organisational and technical measures sufficient to warrant the safety, security, integrity and availability of KPN 's infrastructure and KPN services in accordance with best practices utilised in the Dutch telecommunications industry, and the existing security policies and procedures of the KPN Group;

- appointment of a Dutch resident and employee of the KPN Group as security director with primary responsibility for ensuring compliance with the KPN Group's obligations under the Security Agreement;

- the continuation by KPN of the provision of infrastructure and services under government contracts in accordance with the quality levels and the further terms and conditions set forth in such contracts, which includes (without limitation) the provision of KPN infrastructure and services for emergency and intelligence service purposes, including the C2000 network, 112 emergency services and other emergency, law enforcement and national security related networks and services; and

- maintaining good relationships and cooperating in good faith with duly authorised Dutch government entities.

3.7.3 *Composition of the Boards following Settlement of the Offer, Governance Structure*

The Offeror does not anticipate that the composition of the Supervisory Board shall be altered upon Settlement of the Offer. Following Settlement of the Offer, the Offeror will present a proposal to the Supervisory Board with regard to fulfilment of the vacancy on the Management Board that has arisen as a result of the resignation by Mr Hageman as CFO of KPN, and to appoint additional members designated by the Offeror to the Management Board. Other than described above - or in the event future vacancies on the Management Board unrelated to the Offer arise - the Offeror does not anticipate that the composition of the Management Board shall be altered upon Settlement of the Offer.

For a description of the governance structure of KPN following Settlement of the Offer that was proposed by AMX to KPN please see Section 8.1 (*Interaction between AMX and KPN*).

As long as KPN's Ordinary Shares are listed on Euronext Amsterdam, the Offeror shall procure that KPN shall continue to comply with the Dutch Corporate Governance Code to the extent that KPN currently complies with the Dutch Corporate Governance Code, except for deviations from the Dutch Corporate Governance Code if and when agreed between AMX and KPN to be implemented upon Settlement of the Offer.

3.7.4 *Amendments to the Articles of Association*

The Offeror does not anticipate that the Articles of Association shall be amended upon Settlement of the Offer.

3.7.5 *Dividend Policy*

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

On 23 July 2013, KPN announced its intention to recommence a dividend payment to its Shareholders once the sale of E-Plus to Telefónica Deutschland has been completed.

On 2 October 2013, KPN announced that the majority of the EUR 5.0 billion cash proceeds to be received following completion of the sale of E-Plus to Telefónica Deutschland will be used to further increase financial flexibility and to recommence dividend payments to its shareholders for the financial year 2014.

The Offeror expects that KPN will not pay any dividend for the financial year 2013. Thereafter the Offeror envisages KPN to adopt a prudent dividend policy that takes into account the operational performance, investment needs and future debt financing obligations of the KPN Group (please also refer to footnote 9 in relation to the Offer Condition included in Clause 3.6.4 (*No Obstructing Transactions or Activation of Anti-Takeover Measures*)).

Specific Covenants

3.7.6 *Term. Enforcement*

Although the Offeror currently has no intention to deviate from the Specific Covenants, the Offeror is willing to enter into arrangements with the members of the Supervisory Board not nominated by AMX (the "**Independent Supervisory Board Members**"), with a view to creating binding enforcement rights for the Independent Supervisory Board Members in relation to the Specific Covenants to provide proper assurance around these Specific Covenants by agreeing that any material deviation therefrom shall require the affirmative vote of at least one (1) Independent Supervisory Board Member, provided that the Offeror will be granted rights in relation to the composition of the Boards and governance of KPN commensurate to its majority interest in KPN. The Offeror envisages that such arrangements shall expire on the second (2^{nd}) anniversary of the Settlement Date. Until the Offeror and the Independent Supervisory Board Members have entered into an agreement relating to the enforceability of the Specific Covenants, the Specific Covenants constitute unilateral intentions of the Offeror.

In addition AMX and the Offeror intend to enter, prior to the Settlement of the Offer, into binding undertakings with the Dutch government (represented by the Ministry of Economic Affairs) in relation to *inter alia* national security and privacy (see also Section 3.7.2 (*National Security*)).

For the avoidance of doubt, no party can derive any rights from the statements made by the Offeror in this Section 3.7 (*AMX Strategic View and Specific Covenants*).

3.7.7 *Strategic Covenants*

The KPN Group will continue to be a state-of-the-art telecom operator (in terms of quality, technology, service and spectrum among other things) in The Netherlands and the other jurisdictions in which KPN operates (save for Germany as and when the sale of E-Plus to Telefónica Deutschland completes), and the KPN Group will retain its licences (including its operating licences) and will continue to fulfil the conditions necessary to maintain such licences.

The Offeror will respect the KPN Group in its commitment to invest in its networks and services in The Netherlands at a level which is at least consistent with KPN's current operational business plans consistent with the strategy and business plan as publicly disclosed by KPN prior to the date of this Offer Memorandum, which include its plan to further roll out a fibre network and 4G network in The Netherlands.

3.7.8 *Organisational Covenants*

a) KPN's head office and relevant head-office functions will remain in The Hague, The Netherlands.

b) KPN will remain a separate legal entity and the holding company of the KPN Group's Subsidiaries and operations.

c) KPN and the KPN Group shall be an affiliate within the AMX Group, while applying the AMX Group policies to KPN and the KPN Group as applicable on a similar basis to any other divisions within the AMX Group.

The covenants in this Section 3.7.8 (*Organisational Covenants*) are without prejudice to the implementation of any post-closing restructuring measures as described in Section 3.8.3 (*Possible Measures by the Offeror to obtain 100% of the Shares*), whereby if for instance KPN merges (*juridische fusie*) with any current or future affiliate of the Offeror or any other entity, the Specific Covenants will be complied with by the surviving entity (*verkrijgende vennootschap*).

3.7.9 *Employment Covenants*

a) KPN's social policies and social plans will continue to be materially in line with the KPN Group social policies and social plans as currently in force.

b) The existing rights and benefits of the KPN Group's employees will not be affected by the transaction as such and shall be respected by the Offeror (except for any rights triggered by Settlement of the Offer to the extent such rights were obtained by the relevant employee after 7 May 2012, the date on which AMX announced its intention to make a partial offer for KPN[10]), taking into account the existing terms (including their agreed duration).

c) The existing pension rights of the KPN Group's current and former employees will be respected by the Offeror.

d) The KPN Group's current reserving policy for pensions will be continued in order to meet the KPN Group's pension obligations.

e) The Offeror recognises the existing rights of KPN's central works council under the Dutch Civil Code, the Dutch Works Council Act and the Articles of Association, and shall respect these rights.

f) The Offeror will honour the redundancy arrangements and social plans currently existing within the KPN Group.

g) The Offeror will respect and support the KPN Group in maintaining its current policy on Corporate Social Responsibility as described in the KPN 2012 Annual Report.

h) The Offeror is committed to people development and training and sees many opportunities for the management and staff of the KPN Group and the AMX Group as a result of a combination through best practice transfer, skill development and international career enhancement.

The covenants in paragraphs (a), (b), (c), (d) and (f) of this Section 3.7.9 (*Employment Covenants*) are subject to KPN providing the Offeror access to the relevant underlying documentation and satisfactory due diligence by the Offeror thereof. For purposes of this Section 3.7.9 (*Employment Covenants*) satisfactory due diligence shall mean the relevant social policies, social plans, existing rights and benefits (including pension rights), reserving policy for pensions and redundancy arrangements being in line with market standard.

3.7.10 *Key Dutch Sponsoring and Branding Covenants*

a) The Offeror will respect and support KPN in complying with its current key Dutch sponsoring arrangements, including those with each of the K.N.S.B. (the Dutch ice skating organisation) and the Rijks Museum, and the Offeror will be open to continue KPN's current Dutch sponsoring arrangements after their expiry and to KPN continuing seeking additional key Dutch sponsoring arrangements.

b) The Offeror acknowledges the strong brand value of KPN's brand in The Netherlands and commits to maintaining the existing KPN brands in The Netherlands.

The covenant in paragraph (a) of this Section 3.7.10 (*Key Dutch Sponsoring and Branding Covenants*) is subject to KPN providing the Offeror access to the relevant sponsor agreements and satisfactory due diligence by the Offeror thereof. For purposes of this Section 3.7.10 (*Key Dutch Sponsoring and Branding Covenants*) satisfactory due diligence shall mean that the relevant sponsor agreements do not contain such onerous

[10] This is meant to capture any golden parachute or similar arrangements.

obligations on the part of KPN that it cannot be reasonably expected of the Offeror to continue with such sponsor arrangements.

3.7.11 *National Security. Privacy.*

a) The Offeror will respect and comply with all applicable laws, regulations and rules relating to information, privacy and law enforcement.

b) The Offeror intends that all domestic communications infrastructure (including all such infrastructure currently used for the provision of governmental services) will (i) continue to be operated and controlled by KPN; (ii) continue to be located in The Netherlands (to the extent currently located in The Netherlands) and (iii) continue to be directed, controlled, supervised and managed by KPN.

c) The Offeror is fully committed to KPN maintaining the viability, integrity and security of its communication systems and networks and its compliance with all applicable laws and regulations in this respect, including, but not limited to, those relating to privacy and to the retention, preservation or production of information and data.

d) The Offeror will respect and is fully committed to KPN maintaining the provision of governmental services, including but not limited to the Dutch national emergency number 112, police, fire brigade, hospitals, national security agencies, army, coast guard, and customs.

e) The Offeror is fully committed to KPN maintaining its existing security policies and procedures to assure compliance to all laws, rules and regulations relating to information, privacy and law enforcement.

3.7.12 *Employee Consultation*

In view of the fact that no agreement has been reached with the Boards on the Offer, the Offer is not subject to the prior consultation of the (central) works council of KPN in accordance with the Dutch Works Councils Act (*Wet op de Ondernemingsraden*). The Offeror has notified and consulted the trade unions involved with KPN in The Netherlands, and has informed the secretariat of the Social Economic Council (*Sociaal-Economische Raad*) of the Offer in accordance with the SER Merger Code 2000 (*SER-besluit Fusiegedragsregels 2000*).

The Offeror expects that there will be no reduction in the number of employees of KPN and no forced dismissals as a direct consequence of the Offer and the consummation thereof.

3.8 Possible Consequences of the Offer

3.8.1 *Liquidity and Delisting*

The consummation of the Offer, among other things, will reduce the number of Shareholders and the number of Shares that might otherwise be traded publicly and could adversely affect the liquidity and market value of the remaining Shares not tendered and not held by AMX or the Offeror.

As mentioned in Section 3.7.1 (*Strategy and Organisation*), AMX expects KPN to maintain its listing on Euronext Amsterdam for as long as the Offeror does not control at least 95% of all Issued and Outstanding Ordinary Shares. Moreover, in accordance with Euronext Amsterdam Notice 2004-041, Euronext Amsterdam, in general, permits a delisting in case of a public offer if such public offer for all relevant shares goes unconditional, giving the bidder at least 95% of such shares. Should the Offeror decide to terminate the listing of KPN, such termination will further adversely affect the liquidity of any Shares not tendered.

In addition, the Offeror may initiate any of the procedures as set out in Section 3.8.3 (*Possible Measures by the Offeror to obtain 100% of the Shares*), including procedures which would result in the termination of the listing of the Shares (including Shares not being tendered).

3.8.2 *Legal structure of KPN following Settlement of the Offer*

Shareholders who do not tender their Shares in the Offer should carefully review this Section 3.8.2 (*Legal structure of KPN following Settlement of the Offer*), which describes certain specific risks they will be subject to if and when the Offer is declared unconditional (*gestand wordt gedaan*). These risks are in addition to the exposure to the business of the KPN Group, as such business and the structure of KPN may change from time to time after the Settlement Date.

The following is a summary of the key additional risks:

a) **Compulsory Purchase**: As soon as the relevant legal requirements have been satisfied, the Offeror may seek to acquire the remaining Shares through the statutory Squeeze-Out procedures. See also Section 3.8.3 (*Possible Measures by the Offeror to obtain 100% of the Shares*).

b) **Loss of Liquidity**: As soon as the relevant legal requirements have been satisfied, the Offeror may seek to terminate the listing of KPN on Euronext Amsterdam and may convert KPN into a private limited company (*besloten vennootschap met beperkte aansprakelijkheid*), which may *inter alia* cause all Shares to become subject to transfer restrictions. Alternatively or cumulatively, the Offeror may seek to implement a Legal Merger, which could result in Shareholders in KPN becoming shareholders in another legal entity by operation of law. This legal entity may be a private limited company (*besloten vennootschap met beperkte aansprakelijkheid*), in which case the shares in its capital will not be listed or publicly traded, and may be subject to transfer restrictions. Even if no conversion or merger is implemented, the size of the free float in Shares will be substantially reduced as a result of the Offer, and as a result trading volumes and liquidity of Shares will be materially adversely affected. The Offeror may also seek a sale of substantially all assets of KPN, which may be followed by a liquidation and a distribution of the sale proceeds.

c) **Reduced Governance Rights**: In the event that KPN or its successor entity will no longer be listed and its Shares will no longer be publicly traded, the statutory provisions applicable to the governance of public or listed companies will no longer apply and the rights of minority shareholders will be limited to the statutory minimum.

d) **Controlling Shareholder**: Following the Settlement Date, KPN may be majority controlled by the Offeror and the Offeror may appoint and/or procure the appointment of certain members to the Boards.

e) **Tax Treatment of Distributions**: The Offeror and AMX have no insight into and no responsibility with respect to the tax treatment of Shareholders with respect to any distributions made by KPN or any successor entity to KPN, which may include dividends, repayments of capital and liquidation distributions. In the event that there is a sale of substantially all assets of KPN, followed by a liquidation and a distribution of the sale proceeds, this may raise specific tax issues for Shareholders, including without limitation a liability to Dutch dividend withholding tax.

3.8.3 *Possible Measures by the Offeror to obtain 100% of the Shares*

The Offeror reserves the right to use any legally permitted method to acquire 100% of KPN's share capital, as well as to align KPN with the holding and financing structure of the group of companies that includes AMX and the Offeror.

For this purpose the Offeror will consider, depending *inter alia* on the number of Shares obtained by the Offeror as a result of the Offer, a number of processes, including, but not limited to, a compulsory acquisition procedure (*uitkoopprocedure*) in accordance with article 2:92a, 2:201a or 2:359c of the Dutch Civil Code (a "**Squeeze-Out**"), a legal merger (*juridische fusie*) between KPN and the Offeror or an affiliate of the Offeror in accordance with Article 2:309 et seq of the Dutch Civil Code (a "**Legal Merger**"), a contribution of cash and/or assets to KPN in exchange for new shares issued (in which case the existing shareholders do not have pre-emptive rights), a sale of assets by KPN, a distribution in cash or in kind by KPN or a subsequent public offer. Separately, the Offeror may cause KPN to be converted into a private limited company (*besloten vennootschap met beperkte aansprakelijkheid*).

For the avoidance of doubt, any or all of the measures and processes described in this Section 3.8.3 (*Possible Measures by the Offeror to obtain 100% of the Shares*) may be applied cumulatively, alternatively, or not at all, at the discretion of the Offeror, subject to applicable provisions of Dutch law. Any such measures or processes may be subject to different tax consequences than those that apply in case the Shareholders had tendered their Shares in the Offer. The measures and procedures described in this Section 3.8.3 (*Possible Measures by the Offeror to obtain 100% of the Shares*) are for illustrative purposes only; therefore other measures and/or procedures (or a combination thereof) not mentioned in this Section 3.8.3 (*Possible Measures by the Offeror to obtain 100% of the Shares*) could also be implemented at the discretion of AMX or the Offeror.

Finally, AMX reserves the right to pursue alterations to the corporate and capital structure of the Offeror and/or KPN, including internal reorganisations, asset sales, mergers and/or spin-offs, changes to the accounting policies applied by KPN, amendments to the Articles of Association, a liquidation, a demerger as specified in Article 2:334a of the Dutch Civil Code or a rights issue, all to be effected in accordance with Dutch law and the Articles of Association force at the relevant time. Any distributions made may take the form of a distribution out of reserves, an interim dividend, a final dividend, payment upon cancellation or, in case the Company is liquidated, a liquidation distribution.

In the implementation of any measures, methods, processes or alterations described in this Section 3.8.3 (*Possible Measures by the Offeror to obtain 100% of the Shares*), due consideration will be given to the interests of minority shareholders of KPN, if any. The members of the Supervisory Board shall be requested to form their independent view of the relevant measure, method, process or alteration which shall be communicated to all shareholders of KPN.

Notwithstanding the fact that upon completion of the Offer, the Supervisory Board shall be comprised of a majority of Independent Supervisory Board Members, until the Offeror has obtained at least 95% of all Issued and Outstanding Ordinary Shares, if any measure, method, process or alteration described in this Section 3.8.3 (*Possible Measures by the Offeror to obtain 100% of the Shares*) proposed to the Supervisory Board could reasonably be expected to lead to dilution of remaining minority shareholders in KPN (other than, for the avoidance of doubt, pursuant to a Squeeze Out), then the affirmative vote of at least one (1) Independent Supervisory Board Member shall be required prior to the implementation of any such measure, method, process or alteration.

4. INVITATION TO SHAREHOLDERS

Subject to the terms and conditions of this Offer Memorandum, the Offeror hereby makes a cash offer to all Shareholders, other than AMX and the Offeror, to purchase all Shares held by them.

Shareholders are advised to review this Offer Memorandum and the related documents included, referred to herein or enclosed herewith thoroughly and completely and to seek independent advice where appropriate in order to reach an informed judgment with respect to the Offer and this Offer Memorandum. Shareholders who consider not tendering their Shares are advised to review Section 3.8 (*Possible Consequences of the Offer*). With due reference to all statements, terms, conditions and restrictions included in this Offer Memorandum, Shareholders are hereby invited to tender their Shares under the Offer in the manner and subject to the terms, conditions and restrictions set out below.

4.1 Offer Price

Shareholders tendering their Shares under the Offer will be paid, on the terms and subject to the conditions and restrictions contained in this Offer Memorandum, in consideration of each Share validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) by such Shareholder and delivered (*geleverd*) to the Offeror, the Offer Price, without interest and subject to any required withholding of taxes. If, on or after the date hereof but on or prior to the Settlement Date, any cash or share dividend or other distribution is declared in respect of the Shares and the record date for such cash or share dividend or other distribution occurs on or prior to the Settlement Date, the Offer Price per Share will be decreased by an amount per Share equivalent to any such cash or share dividend or other distribution per Share.

During the Acceptance Period, the Offeror has the right pursuant to article 15, paragraph 4 of the Takeover Decree to increase the Offer Price. The Acceptance Period must be open for at least seven (7) Business Days following an increase of the Offer Price. Should the Acceptance Period be open for a shorter period, it will by virtue of law be extended to seven (7) Business Days. During such extended Acceptance Period, the Offeror is not allowed to further increase the Offer Price. If, at the time any such increase in the Offer Price is announced to Shareholders, the Acceptance Period is scheduled to expire at any time earlier than the tenth U.S. Business Day from and including the date of such announcement, the Acceptance Period will in accordance with article 15, paragraph 1 of the Takeover Decree and U.S. law, be extended so that the Acceptance Period will expire no less than ten (10) U.S. Business Days after such notice is announced, it being understood that the Acceptance Period may be extended only once. Shares tendered prior to such extension of the Acceptance Period may be withdrawn during the extended Acceptance Period in accordance with article 15 paragraph 3 and article 15a paragraph 3 of the Takeover Decree. However, during any such extension of the Acceptance Period, any Shares previously tendered and not withdrawn will remain subject to the Offer. If and to the extent the Offeror, during the Acceptance Period, purchases any Shares outside the Offer at a price which is higher than the Offer Price, the Offeror will, upon declaring the Offer unconditional, pay such higher price for all Shares validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) by a Shareholder and delivered (*geleverd*) to the Offeror. In such a scenario, the Offeror will make a public announcement confirming that the Offer Price is increased to match such higher price.

4.2 Acceptance of the Offer and Tender

4.2.1 *Acceptance of the Offer and Tender via an Admitted Institution*

Shareholders who hold their Ordinary Shares through an Admitted Institution are requested to make their acceptance known via their bank or stockbroker no later than 17:30 hours CET on 13 December 2013, unless the Acceptance Period is extended in accordance with Section 4.1 (*Offer Price*) or Section 4.5 (*Extension of the Acceptance Period*). Your custodian, bank or stockbroker may set an earlier deadline for Shareholders to communicate acceptances of the Offer in order to permit the custodian, bank or stockbroker to communicate its acceptances to the Settlement Agent in a timely manner.

The Admitted Institutions may tender Ordinary Shares for acceptance only to the Settlement Agent and only in writing. In tendering the acceptance, the Admitted Institutions are required to declare that (i) they have the tendered Ordinary Shares in their administration, (ii) each Shareholder who accepts the Offer irrevocably represents and warrants that the Ordinary Shares tendered by him are being tendered in compliance with the restrictions set out in Section 1 (*Restrictions and Important Information*), and (iii) they undertake to transfer these Ordinary Shares to the Offeror prior to or ultimately on the Settlement Date.

Subject to article 15, paragraph 3 and article 15a, paragraph 3 of the Takeover Decree, the tendering of Ordinary Shares in acceptance of the Offer shall constitute irrevocable instructions (i) to block any attempt to transfer the Ordinary Shares tendered, so that on or prior to the Settlement Date no transfer of such Ordinary Shares may be effected (other than to the Settlement Agent on or prior to the Settlement Date if the Ordinary Shares have been accepted for purchase or if withdrawal rights are available) and (ii) to debit the securities account in which such Ordinary Shares are held on the Settlement Date in respect of all of the Ordinary Shares tendered, against payment of the Offeror through the Settlement Agent of the Offer Price in respect of those Ordinary Shares.

4.2.2 *Acceptance of the Offer and Tender by Holders of Ordinary Shares Individually Recorded in the Company's Shareholders Register*

Shareholders owning Ordinary Shares individually recorded in the Company's shareholders register that choose to accept the Offer in respect of such Ordinary Shares must deliver a completed and signed acceptance form to the Settlement Agent. Completed acceptance forms should be received by the Settlement Agent prior to the Acceptance Closing Time. The acceptance forms are available upon request from the Settlement Agent:

SNS Securities N.V.
Nieuwezijds Voorburgwal 162 - 170
1012 SJ Amsterdam
The Netherlands
Telephone: +31 (0) 20 550 8536
E-mail: offer@snssecurities.nl

The acceptance form will also serve as a deed of transfer (*akte van levering*) with respect to the Ordinary Shares referenced therein.

4.2.3 *Acceptance of the Offer and tender by holders of ADSs*

Shareholders holding ADSs in registered form, either in ADR form or in uncertificated form through the Direct Registration System, may accept the Offer and tender ADSs to the US Settlement Agent by delivering to the US Settlement Agent a properly completed and duly executed Letter of Transmittal, with any applicable signature guarantees from an Eligible Institution, together with the ADRs representing the ADSs specified on the face of the Letter of Transmittal, if applicable, to be received prior to the Acceptance Closing Time. The Letters of Transmittal and other associated forms are available upon request from the Information Agent. If a Shareholder's ADRs are not available, such Shareholder holding ADSs in the form of ADRs may also follow the guaranteed delivery procedures described in Section 4.2.4 (*Guaranteed Delivery Procedures*). Letters of Transmittal properly completed and duly executed, together with the corresponding ADRs, if applicable, should only be sent to the US Settlement Agent and should not be sent to the Offeror, the Settlement Agent, AMX, the depositary for the ADSs or the Information Agent.

The method of delivery of Letters of Transmittal and, if applicable, ADRs, and all other required documents is at the ADS Shareholder's option and risk, and the delivery will be deemed made only when actually received by the US Settlement Agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, an ADS Shareholder should allow sufficient time to ensure timely delivery. No acknowledgement of receipt of documents will be given by or on behalf of the Offeror, AMX or the US Settlement Agent.

An ADS Shareholder holding ADSs in book-entry form, all of which are held through the facilities of DTC, must instruct their custodian, bank or broker through which such Shareholders own their ADSs to arrange for a DTC participant holding the ADSs in its DTC account to tender such ADSs to the DTC account of the US Settlement Agent through the book-entry transfer facilities of DTC, together with an Agent's Message acknowledging that the tendering ADS Shareholder has received and agrees to be bound by the Letter of Transmittal and this Offer Memorandum, to be received prior to the Acceptance Closing Time. If the procedure for book-entry transfer cannot be completed on a timely basis, Shareholders holding ADSs in book-entry form may also follow the guaranteed delivery procedures described in Section 4.2.4 (*Guaranteed Delivery Procedures*). Custodians, banks or brokers may set an earlier deadline for communication by ADS Shareholders in order to permit the custodian, bank or broker to communicate acceptances to the US Settlement Agent in a timely manner. Accordingly, an ADS Shareholder holding ADSs through a custodian, bank or broker should contact such custodian, bank or broker to obtain information about the deadline by which such ADS Shareholder must accept the Offer and comply with the dates communicated by such custodian, bank or broker as they may differ from the dates and times noted in this Offer Memorandum.

Delivery of documents to a custodian, bank or broker or to a DTC participant's book-entry transfer account does not constitute delivery to the US Settlement Agent.

ADSs tendered through DTC will be held in an account controlled by the US Settlement Agent and every tendering ADS Shareholder thereby represents and warrants that, upon purchase of the tendered ADSs, the Offeror will acquire full ownership of those ADSs free of any encumbrance and consequently an ADS Shareholder will not be able to sell, assign, transfer or otherwise dispose of tendered ADSs until such time as (i) the ADS Shareholder withdraws the tendered ADSs from the Offer in accordance with article 15, paragraph 3 or article 15a, paragraph 3 of the Takeover Decree or (ii) the tendered ADSs have been returned to the ADS Shareholder if the Offer is not completed or if the ADSs were not accepted for purchase.

The Offeror reserves the right to accept any tender under the Offer, even if such tender has not been made in compliance with the procedures set forth in this Offer Memorandum.

4.2.4 *Guaranteed Delivery Procedures*

If an ADS Shareholder wishes to tender ADSs in the Offer and its ADRs are not immediately available, time will not permit all required documents to reach the US Settlement Agent before the Acceptance Closing Time or the procedure for book-entry transfer cannot be completed on a timely basis, an ADS Shareholder may nevertheless properly tender ADSs if all the following conditions are satisfied:

a) tender is made by or through an Eligible Institution;

b) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form available upon request from the Information Agent, is received by the US Settlement Agent as provided below before the Acceptance Closing Time; and

c) ADSs in proper form for transfer, together with, in the case of ADSs evidenced by ADRs or uncertificated ADSs held through the Direct Registration System, a properly completed and duly executed Letter of Transmittal and, if applicable, the corresponding ADRs, together with any required signature guarantees or, in the case of a book-entry transfer, a book-entry confirmation along with an Agent's Message, and any other required documents, are received by the US

Settlement Agent within three U.S. trading days after the date of execution of the Notice of Guaranteed Delivery.

Any Notice of Guaranteed Delivery may be delivered by mail or facsimile to the US Settlement Agent and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery. In the case of ADSs held through the book-entry transfer system of DTC, the Notice of Guaranteed Delivery must be delivered to the US Settlement Agent by a DTC participant by means of the DTC book-entry transfer confirmation system.

The Offeror reserves the right to accept any tender under the Offer, even if such tender has not been made in compliance with the procedures set forth in this Offer Memorandum.

4.3 Undertakings, Representations and Warranties by Tendering Shareholders.

Each Shareholder tendering Shares pursuant to the Offer, by such tender, irrevocably undertakes, represents and warrants to the Offeror, on the date that such Shares are tendered through to and including the Settlement Date, subject to the proper withdrawal of any tender in accordance with article 15, paragraph 3 or article 15a, paragraph 3 of the Takeover Decree, that:

a) *Acceptance by the Shareholder*

The tender of any Shares constitutes an acceptance by the Shareholder of the Offer, on and subject to the terms and restrictions of the Offer as contained in this Offer Memorandum.

b) *Power and Authority. No Other Agreement*

Such Shareholder has full power and authority to tender, sell and deliver (*leveren*), and has not entered into any other agreement to tender, sell or deliver (*leveren*) the Shares stated to have been tendered to any party other than the Offeror (together with all rights attaching thereto) and, when the same are purchased by the Offeror for cash, the Offeror will acquire such Shares, with full title guarantee and free and clear of all third party rights and restrictions of any kind.

c) *Compliance*

Such Shares are being tendered in compliance with the restrictions as set out in Section 1 (*Restrictions and Important Information*) and the securities and other applicable laws or regulations of the jurisdiction in which such Shareholder is located or of which it is a resident and no registration, approval or filing with any regulatory authority of such jurisdiction is required in connection with the tendering of such Shares.

Shares tendered on or prior to the Acceptance Closing Time may not be withdrawn, subject to the right of withdrawal of any tendered Shares during any extension of the Acceptance Period in accordance with the provisions of article 15, paragraph 3 of the Takeover Decree and the right of withdrawal of any tendered Shares in case of an increase of the Offer Price in accordance with the provisions of article 15a, paragraph 3 of the Takeover Decree. During any such extension of the Acceptance Period, any Shares previously tendered and not withdrawn will remain subject to the Offer.

4.4 Acceptance Period (*aanmeldingstermijn*)

The Acceptance Period begins on 18 October 2013, at 09.00 hours CEST and ends, subject to extension in accordance with article 15 of the Takeover Decree, on 13 December 2013, at 17:30 hours CET.

Shares tendered prior to the Acceptance Closing Time may not be withdrawn, subject to (i) the right of withdrawal of any tendered Shares during any extension of the initial Acceptance Period in accordance with the provisions of article 15, paragraph 3 of the Takeover Decree and (ii) the right of withdrawal of any tendered Shares in case of an increase of the Offer Price in accordance with the provisions of article 15a, paragraph 3 of the Takeover Decree. Shares tendered prior to the initial Acceptance Closing Time may be withdrawn during the extended Acceptance Period. However, during any such extension of the Acceptance Period, any Shares previously tendered and not withdrawn will remain subject to the Offer.

The Offeror will if the Offer is declared unconditional (*gestand is gedaan*) accept all Shares that have been validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and not previously withdrawn pursuant to the terms of the Offer in accordance with the procedures set forth in Section 4.2 (*Acceptance of the Offer and Tender*).

4.5 Extension of the Acceptance Period

In accordance with article 15, paragraph 1 of the Takeover Decree, the Offeror may extend the Offer past the Acceptance Closing Time only once, subject to a possible extension in case of an increase of the Offer Price as described below, in which case all references in this Offer Memorandum to the Acceptance Closing Time shall, unless the context requires otherwise, be moved to the latest date and time to which the Offer has been so extended. However, as noted in Section 4.2 (*Acceptance of the Offer and tender by holders of Shares through an Admitted Institution*), a custodian, bank or broker may set an earlier deadline for Shareholders to communicate acceptances of the Offer in order to permit the custodian, bank or broker to communicate such acceptances to the Settlement Agent in a timely manner.

If the Acceptance Period is extended, a public announcement to that effect shall be made in accordance with the Merger Rules. Article 15, paragraph 2 of the Takeover Decree requires that such announcement be made not later than the third (3^{rd}) Business Day following the initial Acceptance Closing Time.

During any such extension of the Acceptance Period, any Shares previously tendered and not withdrawn will remain subject to the Offer. In accordance with article 15, paragraph 3 of the Takeover Decree, Shares tendered on or prior to the original Acceptance Closing Time may be withdrawn during the Acceptance Period as extended. Further, in accordance with article 15a, paragraph 3 of the Takeover Decree, Shares tendered may be withdrawn within seven (7) Business Days following the announcement of an increase of the Offer Price.

In addition, the Acceptance Period may be extended in accordance with article 15 paragraph 9 of the Takeover Decree if the Offer Price is increased within seven (7) Business Days from the Acceptance Closing Date, in which case the Acceptance Period is by virtue of law extended to the effect that the Acceptance Period will be open for seven (7) Business Days from such increase of the Offer Price. If, at the time any such increase in the Offer Price is announced to Shareholders, the Acceptance Period is scheduled to expire at any time earlier than the tenth U.S. Business Day from and including the date of such announcement, the Acceptance Period will in accordance with article 15, paragraph 1 of the Takeover Decree and U.S. law, be extended so that the Acceptance Period will expire no less than ten (10) U.S. Business Days after such notice is announced, it being understood that the Acceptance Period may be extended only once, subject to a possible extension in case of an increase of the Offer Price as described above. The waiver of an Offer Condition may result in an extension of the Acceptance Period.

4.6 Declaring the Offer Unconditional (*gestanddoening*)

Unless the initial Acceptance Period is extended, the Offeror will, in accordance with article 16, paragraph 1 of the Takeover Decree, announce within three (3) Business Days after the initial Acceptance Closing Date if it declares the Offer unconditional (*gestand wordt gedaan*) (such date referred to as the "**Unconditional Date**"). The Offeror will if the Offer is declared unconditional (*gestand is gedaan*) accept for payment all Shares validly tendered (or defectively tendered provided that such defect has been waived by the Offeror).

4.7 Settlement of the Offer

Ordinary Shareholders who have accepted the Offer and Ordinary Shareholders who have tendered their Shares for acceptance pursuant to the Offer prior to or at the Acceptance Closing Time will if the Offer is declared unconditional (*gestand is gedaan*) receive on the Settlement Date the Offer Price in respect of each Ordinary Share validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and delivered (*geleverd*).

Admitted Institutions receiving Ordinary Shares from Ordinary Shareholders tendering under this Offer shall receive these Ordinary Shares as custodian. In turn, Admitted Institutions will submit such Ordinary Shares by written instruction to the Settlement Agent. By tendering such Ordinary Shares, the Admitted Institutions declare that they have the Ordinary Shares in their custody and that they will procure transfer of the Ordinary Shares to the Offeror on the Settlement Date.

If the Offer is declared unconditional, the Offeror will on the Settlement Date pay the Offer Price for all ADSs validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) to the US Settlement Agent in EUR. The US Settlement Agent will convert the Offer Price into U.S. dollars at the exchange rate obtainable by the US Settlement Agent, on the spot market on the date the cash consideration is received by the US Settlement Agent. As promptly as practicable after settlement of the currency conversion, expected to be two (2) days after the Settlement Date, the US Settlement Agent will pay the resulting U.S. dollars, less the costs of the conversion and any applicable withholding taxes and expenses to the ADS Shareholders entitled to them. Payment for ADSs tendered through DTC will be made to DTC for allocation by it to the participants that tendered on behalf of ADS Shareholders. Payment for ADSs not tendered through DTC participants will be made by check payable and mailed in accordance with the instructions set forth on the applicable Letter of Transmittal.

4.8 Post Acceptance Period

The Offeror may, in accordance with article 17 of the Takeover Decree, within three (3) Business Days after declaring the Offer unconditional, announce a Post Acceptance Period to enable Shareholders that did not tender their Shares during the Acceptance Period to tender their Shares under the same terms and conditions applicable to the Offer. Any such Post Acceptance Period will commence on the first (1^{st}) Business Day following the announcement of a Post Acceptance Period and will remain open for a period of no longer than two (2) weeks. If the Post Acceptance Period is announced, the Offeror will continue to accept for payment all Shares validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) during such period and will pay for such Shares within five (5) Business Days following the end of the Post Acceptance Period or as otherwise set forth in the announcement.

4.9 Commission

Admitted Institutions shall receive from the Settlement Agent on behalf of the Offeror a commission in the amount of EUR 0.00024 in respect of each Ordinary Share validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and delivered (*geleverd*), up to a maximum of EUR 1,000 per Shareholder tender. The commission must be claimed from the Offeror through the Settlement Agent upon the Settlement Date. No costs will be charged to the Shareholders by the Offeror for the delivery and payment of the Ordinary Shares. However, costs might be charged by certain banks or stockbrokers.

4.10 Restrictions

The Offer is being made with due observance of such statements, terms and restrictions as are included in the Offer Memorandum. The Offeror reserves the right to accept any tender under the Offer, which is made by or on behalf of a Shareholder, even if it has not been effectuated in such manner as set out above.

4.11 Announcements

Announcements in relation to the Offer, including announcements in relation to an extension of the Offer past the Acceptance Closing Time will be issued by press release. Subject to any applicable requirements of the Merger Rules and without limiting the manner in which the

Offeror may choose to make any public announcement, the Offeror will have no obligation to communicate any public announcement other than as described above.

4.12 Indicative Timetable

The times and dates below are indicative only.

Expected date and time	**Event**
17 October 2013	Publication of the press release announcing the availability of the Offer Memorandum and commencement of the Offer
9:00 hours CEST, 18 October 2013	Commencement of the Acceptance Period under the Offer in accordance with article 14 of the Takeover Decree
17:30 hours CET, 13 December 2013 subject to extension	*Acceptance Closing Time* The deadline for Shareholders wishing to tender Shares, unless the Offer is extended in accordance with article 15 of the Takeover Decree
Not later than three (3) Business Days following the Acceptance Closing Time	On this date the Offeror shall publicly announce, in accordance with articles 15 and 16 of the Takeover Decree, that either: • the Offer is declared unconditional (*gestand wordt gedaan*), the Unconditional Date; • the Offer is extended for a period of two (2) to ten (10) weeks; or • the Offer is not declared unconditional as a result of an Offer Condition not being satisfied or waived.
Not later than on the third (3^{rd}) Business Day following the Unconditional Date	*Commencement of Post Acceptance Period* Post Acceptance Period (*na-aanmeldingstermijn*): the Offeror may announce a Post Acceptance Period for the Offer with a maximum duration of two (2) weeks to enable Shareholders that did not tender their Shares during the Acceptance Period to tender their Shares under the same terms and conditions applicable to the Offer.
Not later than five (5) Business Days following the Unconditional Date	*Settlement Date* The date on which, in accordance with the terms and conditions of the Offer, the Offeror shall pay the Offer Price per Share to the Settlement Agent or the U.S. Settlement Agent, as applicable, for the benefit of the Shareholders who have validly tendered (or defectively tendered provided that such defect has been waived by the Offeror) and delivered (*geleverd*) their Shares under the Offer, which date shall be promptly, but in any event, within five (5) Business Days following the Unconditional Date, subject to the Offer being declared unconditional (*gestand wordt gedaan*).

5. INFORMATION REGARDING KPN

5.1 Overview

KPN offers information and communications technology services, primarily in The Netherlands, Germany and Belgium.

As of 31 December 2012, KPN served over 41 million customers, of which 36.7 million were in wireless services, 3.9 million in wireline voice, 2.9 million in broadband Internet and 1.8 million in TV. In its annual report 2012, KPN reported revenues (excluding other income) of EUR 12,409 million and EBITDA of EUR 4,528 million in 2012. 68% of its revenues were generated in The Netherlands, 25% in Germany, 6% in Belgium and 1% in the rest of the world.

In The Netherlands, KPN is the incumbent operator and the market leader, offering consumers and businesses fixed and mobile telephony, internet and television services. Within the Dutch market, as of July 2013, KPN held a 45% service revenue market share in mobile telephony; 41% retail broadband subscriber market share; and 24% TV subscriber market share (second player in the Dutch market).

In Germany and Belgium, KPN provides mobile telephony services and has a challenger position. As of July 2013, the Company had a 15% service revenue market share in Germany (third player in a four player mobile network operator market), and a >20% service revenue market share in Belgium (third player in a three player mobile network operator market).

KPN employed approximately 23.795 FTE personnel as of July 2013.

The Shares are listed on the Euronext Amsterdam (ticker: KPN). The Shares were previously also traded as ADRs on the New York Stock Exchange. Following the delisting on the New York Stock Exchange on 4 April 2008, ADRs continue to be traded on the United States over-the-counter (OTC) market through a Level I ADR program.

5.2 History and Development of KPN

KPN's origins can be traced back to 1852, when the Dutch government established the State Telegraph Service, in order to construct and operate telegraph lines.

In 1886, the State Telegraph Service and the Post were combined into one entity, which was incorporated in 1893 as the Post and Telegraph Administration (PTA).

In 1915, the PTA became a state owned company, which was later renamed as The Netherlands Postal and Telecommunications Services (PTT).

In 1945-1989, the PTT concentrated mainly on development of telephone exchanges, and received money for investments from the Dutch government. From 1970, the PTT was obliged to pay annual contributions to the state treasury, generating price increases and reduced service levels for customers. This led to growing public and political pressure to grant the PTT financial independence. In 1989, the PTT became Koninklijke KPN Nederland N.V.

In 1994, KPN listed its shares on the Amsterdam stock exchange. Subsequently, in 1995, its ADSs representing its Ordinary Shares were listed on the New York Stock Exchange. Following that, the Dutch government has gradually reduced its holding in the Company.

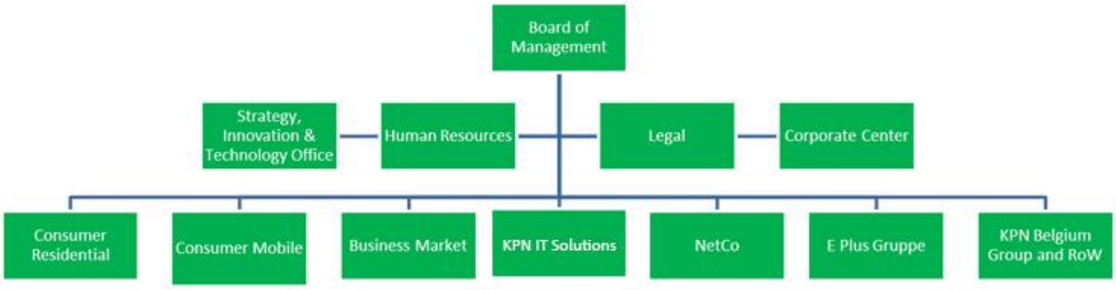
In 1998, KPN was demerged from PTT Post (which merged with the Australian company TNT to form TNT Post Group), and PTT Telecom became KPN. In parallel, the Dutch telecommunications market was liberalised, and new entrants were given access to KPN's fixed and mobile networks. The Dutch government established the Netherlands Regulatory Authority for the Telecommunications and Postal Sector ("**OPTA**").

Since 2001, KPN's then newly appointed CEO, Ad Scheepbouwer, has led a corporate plan aimed at restoring financial, operational and organisational health after a series of acquisitions and alliances entered into in the prior years. Through disposals and greater operational efficiency, KPN was able to reduce its debt from more than EUR 23 billion in 2001 to less than EUR 8 billion in 2005.

5.3 Group Structure

KPN is a public company with limited liability (*naamloze vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of The Netherlands. KPN is headquartered in The Hague, The Netherlands.

KPN's organisational structure is as follows:



Source: KPN's website (http://www.kpn.com/corporate/aboutkpn/Company-profile/company-profile/the-company/organization/Organization.htm)

5.4 KPN Articles of Association, Large Company Regime (*structuurregime*)

A copy of the Articles of Association is available on KPN's website at www.kpn.com/corporate/aboutkpn/investor-relations.htm. The Articles of Association have most recently been amended on 17 May 2013. KPN is currently subject to the full large company regime (*volledig structuurregime*) with a management board and a mandatory supervisory board. The Supervisory Board is, amongst others, authorized to appoint the members of the Management Board. Please refer to the Articles of Association for further details of the authority of the Supervisory Board.

5.5 Business overview

5.5.1 *The Netherlands*

KPN is the incumbent operator and the telephony market leader in The Netherlands. Its Dutch operations contributed 68% of its 2012 revenues and 64% of its 2012 EBITDA.

a) **Consumer (Mobile and Residential)**: KPN offers consumers voice, internet and TV services. It has a multi-brand approach, including premium brands (KPN and XS4all) and budget brands (Hi and Telfort). In mobile telephony, KPN had 7.343 million consumer (of which 3.524 million post-paid and 3.819 million pre-paid) subscribers as of July 2013, with an estimated service revenue market share of 45% (for the consumer and business segments). In fixed telephony, as of July 2013, KPN had 2.727 million consumer access lines, 2.724 million broadband ISP subscribers, and 1.885 million TV subscribers. As of July 2013, KPN reported to hold 41% retail broadband subscriber market share and 24% TV subscriber market share.

b) **Business**: KPN offers business customers a comprehensive portfolio of services, including fixed line telephony and internet access (PSTN, ISDN and VoIP); mobile (including M2M solutions); and data network services (including traditional data services, VPN services and internet access services). As of July 2013, KPN had 2.315 million mobile business customers, 0.183 million Business DSL lines and 1.056 million access lines.

c) **NetCo (Network Company)**: KPN consolidated its Wholesale & Operations segment and ITNL into NetCo, following the implementation of the new management executive structure, effective from 1 January 2012. Wholesale & Operations offers network services and facilitates the infrastructure needs of retail and wholesale customers, regarding both the wireline and wireless networks. As of July 2013 NetCo provided a total number of MDF access lines of 3.440 million.

d) **Corporate Market**: KPN offers solutions to corporates, including workspace management (online, hybrid and traditional services, such as Workspace Online); data centres (facilitating cloud based solutions); connectivity services (integrated IT and telecommunications services such as collaborative video-conferencing); and consulting services.

e) **iBasis**: KPN offers carriers global call termination products and value added services. KPN is one of the five largest carriers of international voice traffic globally, and has a comprehensive voice product portfolio, including Value Voice, Direct Voice, Certified Voice and Premium Voice (each with varied code coverage and pricing).

5.5.2 *Mobile International*

KPN is a mobile challenger in Germany and Belgium, and also has limited targeted presence in other markets. Its international operations contributed 32% of its 2012 revenues and 34% of its 2012 EBITDA.

a) **Germany**: KPN, through E-Plus, is the third largest mobile operator in Germany, competing primarily with Deutsche Telekom, Vodafone, and Telefónica. KPN has a multi-brand strategy in the market, offering E-Plus (bundled packages), BASE (flat fee packages), Simyo (web only prepaid model) and Ay Yildiz (tailored offer for Turkish speaking people). As of July 2013, KPN had 24.426 million subscribers in Germany, with an estimated service revenue market share of 15%. Please also see Section 5.7 (*Recent Developments*).

b) **Belgium**: KPN is the third largest mobile operator in Belgium, competing primarily with Belgacom and Mobistar. BASE, KPN's key brand in the market, is focused on “value for money” and simplicity as its customer proposition. KPN employs a regional approach (Brussels, Flanders, Wallonia), aimed at expanding its addressable market. As of July 2013, KPN had 3.352 million subscribers in Belgium, with an estimated service revenue market share of >20%.

c) **Rest of World**: KPN's international offering beyond Germany and Belgium includes two main components: (i) Ortel Mobile (prepaid mobile services through KPN and partner networks, aimed at multi-cultural communities across Europe); and (ii) Magnum (international MVNO platform, implemented in partnership with Huawei). Please note that as of Q1 of 2013, the Rest of World ceased to report separately.

5.6 Business Strategy

KPN is to continue its strategic review launched on 11 May 2011, and set its objectives for 2015, including focus on further improvements of its market leading position in The Netherlands, and continuing to invest internationally to grow its challenger positions.

In its annual report for 2012, KPN stated the following objectives and ambitions. For The Netherlands KPN aims at a minimum broadband market share of >40%, with as a long-term goal 45%, growing revenue generating units and average revenue per user at residential, a minimum long-term total mobile NL market share of >40%, to be a leading business and ICT player with stable market positions in The Netherlands, a 40-45% medium term EBITDA margin in The

Netherlands, finalization of the 4,000-5,000 FTE reduction program in the end of 2013; and continued FTE cost efficiency in 2014 and onwards.

Furthermore KPN invested heavily in network infrastructure in The Netherlands. KPN is the first operator in The Netherlands to have launched 4G LTE services, and it expects to have covered approximately 50% of the Dutch population by mid-2013 and to offer nationwide coverage in the second half of 2014.

5.7 Recent Developments

KPN announced its financial results for the first half of 2013 on 23 July 2013, stating that these proved KPN (i) continued the good operational performance and is on track to realize its outlook, (ii) strengthened its financial position and provides a sound platform to continue to execute its strategy, (iii) revenues are down due to challenging market circumstances and (iv) has made encouraging operational progress.

EBITDA was impacted by higher commercial investments mainly in Germany, and free cash flow reflects lower revenues and higher investments. Mr Blok stated in his message from the CEO in the HY 2013 Press Release that the conditions remained challenging in the first half of 2013, however KPN has tried to further strengthen its market positions. KPN continued to improve its networks, especially with the accelerated 4G rollout in The Netherlands. The customer-centric propositions are increasingly yielding operational results demonstrated by growing triple play in The Netherlands and strong postpaid net additions and data growth in Germany and Belgium. In addition, KPN is driving ahead with simplifying its processes and improving its underlying cost structure. According to the HY 2013 Press Release, in total approximately 3,900 FTE reductions have been realized since the start of the FTE reduction program.

In Q1 of 2013 KPN issued hybrid bonds in the aggregate amount of EUR 2.0 billion, for which rating agencies have given 50% equity credit. In May 2013, KPN successfully completed a EUR 3.0 billion rights issue, decreasing the debt position to approximately EUR 9.5 billion, and improving the total cash position at the end of Q2 of 2013 to approximately EUR 4.0 billion.

On 23 July 2013, KPN announced the intended sale of its German subsidiary, E-Plus, to Telefónica Deutschland Holdings AG ("**Telefónica Deutschland**"). It was announced that the total consideration of the proposed sale would consist of EUR 5.0 billion in cash and a 17.6% stake in the combined entity. Completion of the proposed transaction is *inter alia* subject to approval by KPN's EGM as well as approval by regulatory and competition authorities. At completion of the transaction, KPN would transfer 100% of its interest in E-Plus to Telefónica Deutschland for a consideration consisting of EUR 3.7 billion in cash and newly issued shares in Telefónica Deutschland, representing 24.9% of the share capital. Simultaneously, Telefónica S.A. would acquire a 7.3% interest in Telefónica Deutschland from KPN for a cash consideration of EUR 1.3 billion. KPN’s remaining interest of 17.6% in Telefónica Deutschland would be subject to a lock-up period of 180 days. In addition, the transaction is subject to other customary terms and conditions including:

- a break-up fee of EUR 100 million payable by Telefónica Deutschland in case the merger control authorities do not approve the transaction;
- a reciprocal break-up fee of EUR 50 million payable by Telefónica Deutschland or KPN in case their respective shareholders do not approve the transaction in their respective EGM; and
- a break-up fee of EUR 50 million payable by KPN in case it revokes its recommendation for the transaction as a result of a superior offer for E-Plus in excess of EUR 8.6 billion.

On 26 August 2013, both AMX and KPN announced that following the negotiations between AMX and Telefónica S.A. ("**Telefónica**"), Telefónica and Telefónica Deutschland had agreed to improve the terms and conditions offered to KPN for the sale of E-Plus to Telefónica Deutschland. As part of the improved terms, KPN will receive EUR 5.0 billion in cash and a 20.5%

stake in Telefónica Deutschland post transaction instead of the originally agreed 17.6% stake, for a total transaction value of EUR 8.55 billion compared to the previously announced value of EUR 8.1 billion. In addition, KPN will provide a call option to Telefónica to acquire a 2.9% stake in Telefónica Deutschland from KPN, only exercisable one (1) year after completion of the proposed sale of E-Plus. This call option can be exercised for all or part of the 2.9% stake. The exercise price for the 2.9% stake amounts to EUR 510 million plus accrued interest at 2.27% from the time of completion of the proposed sale of E-Plus and reduced for any dividend payments on the 2.9% stake. KPN announced that it intends to use the majority of the EUR 5.0 billion cash proceeds to increase its financial flexibility and support the execution of its strategy in The Netherlands and Belgium. Further, KPN announced that it intends to recommence dividend payments to shareholders for 2014. The improved terms of the proposed sale of E-Plus have been approved by unanimous vote of the Boards and the boards of Telefónica and Telefónica Deutschland. For its part, AMX has agreed with Telefónica to vote in favour of the proposed sale of E-Plus to Telefónica Deutschland at the improved terms at the EGM to be held on 2 October 2013. Please also see Section 12.3 (*Press Release by AMX dated 26 August 2013*).

Please see KPN's website (www.kpn.com) for more information regarding KPN, including a shareholders' circular dated 21 August 2013 regarding the envisaged sale of E-Plus to Telefónica Deutschland and the supplement thereto published by KPN on 29 August 2013.

Please see Section 5.9 (*Preference Shares Foundation*) for information in respect of the Preference Shares that were issued to the Preference Shares Foundation by KPN on 29 August 2013.

On 16 September 2013, KPN announced that it had reached an agreement with the Dutch tax authorities relating to the size of a tax book loss which is expected to be recognized upon completion of the sale of E-Plus to Telefónica Deutschland. This book loss amounts to approximately EUR 3.7 billion and is expected to offset KPN's taxable income in The Netherlands in the coming years, starting in 2014.

During the EGM of KPN held on 2 October 2013 the proposed sale of E-Plus to Telefónica Deutschland was approved. AMX and the Offeror voted in favour of all resolutions passed in this EGM. In addition to the approval of the proposed sale of E-Plus to Telefónica Deutschland, at the EGM the adjustment factor in relation to the long term incentive plans of the members of the Management Board of KPN and the retention bonus for Mr Dirks were approved. The Preference Shares Foundation did not exercise its voting rights during this EGM.

5.8 Management Board, Supervisory Board

5.8.1 *Management Board*

The Management Board consists of four members:

- Eelco Blok (CEO);
- Thorsten Dirks (CEO KPN Mobile International);
- Joost Frans Eduard Farwerck (Managing Director Nederland); and
- Steven van Schilfgaarde (interim CFO).[11]

5.8.2 *Supervisory Board*

The Supervisory Board consists of eight members:

- Joseph Bonifacius Maria Streppel (chairman);
- Robert John Routs (vice-chairman);

[11] On 13 September 2013 KPN publicly announced the appointment of Mr van Schilfgaarde as interim CFO of the Company with immediate effect.

- Marike Elisabeth van Lier Lels;
- Catharina Maria Hooymans;
- Derk Johan Haank;
- Petrus Antonius Maria van Bommel;
- Carlos Jose García Moreno Elizondo; and
- Oscar Von Hauske Solis.

Messrs García Moreno Elizondo and Von Hauske Solis do not participate in any deliberations, discussions or decision making within the Supervisory Board in relation to the Offer as this may result in a potential conflict of interest.

5.9 Preference Shares Foundation

As set out in Section 6.1 (*Authorised and issued share capital*), KPN's authorised share capital consists of, inter alia, 5,000,000,000 class B preference shares with a nominal value of EUR 0.24 each (the "**Preference Shares**"). KPN and Stichting Preferente Aandelen B KPN (the "**Preference Shares Foundation**") entered into a call option agreement and a put option agreement in relation to the Preference Shares on 3 June 1994 (the "**Option Agreements**"). The Preference Shares effectively constitute an anti-takeover measure.

The members of the board of the Preference Shares Foundation are:

- J.H. Schraven (Chairman);
- P. Bouw (vice-Chairman);
- H. Zwarts;
- J. Klaassen; and
- M.W. den Boogert.

On the website of the Preference Shares Foundation (www.prefs-KPN.nl), the board of the Preference Shares Foundation indicates that under normal circumstances it should exercise its voting rights for a limited period of time only. The board of the Preference Shares Foundation in addition indicates on the website of the Preference Shares Foundation that it considers it undesirable for the Management Board to ignore a shift in the balance of power in the annual general meeting of shareholders of KPN over an extended period of time.

The Preference Shares Foundation has a call option, which is not limited in time, to acquire a number of Preference Shares in the capital of the Company from KPN not exceeding the total issued amount of Shares, minus one share and minus any shares already issued to the Preference Shares Foundation. Upon exercise of the call option, 25% of the nominal value of EUR 0.24 per Preference Share needs to be paid by the Preference Shares Foundation to the Company. The Management Board can decide to request the Preference Shares Foundation to pay the remainder. Such decision is subject to the approval of the Supervisory Board.

On 13 August 2013, the Preference Shares Foundation published a press release stating that they had concerns about developments regarding KPN in the days prior to the publication of the press release. The Preference Shares Foundation stated that based solely on AMX' initial press release announcing the Offer, there was considerable uncertainty about AMX' intentions regarding its position on the further strategic developments of KPN, including KPN's intention to sell E-Plus.

On 29 August 2013 the Preference Shares Foundation announced that it had exercised its call option to purchase the Preference Shares. As a consequence of the exercise of this call option, 4,258,098,272 Preference Shares were issued in the share capital of KPN to the Preference

Shares Foundation, which thereby acquired 50% minus one (1) vote of the voting rights exercisable in a general meeting of shareholders of KPN.

On 30 August 2013 AMX announced that it had taken notice of (i) the announcement by the Preference Shares Foundation to exercise its call option and (ii) the issue of 4,258,098,272 Preference Shares to the Preference Shares Foundation by the Supervisory Board and Management Board, representing 50% minus one (1) vote of the voting rights exercisable in a general meeting of shareholders of KPN. Please also see Section 12.4 (*Press Release by AMX dated 30 August 2013*).

Also with reference to the Offer Condition included in Section 3.6.1 (*Minimum Acceptance Condition*), AMX and the Offeror continue to carefully evaluate all options available to them in respect of the announcements by the Preference Shares Foundation and KPN of 29 August 2013 in relation to the exercise of the call option by the Preference Shares Foundation and the issue of the Preference Shares by KPN, and to reserve any or all rights in this respect, including the right to not declare the Offer unconditional if the Preference Shares Foundation's ability to hold, acquire or vote Preference Shares is retained.

On 23 September 2013 the Preference Shares Foundation sent a letter to the Dutch shareholders association (*Vereniging Voor Effectenbezitters*, "**VEB**"), in which it confirmed its view that it can vote on any resolution during a general meeting of shareholders of KPN, but that it will evaluate on a case by case basis if it will use the voting rights held by it and that it will strive to be transparent in advance of any shareholders meeting of KPN as to if and how the Preference Shares Foundation shall vote the Preference Shares held by it.

Please also see Section 8 (*Further Declarations pursuant to the Takeover Decree*) for a description of contacts between AMX and the Preference Shares Foundation.

5.10 Major Shareholders

As per the public register held by the AFM as at the date of this Offer Memorandum, the following institutions have, pursuant to the Wft, notified the AFM of their shareholding exceeding 3% of the issued share capital of the Company following the issue by the Company of Preference Shares to the Preference Shares Foundation on 29 August 2013:

Notifying Party	**Number of shares (and percentage)**	**Number of voting rights (and percentage)**	**Capital Interest real or potential**	**Voting Right real or potential**	**Direct or Indirect**	**Date of Notification**
Discovery Capital Management, LLC	n/a	Direct and real 162,424,809 (1.90%)	n/a	real	direct	29 August 2013
JP Morgan Chase & Co	Indirectly 90,065,873 ordinary shares, 52,327 ADSs and 659,762 call options (together 1.07%)	Indirectly and potential 90,777,962 (1.07%)	potential	potential	indirect	29 August 2013
América Móvil, S.A.B. de C.V.	directly 204,849,000 (2.40%) and indirectly 1,062,828,000 (12.46 %) ordinary shares	Directly 2.40% and indirectly 12.46 %	real	real	direct and indirect	29 August 2013
Preference Shares Foundation	Directly 4,258,098,272 (49.93%) and 12,156,931 call options (together	Directly and real 4,258,098,272 (49.93%) and 12,156,391 direct potential rights (together	real and potential	real and potential	direct	29 August 2013

Notifying Party	Number of shares (and percentage)	Number of voting rights (and percentage)	Capital Interest real or potential	Voting Right real or potential	Direct or Indirect	Date of Notification
	50.07%)	50.07%)				

The overview below lists those institutions that notified the AFM of their shareholding exceeding 3%[12] of the issued share capital of the Company prior to the issue by the Company of Preference Shares to the Preference Shares Foundation on 29 August 2013. The current shareholding of these institutions, other than AMX, is unclear to the Offeror. For the current shareholding of AMX please refer to Section 8 (*Further Declarations pursuant to the Takeover Decree*).

Notifying Party	Number of shares (and percentage)	Number of voting rights (and percentage)	Capital Interest real or potential	Voting Right real or potential	Direct or Indirect	Date of Notification
JP Morgan Chase & Co	150,001,951 ordinary shares, 152,762 ADRs and 659,762 call options (together 3.53%)	150,814,475 (3.53%)	potential	potential	indirect	15 August 2013
Ontario Teachers' Pension Plan Board[13]	93,553,600 ordinary shares (2.19%)	93,553,600 (2.19%)	real	real	direct	9 August 2013
BlackRock, Inc.[14]	108,505,675 ordinary shares (2.54%) and 6,455,847 options (0.15%)	124,932,633 real voting rights (2.93%) and 1,827,143 potential rights (0.03 %)	real and potential	real and potential	indirect	30 July 2013
Discovery Capital Management, LLC	136,133,809 ordinary shares (3.19%)	136,133,809 (3.19%)	real	real	direct	30 July 2013
Norges Bank	131,891,526 ordinary shares (3.09%)	131,891,526 (3.09%)	real	real	direct	29 July 2013
Capital Research and Management Company[15]	Nil (0%)	66,864,887 (4,67%)	real	real	direct	26 July 2012
América Móvil, S.A.B. de C.V.	directly 68,283,000 (4.77%) and indirectly 325,000,000 (22,70 %)	Directly 4.77% and indirectly 22.70 %	real	real	direct and indirect	28 June 2012

[12] This mandatory notification threshold was 5% up to 1 July 2013.

[13] Ontario Teachers' Pension Plan Board decreased its shareholder in KPN to 2.19%. It is unclear what the current size of their shareholding is since no further notifications are required below 3%.

[14] BlackRock Inc. decreased its shareholder in KPN to 2.69%. It is unclear what the current size of their shareholding is since no further notifications are required below 3%.

[15] It is unclear if Capital Research and Management Company still holds this position, as it has dropped below the 5% notification threshold before such threshold was lowered to 3%.

Notifying Party	Number of shares (and percentage)	Number of voting rights (and percentage)	Capital Interest real or potential	Voting Right real or potential	Direct or Indirect	Date of Notification
	ordinary shares					
Capital Income Builder, Inc. [16]	70,631,406 ordinary shares (4.93%)	Nil (0%)	real	real	direct	17 May 2012
Morgan Stanley[17]	33,158,475 ordinary shares (2.32%), 181,864 ADRs (0.01%), 33,211,950 futures (2.32%), 4,045,791 call options (0.28%)	2.32% real 2.62% potential	2.33% real 2.60% potential	real and potential	direct	11 May 2012
KPN	2,487,316 options 40,188,837 ordinary shares (2.86%)	Nil (0%)	2.72% real 0.14% potential	real and potential	direct	18 August 2011
Preference Shares Foundation	2,036,160,352 options for class B preference shares (100%)	2,036,160,352 (100%)	potential	potential	direct	1 November 2006

[16] It is unclear if Capital Income Builder, Inc. still holds this position, as it has dropped below the 5% notification threshold before such threshold was lowered to 3%.

[17] It is unclear if Morgan Stanley still holds this position, as it has dropped below the 5% notification threshold before such threshold was lowered to 3%.

6. CAPITAL AND SHARES OF KPN

6.1 Authorised and issued Share Capital

The Ordinary Shares and the Preference Shares in the capital of KPN both have a nominal value of EUR 0.24 each.

Share capital as per the date of this Offer Memorandum:

Authorised share capital (in euro):	EUR 2,400,000,000.00
Consisting of: (a) ordinary shares (in euro): (b) class B preference shares (in euro):	 EUR 1,200,000,000.00 EUR 1,200,000,000.00
Total authorised share capital (in numbers):	10,000,000,000 (5,000,000,000 Ordinary Shares and 5,000,000,000 Preference Shares)
Issued and paid up Ordinary Shares (in numbers):	4,270,254,664[18]
Issued Preference Shares (in numbers):	4,258,098,272

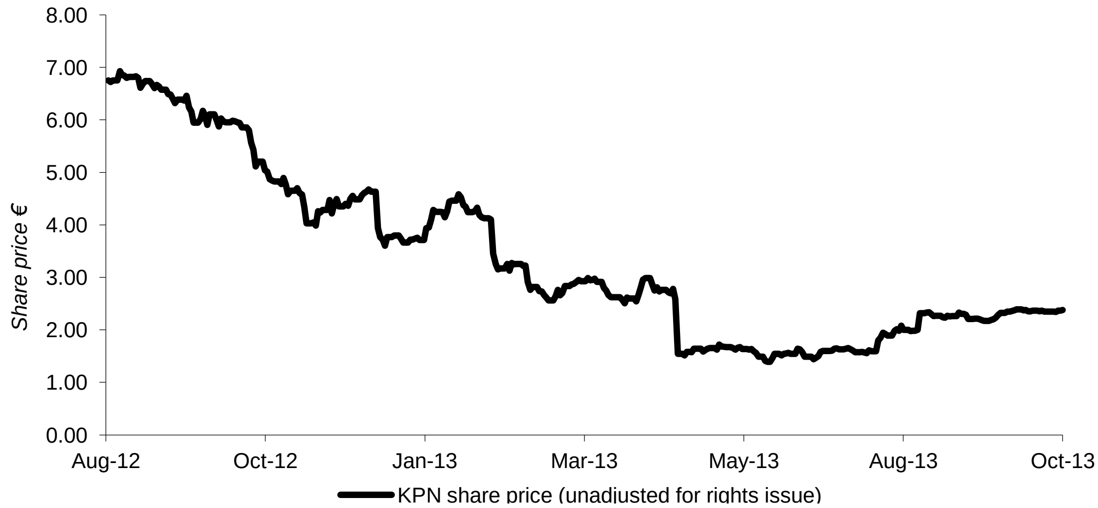
At the publication date of this Offer Memorandum, a total number of (i) 4,270,254,664 Ordinary Shares were issued and fully paid up, representing a total nominal value of EUR 1,024,861,119.36 and (ii) 4,258,098,272 Preference Shares were issued and paid up for 25% of the nominal value of such Preference Shares, representing a total value of EUR 255,485,896.32.

6.2 Changes in Share Capital

Based on publicly available information, there has not been a change in the authorised share capital of the Company since 17 May 2013. On 29 August 2013 the issued share capital of the Company increased as a result of the issue of Preference Shares to the Preference Shares Foundation. Please see Section 5.9 (*Preference Shares Foundation*).

[18] Including the 12,156,391 treasury Shares held as per 31 December 2012 by KPN and its Subsidiaries and/or affiliates, as stated in the annual accounts of KPN of 2012. On 21 August 2013 KPN confirmed in the context of the convocation of the EGM in relation to the proposed sale of E-Plus to Telefónica Deutschland that KPN holds 12,156,391 Ordinary Shares as treasury shares.

6.3 Share Price Development



KPN share price for period 21 August 2012 until and including 10 October 2013

Source: Bloomberg

6.4 Shareholding Members Mangement Board and Supervisory Board

The overview below lists the members of the Management Board and Supervisory Board that hold Shares (including ADSs) and options in KPN as per the public register held by the AFM as at the date of this Offer Memorandum:

Management Board				
Name	**Number of Shares**	**Number of restricted Shares**	**Conditional share award**	**Date**
E. Blok	500,109	-	470,079	2 October 2013
T. Dirks	-	-	217,720	2 October 2013
W.T.J. Hageman	50,000	15,000	132,000	17 May 2013
J.F.E. Farwerck	27,195	24,741	162,466	2 October 2013

Supervisory Board		
Name	**Number of Shares**	**Date**
D.J. Haank	24,351	17 May 2013
C.J. García Moreno Elizondo	305,400	17 May 2013
P.A.M. van Bommel	114,000	17 May 2013

7. INFORMATION ON THE OFFEROR

7.1 Information on AMX

AMX is a Mexico-based company primarily engaged in providing telecommunications services in Latin America. It is the leading provider of wireless services in Latin America. Its activities include offering mobile and landline telephony services, broadband access, as well as cable and satellite television. It distributes its services under the Telcel, Telmex, Claro, Embratel, Net, TracFone and Simple Mobile brands. It has operations established in 18 countries, including Mexico, Brazil, Argentina, Chile, Paraguay, Uruguay, Colombia, Panama, Ecuador, Peru and the United States, among others. As of 30 June 2013, AMX had 262 million wireless subscribers, 30.7 million landlines, 18.2 million broadband accesses and 17.8 million Pay TV units in the Americas. Its telecommunications services include mobile and fixed voice services, mobile and fixed data services, internet access and Pay TV, as well as other related services.

AMX' shares and American depositary shares are listed or quoted on the Mexican Stock Exchanges, the New York Stock Exchange, NASDAQ National Market, Mercado de Valores Latinoamericanos en Euros (Latibex) and FWB Frankfurter Wertpapierbörse.

According to reports of beneficial ownership of AMX shares, Mr Carlos Slim Helú, together with his sons and daughters (the "**Slim Family**"), including his two sons who are co-chairs of AMX' board of directors, may be deemed to control AMX. The Slim Family may be able to elect a majority of the members of AMX' board of directors and to determine the outcome of other actions requiring a vote of AMX' shareholders.

AMX was established in September 2000 in a spin-off from Telmex, a fixed-line Mexican telecommunications operator. AMX has made significant acquisitions throughout Latin America and the Caribbean, and has also expanded its business organically. AMX continues to look for other investment opportunities in telecommunication companies worldwide, and it often has several possible acquisitions under consideration. AMX has its statutory seat in Mexico City, the United Mexican States.

7.2 Board of AMX

- Carlos Slim Domit (Co-Chairman)
- Patrick Slim Domit (Co-Chairman)
- Daniel Hajj Aboumrad (Chief Executive Officer)
- Arturo Elías Ayub
- Oscar Von Hauske Solís (Chief Fixed Line Operations Officer)
- Jeffery McElfresh
- Michael J. Viola
- Juan Antonio Pérez Simón
- Luis Alejandro Soberón Kuri
- Rayford Wilkins Jr.
- Rafael Moisés Kalach Mizrahi
- Louis C. Camilleri
- Ernesto Vega Velasco
- Pablo Roberto González Guajardo

- David Ibarra Muñoz
- Carlos Bremer Gutiérrez
- Santiago Cosío Pando

No changes in the composition of the board of directors of AMX are envisaged upon completion of the Offer.

7.3 Capital Structure and Main Shareholders of AMX

7.3.1 *Capital Structure*

The following table sets forth AMX' capital structure as of August 12, 2013:

Series	**Number of Shares (millions)**	**Percent of Capital**	**Combined A Shares and AA Shares(*)**
L Shares (no par value)	47,603	66.37%	--
AA Shares (no par value)	23,425	32.66%	97.12%
A Shares (no par value)	694	0.97%	2.88%
TOTAL	71,721	100%	100%

(*) The AA shares and A shares of AMX are entitled to elect together a majority of AMX' directors.

Holders of series "AA" and series "A" shares have full voting rights. Holders of series "L" shares are only entitled to vote to elect two members of the board of directors of AMX and their respective alternate directors and on the following matters: extension of the corporate life of AMX, its voluntary dissolution, a change in its corporate purpose or nationality, transformation of AMX from one type of company to another, mergers, as well as the cancellation of the registration of the shares issued by AMX in the Mexican National Registry of Securities and Intermediaries (*Registro Nacional de Valores*) and any other foreign stock exchanges where they may be registered, with the exception of quotation systems or other markets not organized as stock exchanges. AMX' bylaws contain restrictions and limitations related to the subscription and acquisition of series "AA" shares by foreign investors.

In conformity with AMX' bylaws, series "AA" shares must represent at all times no less than 20% and no more than 51% of AMX' capital stock and also must represent at all times no less than 51% of the combined number of common registered shares (with full voting rights represented by series "AA" and series "A" shares). Series "AA" shares may only be subscribed or acquired by Mexican investors, Mexican corporations and trusts expressly authorized to do so in conformity with the applicable legislation in force.

At a general extraordinary meeting held in Mexico City on March 17, 2010, the shareholders of AMX voted to approve an amendment to its bylaws that added a provision called a foreign exclusion clause. Under the foreign exclusion clause, ownership of AMX shares is restricted to holders that qualify as Mexican investors under Mexican law. The foreign exclusion clause does not apply to the L Shares, and under transitional provisions adopted by the shareholders it does not limit foreign ownership of "A" Shares outstanding as of the date of the shareholders' meeting approving the amendment.

According to reports of beneficial ownership of AMX' shares filed with the SEC, members of the Slim Family may be deemed to control AMX through their interests in a Mexican trust that holds AA Shares and L Shares for their benefit (the "**Family Trust**"), their interest in Inmobiliaria Carso, and their direct ownership of AMX' shares. The Family Trust has its statutory seat in Mexico City, the United Mexican States. The statutory name of the Family Trust is F/0126, and its address is Paseo de las Palmas 736, Colonia Lomas Chapultepec, Delegación Miguel Hidalgo, C.P. 11000, México D.F., México.

The Family Trust is a Mexican trust which holds AA Shares and L Shares for the benefit of the Slim Family and their heirs. Banco Inbursa S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa, División Fiduciaria, is the trustee of the Family Trust. The Family Trust is a legal entity with independent legal standing that owns 46.5% of the voting rights in AMX through its ownership of AA Shares in AMX. A technical committee composed of six (6) members (Carlos Slim Domit, Patrick Slim Domit, Marco Antonio Slim Domit, Maria Soumaya Slim Domit, Vanessa Paola Slim Domit and Johanna Monique Slim Domit) makes the investment decisions for the Family Trust. Thus, the Family Trust may be deemed to be controlled by such members of the Slim Family, and such members may be deemed to share beneficial ownership of all Shares beneficially owned by the Family Trust. In addition to shares held by the Family Trust, members of the Slim Family, including Mr Carlos Slim Helú, directly owned an aggregate of 3,558 million AA Shares and 9,570 million L Shares representing 7.07% and 18.93%, respectively, of each series. None of the members of the Slim Family individually directly own more than 5% of any class of AMX' shares. Percentage figures are based on the number of shares outstanding as of the date of the most recently filed beneficial ownership report prior to 31 March 2013.

The Family Trust is party to an agreement dated February 28, 2011 (the "**Shareholders Agreement**") with AT&TI, which is a subsidiary of AT&T, Inc., and the trust through which AT&TI owns AA Shares. The Shareholders Agreement governs the ownership and voting of any AA Shares owned from time to time by the Family Trust and AT&TI. The Shareholders Agreement subjects certain transfers of AA Shares by either party to a right of first offer in favour of the other party and, in the event the Family Trust sells a majority of its AA Shares to a third party (i) gives AT&TI the right to sell the same portion of its AA Shares to such third-party in connection with the sale of such AA Shares of the Family Trust and (ii) gives the Family Trust the right to require AT&TI to sell the same portion of its AA Shares to such third party as the Family Trust is selling to such third party. These rights do not apply to the conversion of AA Shares to L Shares, as permitted by AMX' bylaws, or the subsequent transfer of L Shares. The agreement also gives AT&TI the right to nominate two candidates to AMX' board of directors and to appoint one member to AMX' executive committee.

7.3.2 *Main Shareholders*

The following tables identify each owner of more than 5% of any series of AMX' shares as of March 31, 2013. Except as described in the table below and the accompanying notes, AMX is not aware of any holder of more than 5% of any series of AMX' shares. Figures below do not include the total number of L shares that would be held by each shareholder upon conversion of the maximum number of AA shares or A shares, as provided for under AMX' bylaws.

Shareholder	**AA Shares**	
	Shares Owned (millions)	**Percent of Class**
Family Trust	10,894	46.5%
AT&T Inc.(1)	5,739	24.5%
Inmobiliaria Carso(2)	1,392	5.9%

Shareholder	**L Shares**	
	Shares Owned (millions)	**Percent of Class**
Family Trust	5,998	11.4%
BlackRock, Inc.(3)	3,816	7.4%

Percentage figures for each shareholder are based on the number of shares outstanding as of the date of its most recently filed beneficial ownership report prior to 31 March 2013.

(1) Based on beneficial ownership reports filed with the SEC. AT&T also owned approximately 1,504 million L Shares. In accordance with Mexican law and AMX' bylaws, AT&T holds its AA Shares and L Shares through a Mexican trust.

(2) Based on beneficial ownership reports filed with the SEC. Inmobiliaria Carso, S.A. de C.V. is a *sociedad anónima de capital variable* organized under the laws of Mexico controlled indirectly by the Slim Family.

(3) Based on beneficial ownership reports filed with the SEC. Percentage figures are based on the number of shares outstanding as of the date of the most recently filed beneficial ownership report.

7.4 Information on the Offeror

The Offeror is Carso Telecom B.V. (formerly known as AMOV Europa B.V.), a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) duly incorporated on 22 May 2012 and validly existing under the laws of The Netherlands, having its seat (*statutaire zetel*) in Amsterdam, The Netherlands and its registered office at Fred. Roeskestraat 123, 1076 EE Amsterdam, The Netherlands and registered with the Dutch Commercial Register (*Handelsregister*) under number 55341535. AMX formed the Offeror for the purpose of making the partial cash offer for the ordinary shares in the share capital of KPN in May 2012.

Sercotel, S.A. de C.V. is the sole direct shareholder of the Offeror. AMX holds all shares in the capital of Sercotel, S.A. de C.V. save for one share, which is held by AMOV IV, S.A. de C.V. AMOV IV, S.A. de C.V. is a wholly owned subsidiary of AMX.

7.5 Management Board of the Offeror

The management board of the Offeror consists of Alejandro Cantú Jiménez, Dirk Stolp and Allard van der Veen, all appointed on 22 May 2012. None of the members of the management board of the Offeror hold any Shares.

It is not envisaged to change the composition of the management board of the Offeror upon completion of the Offer.

7.6 Capital and Shares of the Offeror

The authorised share capital of the Offeror amounts to EUR 90,000.00 and consists of 90,000 ordinary shares with a nominal value of EUR 1.00 each. All ordinary shares of the Offeror are registered shares. On the date of the publication of this Offer Memorandum, 18,000 ordinary shares have been issued and fully paid-up. The Offeror is an indirect wholly-owned subsidiary of AMX.

7.7 Employees of AMX and the Offeror

AMX does not expect that there will be a reduction in the number of employees of AMX as a direct consequence of the Offer and the consummation thereof. Furthermore, AMX does not expect that the existing rights and benefits of AMX Group's employees will be changed upon completion of the Offer.

The Offeror does not have any employees.

7.8 General

Pursuant to article 1:1 of the Wft, each of AMX and the Offeror qualify as an offeror in respect of this Offer. Opinions and intentions attributed in this Offer Memorandum to the Offeror are also opinions and intentions of AMX and any public announcements made by AMX in the context of the Offer are also attributable to the Offeror.

The board of AMX determines the policies of AMX and the management board of the Offeror determines the policies of the Offeror.

8. FURTHER DECLARATIONS PURSUANT TO THE TAKEOVER DECREE

In addition to the other statements set out in this Offer Memorandum, the Offeror hereby declares as follows:

8.1 Interaction between AMX and KPN

Despite frequent and regular discussions between AMX and KPN, AMX and KPN have not reached agreement in respect of the Offer.

After completion of the partial offer for KPN which was completed on 3 July 2012, and as a result of which AMX held 27.7% of the issued and outstanding ordinary shares in KPN there has been frequent and regular contact between AMX and KPN.

On 12 July 2012 AMX and KPN entered into an engagement protocol (the "**Engagement Protocol**"), with a view to exploring all areas for potential co-operation through discussions on certain business developments and certain strategic developments in areas of common interest, including but not limited to the area of telecommunications.

Based on the Engagement Protocol, AMX and KPN entered into discussions on mutually beneficial business cooperation, most notably (but not exclusively) in the fields of procurement, international sales, and international transit and roaming, with the aim of reaching substantial benefits for both AMX and KPN.

Towards the end of 2012 it became clear that KPN had identified a need to strengthen its capital position in order to maintain its credit ratings. KPN had committed to enter into a number of very significant investments, including a EUR 1.4 billion investment as a result of the spectrum auction in The Netherlands as publicly announced by KPN on 14 December 2012, while its balance sheet and cash position had been significantly weakened as a result of a prolonged period of underinvestment in KPN's business and high cash returns to shareholders. As from 2012, KPN sought AMX' support for a capital raise. AMX and KPN entered in discussions on both size and structure of the proposed capital raise, and explored alternatives to a highly dilutive capital issue.

Without AMX and KPN having finalized their discussions on a capital raise, and simultaneously with publication of its financial statements for 2012, KPN announced on 5 February 2013 its intention to raise EUR 4 billion through an issue of new ordinary shares and/or equity-linked or other capital instruments. Without having secured the support of AMX, KPN also convened an extraordinary general meeting of shareholders to be held on 19 March 2013 to decide upon the capital raise.

On 20 February 2013 it was announced that AMX and KPN had reached agreement on the capital raise whereby the rights issue would be reduced from EUR 4 billion to EUR 3 billion, with KPN also raising up to EUR 2 billion of hybrid bonds, thus avoiding a further dilution of shareholders while retaining KPN's goal of achieving a capital raise with an aggregate of EUR 4 billion in equity credit for credit rating purposes. AMX agreed to take up its *pro rata* part of the EUR 3 billion rights issue, amounting to approximately EUR 900 million, and to vote in favour of the resolutions to approve the issue of new shares and the proposal to appoint two individuals designated by AMX as members of the Supervisory Board. AMX did not undertake to vote in favour of any other resolutions brought before KPN's general meeting of shareholders by the KPN Boards.

On 20 February 2013 AMX and KPN also entered into a relationship agreement (the "**Relationship Agreement**") with a view to further develop their relationship beyond what was agreed in the Engagement Protocol and to define the terms and conditions governing AMX' and KPN's mutually beneficial relationship, taking into account the long term interests of AMX, KPN and their respective stakeholders.

In the Relationship Agreement AMX and KPN also agreed that KPN would invite AMX to designate for nomination by the Supervisory Board to the general meeting of shareholders of KPN two individuals for appointment to the Supervisory Board (the "**AMX Nominees**"). The current AMX nominees are Carlos Jose García Moreno Elizondo and Oscar Von Hauske Solis. Pursuant to the Relationship Agreement AMX' rights to nominate the AMX nominees to the

Supervisory Board will lapse (i) if AMX directly or indirectly holds less than 20% of all issued and outstanding ordinary shares in KPN, in which case there shall be one AMX nominee as Supervisory Board member, and (ii) if AMX directly or indirectly holds less than 10% of all issued and outstanding ordinary shares in KPN, in which case there shall no longer be any AMX nominees as Supervisory Board members. The Relationship Agreement furthermore provided that the right of AMX to have AMX nominees as members of the Supervisory Board would survive any termination of the Relationship Agreement.

The Relationship Agreement provided for a standstill, pursuant to which AMX agreed not to acquire additional shares in KPN. AMX and KPN also agreed in the Relationship Agreement that the standstill could be terminated immediately by AMX upon any party making an offer for KPN or if KPN agreed to sell a material subsidiary, including specifically E-Plus in Germany, and that the Relationship Agreement itself could be terminated by AMX or KPN at any time and without giving prior written notice immediately upon the occurrence of *inter alia* any party making an offer for KPN or if KPN agreed to sell a material subsidiary, including specifically E-Plus in Germany.

The extraordinary general meeting of shareholders of KPN originally scheduled for 19 March 2013 was cancelled and the resolutions required to approve the rights issue and the appointment of the AMX Nominees were tabled during KPN 's annual general meeting of 10 April 2013. During this meeting AMX voted in favour of all resolutions tabled by the KPN Boards, including the proposal to provide release from liability (*decharge*) to the KPN Boards in relation to the discharge of the KPN Boards' duties in 2012. Without AMX support this proposal would not have been carried. In accordance with its contractual obligation to do so, AMX voted in favour of the resolutions to approve the issue of new shares and to appoint the AMX Nominees as members of the Supervisory Board.

In the summer of 2013 KPN informed AMX about a potential transaction with Telefónica and Telefónica Deutschland in relation to E-Plus. AMX supported the strategic rationale for a combination of E-Plus and Telefónica Deutschland but did not support the transaction at the proposed consideration, and entered into discussions with Telefónica and KPN. During such discussions it appeared that Telefónica was willing to enter into the transaction on more favourable terms for KPN, provided that AMX agreed to vote in favour of the proposed transaction.

Without AMX, Telefónica and KPN finalized discussions on the proposed transaction. AMX informed KPN that it did not agree with the terms negotiated and believed better terms could be negotiated. Nevertheless, on 23 July 2013 KPN decided to announce, simultaneously with publication of its financial statements for the first six months of 2013 that it had reached agreement with Telefónica and Telefónica Deutschland on the sale of E-Plus for an aggregate consideration of EUR 8.1 billion, including a stake of KPN in Telefónica Deutschland following completion of the sale of E-Plus to Telefónica Deutschland of 17.6%.

With reference to KPN having entered into a sale of E-Plus, AMX notified KPN that the Relationship Agreement with KPN was terminated in accordance with its terms and made an announcement to this effect on 29 July 2013.

On 6 August 2013 at the initiative of AMX, Mr Hajj and Mr García Moreno met with Mr Streppel, Chairman of the Supervisory Board, and Mr Haank, member of the Supervisory Board, in Paris. During this meeting various strategic alternatives were explored, including an increase of the capital interest and voting interest held by AMX in KPN through a voluntary public offer for all Ordinary Shares not yet held by AMX. Future governance, including continuation of a corporate governance structure befitting a Dutch listed company, and increased coordination and cooperation at an operational and management level, financial terms and non-financial terms were discussed. The position of AMX in relation to the proposed sale of E-Plus, i.e. that AMX did not object in principle to a sale of E-Plus, but believed the consideration KPN agreed with Telefónica and Telefónica Deutschland undervalued E-Plus, was again made clear to KPN. On 7 August 2013 a follow-up call was held between Mr Hajj and Mr Streppel where an offer price of EUR 2.30 was mentioned.

On 9 August 2013 Mr Hajj on behalf of AMX sent a letter to the Supervisory Board. In this letter AMX confirmed to KPN the basis on which AMX intended to make a voluntary public offer to acquire all outstanding ordinary shares in KPN. In the letter AMX *inter alia* indicated:

- an offer price of EUR 2.40, representing an increase to the offer price mentioned on 7 August 2013;

- that under the proposed transaction, KPN can focus on executing its business plans, position itself as a leader in all areas of its operations and providing outstanding services to its customers today and in the future, all backed by the operational expertise of AMX. AMX believes that the employees of KPN are important to the achievement of future success. AMX plans to continue to invest in the people at KPN and therefore anticipates that there will be attractive career opportunities for employees of KPN;

- that AMX intends to respect the identity of KPN and more particularly, to retain the KPN headquarters in The Hague, for KPN to continue to offer services under the KPN brands and to continue to investigate expansion investments that will differentiate KPN as a leading telecom service provider in its home markets, and that AMX expects KPN to maintain its listing on Euronext Amsterdam; and

- that AMX believes that KPN must continue to have proper corporate governance rules customary for public companies, including adequate minority shareholder protection.

In addition, in the letter AMX invited KPN for a meeting to continue the earlier constructive dialogue to construct a mutually beneficial framework and agreement to further develop their relationship along the lines of the previous discussions. AMX concluded by indicating its commitment to undertake all necessary steps to see the transaction to completion.

On 9 August 2013, and in coordination with KPN, AMX made a public announcement confirming its intention to make a voluntary offer to increase its capital interest and voting interest in KPN and its expectation that it would launch the offer in the course of September.

Also on 9 August 2013, AMX and KPN arranged for meetings to take place to further discuss the Offer in the week of 12 August 2013.

On 13 August 2013, the Preference Shares Foundation issued a press release, in which the Preference Shares Foundation expressed its concerns about the recent developments regarding KPN, with regard to AMX' intentions in light of its publicly announced intention to make a public offer for KPN and specifically regarding its position on the future strategic development of KPN, including KPN's intention to sell E-Plus.

On 14 August 2013 Mr Von Hauske Solis and Mr Cantú (General Counsel of AMX) met with Mr Blok and Mr Spanbroek (Chief Legal Officer of KPN) in Amsterdam, to further discuss the Offer for KPN. During this meeting AMX indicated that its objective is to realize and unlock synergies that are beneficial to both KPN and AMX, and to further cooperate at an operational level. In addition AMX reiterated that AMX expects KPN to remain a Dutch listed company following completion of the Offer, whereby the identity of KPN would be maintained. AMX furthermore indicated that if the Offer would be successful and consequently AMX would become a majority shareholder of KPN, AMX expects to have rights commensurate to its interest in KPN. In this context AMX presented a proposal on the corporate governance of KPN as a listed company following Settlement of the Offer which also envisaged continuation of the large company regime at KPN level and independent Supervisory Board members and arrangements consistent with consolidation of KPN in AMX' financial statements. AMX also again made clear its position on the proposed sale of E-Plus.

On 15 August 2013 Mr Von Hauske Solis and Mr Cantú met again with Mr Blok and Mr Spanbroek in Amsterdam. During this meeting Mr Blok indicated that the proposal on future corporate governance of KPN made by AMX was not acceptable to KPN, indicating that KPN was open to receive a revised proposal from AMX.

A few days after the meeting of 15 August 2013, representatives of AMX indicated its willingness to continue discussions with KPN provided that KPN provided AMX with a counterproposal.

Representatives of AMX and Telefónica met on 21 August 2013 to discuss an improvement of the financial terms of the sale of E-Plus. On 23 August 2013, AMX informed KPN of the status of such discussions and on 26 August, AMX and Telefónica entered into a conditional agreement providing for AMX' agreement to vote in favour of the proposed sale of E-Plus at the extraordinary general meeting of shareholders of KPN scheduled for 2 October 2013 and Telefónica's agreement to improve the terms and conditions offered to KPN, resulting in the aggregate consideration for the sale of E-Plus to Telefónica Deutschland increasing to EUR 8.55 billion (from EUR 8.1 billion), including KPN's stake in Telefónica Deutschland following completion of the sale of E-Plus to Telefónica Deutschland increasing to 20.5% (from 17.6%).

On 22 August 2013, representatives of AMX extended an invitation to the Preference Shares Foundation to discuss the Offer and the Preference Shares Foundation's press release of 13 August 2013.

On 23 August 2013 Mr Schraven (chairman of the board of the Preference Shares Foundation) confirmed a meeting with AMX representatives to be held on 29 August 2013 in Amsterdam.

On 26 August 2013, announcements confirming the above were made by AMX, KPN and Telefónica.

On 27 August 2013 *inter alia* Mr Hajj and Mr Cantú had dinner with Mr Blok at Mr Blok's residence to further discuss the Offer.

On 28 August 2013 Mr Hajj and Mr Cantú met with Mr Streppel and Mr Routs, a member of the Supervisory Board to further discuss the Offer and discuss KPN's corporate governance following settlement of the Offer.

On 28 and 29 August 2013, Mr Hajj and Mr Cantú also had meetings with Mr Kamp, the Dutch Minister of Economic Affairs, representatives of four relevant labour unions, and representatives of the Dutch Authority for Consumers and Markets (*Autoriteit Consument en Markt*, "**ACM**"), the AFM and certain stakeholders of KPN.

On 29 August 2013 Mr Hajj and Mr Cantú met with Mr Schraven and Mr Wakkie (at that time still member of the board of the Preference Shares Foundation).

A meeting scheduled to take place between Mr Cantú and Mr Blok on 29 August 2013 was postponed by KPN to 30 August 2013.

In the evening of 29 August 2013, the Preference Shares Foundation announced that it had exercised its call option and that 4,258,098,272 Preference Shares were issued by KPN to the Preference Shares Foundation. By way of explanation the Preference Shares Foundation mentioned that the interests of stakeholders of KPN were at risk owing to AMX' announcement of 9 August 2013 "without prior consultation with KPN" of its intention to make a public offer for KPN, and that "as a result" uncertainty had arisen among a number of stakeholders of KPN concerning their position.

On 30 August 2013, AMX issued a press release to confirm its intentions in relation to the Offer and correct certain factual inaccuracies in the Preference Shares Foundation's announcement.

On 30 August 2013 Mr Cantú met with Mr Blok during which meeting, Mr Blok presented a counter proposal to AMX in relation to corporate governance and non-financial terms.

On 5 September 2013 representatives of AMX participated in a teleconference with Mr Blok and Mr Spanbroek, during which it was agreed that KPN would provide AMX with a revised proposal on future corporate governance, and that AMX would provide KPN with a specific proposal for certain non-financial covenants.

On 9 September 2013 KPN provided AMX with its revised proposal on future corporate governance that provided for increased governance rights for AMX as and when AMX' stake in KPN would exceed certain thresholds from 50% and upwards. On 10 September 2013 AMX provided KPN with a long-form proposal for certain non-financial covenants. On 11 September 2013 AMX provided KPN with a counterproposal on corporate governance following Settlement of the Offer, the structure of which was based on KPN's proposal of 9 September 2013, as further described below:

a) **Supervisory Board**:

   i. *Number of Supervisory Board Members*: the Supervisory Board shall consist of 8 (eight) members;

   ii. *AMX Nominees*: In case AMX (directly or indirectly) controls more than 50% of all Issued and Outstanding Ordinary Shares, AMX shall be entitled to have three (3) AMX Nominees on the Supervisory Board, and in case AMX (directly or indirectly) controls more than 60% of all Issued and Outstanding Ordinary Shares, AMX shall be entitled to have four (4) AMX Nominees on the Supervisory Board;

   iii. *Chairman*: the Chairman of the Supervisory Board (who has a casting vote) shall be independent (as meant in the Dutch Corporate Governance Code) for as long as AMX (directly or indirectly) does not control more than 80% of all Issued and Outstanding Ordinary Shares. In case AMX (directly or indirectly) controls more than 80% of all Issued and Outstanding Ordinary Shares, the Chairman of the Supervisory Board shall be an AMX Nominee;

   iv. *Members recommended by the KPN Central Works Council*: the Supervisory Board shall continue to have two (2) members who have been recommended by the KPN Central Works Council in accordance with the applicable provisions of the Dutch Civil Code and the Articles of Association;

   v. *Committees*: For as long as AMX (directly or indirectly) does not control more than 60% of all Issued and Outstanding Ordinary Shares, the Audit Committee, the Remuneration and Organisation Development Committee, and the Nominating and Corporate Governance Committee of the Supervisory Board shall in majority consist of members of the Supervisory Board who are not AMX Nominees. In case AMX (directly or indirectly) controls more than 60% of all Issued and Outstanding Ordinary Shares, the Audit Committee and the Nominating and Corporate Governance Committee shall in majority consist of members of the Supervisory Board who are not AMX Nominees, and the Remuneration and Organisation Development Committee shall in majority consist of AMX Nominees;

   vi. *Veto Rights for AMX Nominees*: In case AMX (directly or indirectly) controls more than 50% of all Issued and Outstanding Ordinary Shares, each of the AMX Nominees on the Supervisory Board shall have veto rights in respect of the following resolutions by the Supervisory Board: (i) those resolutions mentioned in article 2:107a paragraph 1 of the Dutch Civil Code; (ii) liquidation, legal merger or legal de-merger of KPN or any of its Subsidiaries, (iii) entering into or terminating any material joint venture or other type of partnership or cooperation exceeding EUR 100 million, (iv) any acquisitions or disposals exceeding EUR 100 million, and (v) any investments involving an amount exceeding EUR 100 million. In case AMX (directly or indirectly) controls more than 60% of all Issued and Outstanding Ordinary Shares, each of the AMX Nominees on the Supervisory Board shall have veto rights in respect of the following resolutions by the Supervisory Board (in addition to the foregoing veto rights): (i) adoption of the annual business plan and annual budget, and (ii) adoption of a financial framework, including a dividend policy; and

vii. *Veto Rights for Independent Members*: Each of the members of the Supervisory Board other than (i) the AMX Nominees and (ii) those members recommended by the KPN Central Works Council in accordance with paragraph iv (*Members recommended by the KPN Central Works Council*) above shall have veto rights in respect of the following resolutions by the Supervisory Board: (i) any resolution directly resulting in to deviations from this Section 0 (*Composition of the Boards following Settlement of the Offer*), and (ii) any resolution relating to any measure described in Section 3.8.3 (*Possible Measures by the Offeror to obtain 100% of the Shares*) proposed to the Supervisory Board, if such measure could reasonably be expected to lead to dilution of remaining minority shareholders in KPN (other than, for the avoidance of doubt, pursuant to a Squeeze Out).

b) **Management Board**:

i. *Number of Management Board Members*: In case AMX (directly or indirectly) does not control more than 60% of all Issued and Outstanding Ordinary Shares, the Management Board shall consist of either three (3) or five (5) members, such number to be determined by the Supervisory Board. In case AMX (directly or indirectly) controls more than 60% of all Issued and Outstanding Ordinary Shares, the Management Board shall consist of four (4) members;

ii. *Members nominated by AMX*: In case AMX (directly or indirectly) controls more than 50% of all Issued and Outstanding Ordinary Shares and the Management Board consists of three (3) members, AMX shall be entitled to nominate for appointment one (1) member of the Management Board, being the CFO. In case AMX (directly or indirectly) controls more than 50% of all Issued and Outstanding Ordinary Shares and the Management Board consists of five (5) members, AMX shall be entitled to nominate for appointment two (2) members of the Management Board, including the CFO.

In case AMX (directly or indirectly) controls more than 60% of all Issued and Outstanding Ordinary Shares, the Management Board shall consist of four (4) members, and AMX shall be entitled to nominate for appointment two (2) members of the Management Board, including the CFO.

In case AMX (directly or indirectly) controls more than 80% of all Issued and Outstanding Ordinary Shares, the Management Board shall consist of either three (3) or five (5) members, such number to be determined by the Supervisory Board, and AMX shall be entitled to nominate for appointment all members of the Management Board;

iii. *Nationality CEO:* Until AMX (directly or indirectly) controls more than 60% of all Issued and Outstanding Ordinary Shares, KPN's CEO shall have the Dutch nationality;

iv. *Working Groups, Cross Postings*: AMX and KPN to revive working groups (including applicable escalation mechanisms) and active cross postings of senior executives and employees at levels below the Management Board;

v. *Consultation and Escalation to Supervisory Board*: Each member of the Management Board shall have the right to (i) consult the Supervisory Board on contemplated resolutions by the Management Board, and (ii) escalate certain issues or questions to the Supervisory Board; and

vi. *Resolutions requiring prior approval of the Supervisory Board*: the following resolutions by Management Board shall require the prior approval of the Supervisory Board: (i) approval of the annual budget and business plan, (ii) dividends and dividend policy, (iii) entering into or terminating any material joint venture or other type of partnership or cooperation exceeding EUR 50 million, (iv) any acquisitions or disposals exceeding EUR 50 million, (v) any investments involving an amount exceeding EUR 50 million, (vi) any borrowings and granting security exceeding EUR 50 million, and (vii) all other resolutions by the Management Board that currently require the prior approval of the Supervisory Board under the Constitutional Documents.

c) **Large Company Regime**: In case AMX (directly or indirectly) controls 80% or more of all Issued and Outstanding Ordinary Shares, KPN shall implement the mitigated large company regime (*gemitigeerd structuurregime*). Until such implementation, KPN shall continue to apply the full large company regime (*volledig structuurregime*); and

d) **Subsequent Public Offer**: If following Settlement of the Offer AMX (directly or indirectly) controls less than 75% of all Issued and Outstanding Ordinary Shares, and AMX subsequently increases its stake in KPN resulting in it controlling more than 75% of all Issued and Outstanding Ordinary Shares, AMX shall make a public offer for all Issued and Outstanding Ordinary Shares not yet held by AMX, whereby the offer price of such subsequent offer shall be at least equal to the highest price paid for an Ordinary Share by the Offeror in the twelve (12) months preceding the announcement of such subsequent offer, or, if the Offeror did not purchase any Ordinary Shares during such period, the average price paid for Ordinary Shares on Euronext Amsterdam during such period, (taking into account any additional share issues by KPN).

On 11 September 2013, representatives of KPN indicated that they would consider AMX' proposals internally and revert.

On 12 September 2013 AMX announced that it continued to be committed to its previously announced plans to make a voluntary public offer in cash for all issued and outstanding ordinary shares in the capital of KPN at an offer price of EUR 2.40 per share, and to the rationale for the Offer and the intentions in relation to KPN, as set out in América Móvil's announcements dated 9 August 2013, 21 August 2013, 26 August 2013 and 30 August 2013. In this announcement AMX also confirmed that it was engaged in constructive dialogue with KPN. AMX furthermore indicated that it continued to carefully evaluate all options available to it in respect of the announcements by the Preference Shares Foundation and KPN of 29 August 2013 in relation to the exercise of the call option by the Preference Shares Foundation and the issue of the Preference Shares by KPN, and to reserve any or all rights in this respect, including the right to withdraw the Offer or, if the Offer was made, the right to not declare the Offer unconditional if the Preference Shares Foundation's ability to hold, acquire or vote Preference Shares was retained.

On 12 September 2013 KPN announced that Boards are in continuous constructive discussions with AMX on the Offer consistent with the fiduciary duties. KPN furthermore indicated that these discussions are on financial and non-financial matters related to the Offer including price and terms and conditions, taking into consideration the best interests of all KPN’s shareholders and other stakeholders. KPN also indicated that at that stage the outcome of these discussions was not clear.

On 18 September 2013 Mr Blok informed Mr Elías Ayub that the Boards made any subsequent discussions on the corporate governance structure following settlement of the Offer and the non-financial covenants proposed by AMX contingent on an agreement on offer price. Against this background, discussions on a structure whereby AMX would be granted governance rights commensurate to AMX' relative stake in KPN following the Offer (as per the above) were not continued.

On 23 September 2013 a video conference was held between Messrs Elías Ayub, García Moreno Elizondo and Cantú and Messrs Blok and Spanbroek where the KPN representatives said that an agreement had to be reached on price before KPN could respond to AMX' proposal on corporate governance and non-financial terms.

On 2 October 2013 AMX and the Offeror were represented at the EGM held by KPN on that date and voted in favour of all resolutions on the agenda of this EGM. Resolutions tabled during this EGM were the approval of the proposed sale of E-Plus to Telefónica Deutschland, the approval of an adjustment factor in relation to the long term incentive plans of the members of the Management Board of KPN and the approval of the retention bonus for Mr Dirks.

On 3 October 2013 and 4 October 2013, Messrs Elías Ayub, Von Hauske Solis, García Moreno Elizondo and Cantú met with Messrs Blok, Routs (member of the Supervisory Board) and Spanbroek in New York to further discuss the Offer.

There was no further interaction between AMX and KPN in the context of the Offer after 4 October 2013.

At the date of this Offer Memorandum, AMX and KPN have not reached agreement in respect of the Offer, nor is an agreement between AMX and KPN on all aspects of the Offer within reach.

8.2 Other statements pursuant to the Takeover Decree

With due observance of and without prejudice to the restrictions referred to in Section 1 (*Restrictions and Important Information*), the Offer for the Shares applies on an equal basis to all Shares and is made to all Shareholders.

The Offeror reserves all rights to further increase or decrease its stake in KPN following Settlement of the Offer, but at the date hereof has no intention to do so following Settlement of the Offer.

The costs incurred or to be incurred by AMX and the Offeror directly in connection with the Offer are expected to amount to approximately EUR 19 million. This amount shall be exclusively borne by AMX and the Offeror and excludes certain advisory fees which shall be borne exclusively by the Offeror and/or AMX and that are not known at the date of this Offer Memorandum.

KPN has no direct, or as far as AMX is aware, indirect interest in the share capital of the Offeror. Insofar as AMX is aware, KPN does not have a direct or indirect interest in AMX.

At the date of this Offer Memorandum, AMX held (directly and indirectly through the Offeror) 1,267,677,000 ordinary shares in the capital of KPN. As a result of the issue of the Preference Shares to the Preference Shares Foundation by KPN, the Ordinary Shares held by AMX (directly and indirectly through the Offeror) at the date of this Offer Memorandum represent approximately 14.9% of all voting rights exercisable in a general meeting of shareholders of KPN.[19] The Family Trust does not hold any Shares in KPN. None of the members of the Slim Family, the board of AMX, the management board of the Offeror and the technical committee of the Family Trust, nor any of their spouses (*echtgenoten*), registered partners (*geregistreerde partners*), under-aged children (*minderjarige kinderen*) or legal entities any of them individually control (*rechtspersonen die zij controleren*) hold any Shares at the date hereof. Other than described below in respect of AMX and the Offeror, neither AMX, the Offeror, the Family Trust, nor any member of the Slim Family, the board of AMX, the management board of the Offeror or the technical committee of the Family Trust, nor any of their spouses (*echtgenoten*), registered partners (*geregistreerde partners*), under-aged children (*minderjarige kinderen*) or legal entities any of them individually control (*rechtspersonen die zij controleren*) traded in any Shares during the twelve (12) months preceding the date hereof, nor have any of them concluded any agreements in relation to any Shares during the twelve (12) months preceding the date hereof. No group company of AMX (other than the Offeror), of the Offeror or of the Family Trust has traded in any Shares or concluded any agreements in relation to any Shares during the twelve (12) months preceding the date hereof. Although not a member of the board of AMX, Mr Carlos Jose García Moreno Elizondo (chief financial officer of AMX and member of the Supervisory Board

[19] Not taking into account 12,156,391 Ordinary Shares held by KPN as at 31 December 2012.

of KPN) holds at the date of this Offer Memorandum 305,400 Ordinary Shares of which Mr García Moreno Elizondo purchased 68,000 Ordinary Shares at an average purchase price of EUR 2.96 on 15 March 2013, 33,800 Ordinary Shares at an average purchase price of EUR 2.96 on 21 March 2013 and 203,600 Ordinary Shares at an average purchase price of EUR 1.06 on 17 May 2013 (in the context of the rights issue of KPN).

See below for an overview of the average trade price per trading day in respect of Shares in the capital of KPN acquired by AMX and the Offeror in the last twelve (12) months. AMX acquired these Shares through open market purchases on Euronext Amsterdam (other than in respect of the Shares acquired on 17 May 2013, which were acquired in the Rights Issue) and the purchase price paid by AMX on the relevant trading day reflects the market price at that time.

Purchases of Shares by AMX from 17 October 2012 onwards

Trade date:	Number of Shares:	Average purchase price (EUR) [20]:	Average purchase price (EUR) adjusted for rights issue of KPN in May 2013:
17-May-13[21]	136,566,000	1.06	1.06

Purchases of Shares by Offeror from 17 October 2012 onwards

Trade date:	Number of Shares:	Average purchase price (EUR) [22]:	Average purchase price (EUR) adjusted for rights issue of KPN in May 2013:
19-Oct-12	1,850,000	5.88	3.57
22-Oct-12	3,200,000	5.88	3.56
23-Oct-12	2,000,000	5.71	3.46
24-Oct-12	4,300,000	5.50	3.34
25-Oct-12	2,700,000	5.39	3.27
17-May-13 [23]	708,552,000	1.06	1.06

In light of the exemption included in article 5:71, paragraph 1, sub b Wft, the Offeror hereby makes a voluntary public offer (*openbaar bod*) in cash for all issued and outstanding Preference Shares for an aggregate offer price for all issued and outstanding Preference Shares of EUR 1.00 (one euro) (the "**Preference Shares Offer**"). The Preference Shares Offer is made on the same terms, and is subject to the same conditions, as applicable to the Offer, unless specifically stated otherwise. Accordingly, Section 3.6 (*Offer Conditions*), with the exception of Section 3.6.1 (*Minimum Acceptance Condition*), Section 4.2.2 (*Acceptance of the Offer and Tender by Holders of Ordinary Shares Individually Recorded in the Company's Shareholders Register*), Section 4.4 (*Acceptance Period*) through and including Section 4.8 (*Post Acceptance Period*), Section 4.10

[20] The average price at which AMX acquired KPN ordinary shares on each respective date.

[21] Settlement date of the rights issue of KPN in May 2013.

[22] The average price at which Offeror acquired KPN ordinary shares on each respective date.

[23] Settlement date of the rights issue of KPN in May 2013.

(*Restrictions*) through and including Section 4.12 (*Indicative Timetable*) of this Offer Memorandum shall *mutatis mutandis* apply to the Preference Shares Offer. The Offeror will only declare its Preference Shares Offer unconditional (*gestand doen*), if the Preference Shares Foundation has tendered all of the Preference Shares held by it to the Offeror. Upon settlement of the Preference Shares Offer, the Offeror will pay the Preference Shares Foundation EUR 1.00 (one euro) as an aggregate offer price for all Preference Shares. The total consideration payable by the Offeror under the Preference Shares Offer of EUR 1.00 (one euro) will be paid by the Offeror with cash on hand.

9. DUTCH AND U.S. TAX ASPECTS OF THE OFFER

Dutch tax aspects of the Offer

The following summary of certain Dutch taxation matters in connection with the acceptance of the Offer is based on the laws and practice in force as of the date of this Offer Memorandum and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to accept the Offer, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of this summary it is assumed that no individual or non-resident entity holding a Share has or will have a substantial interest or a deemed substantial interest in the Company.

Generally speaking, an individual holding a Share has a substantial interest in the Company if (a) such individual, either alone or together with his partner, directly or indirectly has, or (b) certain relatives of such individual or his partner, directly or indirectly have, (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of the Company or the issued and outstanding capital of any class of shares of the Company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5% or more of either the annual profit or the liquidation proceeds of the Company. Also, an individual holding a Share has a substantial interest in the Company if his partner has, or if certain relatives of the individual or his partner have, a deemed substantial interest in the Company. An individual holding a Share, or his partner or relevant relative, has a deemed substantial interest in the Company if either (a) such person or his predecessor has disposed of or is deemed to have disposed of all or part of a substantial interest or (b) such person has transferred an enterprise in exchange for shares in the Company, on a non-recognition basis.

Generally speaking, a non-resident entity holding a Share has a substantial interest in the Company if such entity, directly or indirectly has (i) the ownership of, a right to acquire the ownership of, or certain rights over shares representing 5% or more of either the total issued and outstanding capital of the Company or the issued and outstanding capital of any class of shares of the Company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5% or more of either the annual profit or the liquidation proceeds of the Company. An entity holding a Share has a deemed substantial interest in the Company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

For the purpose of this summary, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes. Where this summary refers to a holder of a Share, an individual holding a Share or an entity holding a Share, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Share. Where the summary refers to "The Netherlands" or "Dutch" it refers only to the European part of the Kingdom of the Netherlands.

Investors should consult their professional advisers on the tax consequences in connection with the acceptance of the Offer.

9.1 Withholding Tax

The Offer Price will be paid free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

9.2 Taxes on Income and Capital Gains

9.2.1 *Resident Entities*

An entity holding a Share which is, or is deemed to be, resident in The Netherlands for corporate tax purposes and which is not tax exempt, will generally be subject to corporate tax in respect of a capital gain derived from a Share at rates up to 25%, unless the holder has the benefit of the participation exemption (*deelnemingsvrijstelling*) with respect to such Share.

9.2.2 *Resident Individuals*

An individual holding a Share who is, is deemed to be, or has elected to be treated as, resident in The Netherlands for income tax purposes will be subject to income tax in respect of a capital gain derived from a Share at rates up to 52% if:

(a) the capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or

(b) the capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (a) nor (b) above applies, such individual will not be subject to income tax on the actual gain derived from the Shares.

9.2.3 *Non-Residents*

A holder of a Share which is not, is not deemed to be, and - in case the holder is an individual - has not elected to be treated as, resident in The Netherlands for the relevant tax purposes will not be subject to taxation on a capital gain derived from a Share unless:

(a) the capital gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or permanent representative (*vaste vertegenwoordiger*) in The Netherlands; or

(b) the holder is an individual and capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

9.3 Gift and Inheritance Tax

No Dutch gift or inheritance taxes will be levied in connection with the acceptance of the Offer.

9.4 Value Added Tax

The transfer of a Share, and the payment of the Offer Price to a holder of a Share in connection with the acceptance of the Offer, will not be subject to value added tax in The Netherlands.

9.5 Other Taxes

The transfer of a Share in connection with the acceptance of the Offer will not be subject to registration tax, capital tax, customs duty, transfer tax, stamp duty, or any other similar tax or duty in The Netherlands.

U.S. federal income tax aspects of the Offer

All discussions of U.S. federal tax considerations in this document have been written to support the marketing of the Offer. Such discussions were not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S. federal tax penalties. Investors should consult their own tax advisers in determining the tax consequences to them of holding the Ordinary Shares, including the application to their particular situation of the U.S. federal tax considerations discussed below, as well as the application of state, local, foreign, or other tax laws.

The following is a summary of certain U.S. federal income tax consequences of the Offer with respect to the Ordinary Shares (including Ordinary Shares represented by ADSs). As used in this summary, the term "Ordinary Shares" refers to both Ordinary Shares and the ADSs. The discussion set forth below is *applicable only to U.S. Holders (as defined below) that tender Ordinary Shares in the Offer and that hold such shares as capital assets.*

As used in this subsection the term "U.S. Holder" means a beneficial holder of Ordinary Shares that is (1) an individual citizen or resident of the United States, (2) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia, or (3) otherwise subject to U.S. federal income taxation on a net income basis in respect of the Ordinary Shares. This summary does not apply to holders of Ordinary Shares who are not U.S. Holders. Non-U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences and any applicable state, local and non-U.S. tax consequences of the Offer.

The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, including tax considerations that arise from rules of general application to all taxpayers or certain aspects of U.S. federal income taxation that may be applicable to a holder subject to special treatment under the Internal Revenue Code of 1986, as amended (the "Code") (including, but not limited to, banks or other financial institutions, regulated investment companies, holders that own or are treated as owning 10% or more of any class of stock of the Company, entities that are treated for U.S. federal income tax purposes as partnerships or other pass-through entities, tax-exempt organizations, insurance companies, brokers or dealers in securities or foreign currency, traders in securities who elect to mark their securities to market for U.S. federal income tax purposes, holders that have a functional currency other than the U.S. dollar, and holders that acquired shares pursuant to the exercise of an employee stock option or otherwise as compensation). In addition, the discussion does not address the state, local or foreign tax consequences (or other tax consequences, such as estate or gift tax consequences) of the Offer. The discussion below is based upon the provisions of the Code and U.S. Treasury regulations, rulings and decisions there under as of the date hereof, and such authorities may be repealed, revoked or modified (with possible retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below.

U.S. Holders should consult their own tax advisors concerning the tax consequences of the Offer in light of their particular situations, as well as any consequences arising under the laws of any other taxing jurisdiction.

9.6 Consequences of the Offer

The receipt of cash in exchange for Ordinary Shares pursuant to the Offer will be a taxable transaction for U.S. federal income tax purposes. A U.S. Holder of Ordinary shares will generally recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash received and the U.S. Holder's adjusted basis in the Ordinary Shares exchanged. A U.S. Holder's adjusted basis in an Ordinary Share will generally equal the amount paid therefore. Such gain or loss generally will be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year at the time the Ordinary Shares are exchanged are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

The amount of any cash paid to a U.S. Holder (pursuant to the Offer) in EUR will equal the U.S. dollar value of the EURs received, calculated by reference to the exchange rate in effect on the spot market on the date the cash is received by the U.S. Holder, regardless of whether the EURs are converted into U.S. dollars. If the EURs received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the EURs equal to their U.S. dollar value on the date of receipt, and any gain or loss realized on a subsequent conversion or other disposition of the EURs will generally be treated as ordinary income or loss.

9.7 Foreign Tax Credits

Dutch taxes that may be imposed on a U.S. Holder upon gain realized pursuant to the Offer will generally be treated as foreign income taxes eligible for credit against a U.S. Holder's federal income tax liability or for deduction in computing such U.S. Holder's taxable income, at the U.S. Holder's election. Any gain or loss generated by the sale of the Ordinary shares by a U.S. Holder will generally be treated as U.S. source gain or loss. Accordingly, a U.S. Holder may not be able to use the foreign tax credit arising from any Dutch tax imposed on the disposition of the Ordinary Shares unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources in the appropriate income category. The calculation and availability of foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions, involves the application of complex rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should consult with their own tax advisors with regard to the availability of foreign tax credits and the application of the foreign tax credit limitations in light of their particular situations.

9.8 U.S. Information Reporting and Backup Withholding

In general, information reporting requirements will apply to the cash payments received pursuant to the Offer that are paid within the United States (and in certain cases, outside of the United States) to U.S. Holders other than certain exempt recipients (such as corporations), and backup withholding (at a rate of 28%) may apply to such amounts if a U.S. Holder fails to provide an accurate taxpayer identification number and make any other required certification or otherwise establish an exemption. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability so long as the required information is provided to the IRS.

Backup withholding and information reporting will not generally apply to the cash payments made pursuant to the Offer that are received by a non-U.S. Holder if such holder certifies under penalties of perjury that such holder is a non-U.S. person for U.S. federal income tax purposes.

10. NEDERLANDSE SAMENVATTING VAN HET BOD

Hoofdstuk 10 behelst de Nederlandse samenvatting van dit biedingsbericht (het "**Biedingsbericht**"), dat is uitgegeven ter zake van het openbare bod in contanten uitgebracht door Carso Telecom B.V., (de "**Bieder**"), een indirecte 100% dochtermaatschappij van América Móvil, S.A.B. de C.V. ("**AMX**") op Aandelen Koninklijke KPN N.V. ("**KPN**"), onder de bepalingen, voorwaarden en restricties zoals beschreven in dit Biedingsbericht (het "**Bod**"). De belangrijkste kenmerken van het Bod zijn beschreven in deze samenvatting.

De gedefinieerde termen in dit hoofdstuk van dit Biedingsbericht hebben de betekenis die daaraan wordt gegeven in paragraaf 10.2 (*Nederlandse definities*). Deze Nederlandse samenvatting maakt deel uit van dit Biedingsbericht, maar vervangt dit niet. Deze Nederlandse samenvatting is niet volledig en bevat niet alle informatie die voor Aandeelhouders van belang zou kunnen zijn om een afgewogen oordeel te vormen omtrent het Bod. Het lezen van deze Nederlandse samenvatting mag derhalve niet worden beschouwd als een alternatief voor het bestuderen van het volledige Biedingsbericht. Aandeelhouders wordt geadviseerd het volledige Biedingsbericht zorgvuldig te bestuderen en zo nodig onafhankelijk advies in te winnen teneinde een afgewogen oordeel te kunnen vormen omtrent het Bod, alsmede omtrent de beschrijving van het Bod in deze samenvatting en in dit Biedingsbericht. In geval van verschillen tussen deze Nederlandse samenvatting en de Engelse tekst van dit Biedingsbericht, prevaleert de Engelse tekst van dit Biedingsbericht.

10.1 Restricties en belangrijkste informatie

Het uitbrengen van het Bod, de verkrijgbaarstelling van dit Biedingsbericht en deze Nederlandse samenvatting, alsmede de verspreiding van enige andere informatie met betrekking tot het Bod, kunnen in bepaalde jurisdicties aan zekere restricties onderhevig zijn. Zie Hoofdstuk 1 (*Restrictions and Important Information*) van dit Biedingsbericht. Het Bod wordt niet gedaan in, en mag niet worden geaccepteerd vanuit enige jurisdictie waarin het doen van het Bod of de aanvaarding daarvan (i) niet in overeenstemming is met de in die jurisdictie geldende wet- en regelgeving of (ii) een registratie of goedkeuring vereist van een toezichthoudende instantie in die jurisdictie die niet expliciet is overwogen in dit Biedingsbericht. Niettemin zullen Aandelen die worden aangemeld onder het Bod door Aandeelhouders die niet woonachtig zijn of verblijven in Nederland, worden geaccepteerd indien Aandelen worden aangemeld overeenkomstig (i) de aanmeldingsprocedure zoals beschreven in dit Biedingsbericht en (ii) de in die jurisdictie geldende wet- en regelgeving, waarvandaan de Aandelen worden aangemeld. Het niet respecteren van deze restricties kan een overtreding van de effectenwet- en regelgeving van de desbetreffende jurisdictie opleveren. De Bieder, AMX, en hun adviseurs sluiten iedere aansprakelijkheid uit ter zake van overtredingen van voornoemde restricties.

Dit Biedingsbericht bevat belangrijke informatie die men zorgvuldig dient te lezen alvorens een besluit te nemen over het aanmelden van Aandelen onder het Bod. Zie Hoofdstuk 1 (*Restrictions and Important Information*) van dit Biedingsbericht. Aandeelhouders wordt aangeraden waar nodig onafhankelijk advies in te winnen. Daarnaast zullen Aandeelhouders mogelijk hun belastingadviseur willen raadplegen met betrekking tot de fiscale gevolgen van het aanmelden van Aandelen onder het Bod.

Zonder afbreuk te doen aan de onderstaande paragraaf, is uitsluitend de Bieder verantwoordelijk voor de juistheid en de volledigheid van de informatie die in dit Biedingsbericht is opgenomen. De Bieder verklaart dat, na het treffen van alle redelijke maatregelen om zulks te garanderen, de informatie in dit Biedingsbericht, in overeenstemming is met de werkelijkheid en dat geen informatie is weggelaten waarvan de vermelding de strekking van het Biedingsbericht zou wijzigen.

De informatie betreffende KPN (inclusief financiële informatie) en de Stichting Preferente Aandelen zoals opgenomen in dit Biedingsbericht in de definitie van "Uitgegeven en Uitstaande" in hoofdstuk 2 (*Definitions*) en paragraaf 10.2 (*Nederlandse definities*), paragraaf 5.1 (*Overview*) tot en met paragraaf 5.9 (*Preference Shares Foundation*), paragraaf 6.1 (*Authorised and Issued Share Capital*), paragraaf 6.2 (*Changes in Share Capital*) en hoofdstuk 13 (*Financial Information*) is consistent ontleend door de Bieder aan publiek beschikbare bronnen, zoals de jaarverslagen van KPN, de website van KPN en de website van de Stichting Preferente Aandelen en deze informatie is niet becommentarieerd of geverifieerd door AMX, de Bieder, een gelieerde onderneming aan AMX of de Bieder of een ieder van AMX' of de Bieder's respectievelijke directeuren, werknemers of adviseurs. Geen van de Bieder, AMX, gelieerde ondernemingen aan AMX en de Bieder, AMX' en de Bieder's respectievelijke directeuren, werknemers of werknemers accepteren enige verantwoordelijkheid voor de accuraatheid van dergelijke informatie over KPN of de Stichting Preferente Aandelen en AMX en de Bieder kunnen niet garanderen dat alle informatie betreffende KPN en de Stichting Preferente Aandelen welke beschikbaar is uit publieke bronnen, impliciet dan wel expliciet, in dit Biedingsbericht is opgenomen. De Bieder bevestigt dat de informatie over KPN en de Stichting Preferente Aandelen accuraat is gereproduceerd uit de publiek beschikbare bronnen waaruit de informatie is gehaald en, voorzover de Bieder bewust is of heeft kunnen achterhalen uit informatie publiek gemaakt door KPN en de Stichting Preferente Aandelen, dat geen feiten achterwege zijn gelaten waardoor de gereproduceerde of ontleende informatie in het Biedingsbericht misleidend is. Desalniettemin, aangezien de onderliggende informatie opgesteld is door partijen anders dan de Bieder of AMX, kunnen de Bieder noch AMX verantwoordelijkheid nemen voor de accuraatheid van deze onderliggende informatie. Tevens dient vermeld te worden dat bepaalde financiële en statistische informatie en andere cijfers in het Biedingsbericht naar boven of beneden kunnen zijn afgerond en om die reden niet als exacte cijfers kunnen worden gezien.

De informatie in dit Biedingsbericht geeft de situatie weer op de datum van dit Biedingsbericht tenzij specifiek anders aangegeven. Onder geen beding houden de publicatie en verspreiding van dit Biedingsbericht in dat de hierin opgenomen informatie ook na de datum van dit Biedingsbericht juist en volledig is of dat er sinds deze datum geen wijziging is opgetreden in de in dit Biedingsbericht uiteengezette informatie of in de gang van zaken bij KPN, de Bieder, AMX en/of hun dochtermaatschappijen en/of aan hen gelieerde ondernemingen. Het voorgaande laat echter onverlet de verplichting van de Bieder om een openbare mededeling te doen van enige voorwetenschap ingevolge artikel 4 lid 3 Bob jo. artikel 5:53 Wft, voor zover van toepassing.

10.2 Nederlandse definities

In dit Biedingsbericht staat een verwijzing naar gedefinieerde termen in het meervoud gelijk aan verwijzingen naar dergelijk gedefinieerde termen in het enkelvoud en *vice versa*.

Alle grammaticale en andere veranderingen die nodig zijn bij het gebruiken van een definitie in het enkelvoud zullen worden beschouwd hierin te zijn gemaakt en zullen worden toegepast alsof zulke veranderingen zijn gemaakt.

De gedefinieerde termen in dit hoofdstuk van dit Biedingsbericht hebben de volgende betekenis:

"**Aandelen**"	alle geplaatste Gewone Aandelen en ADSs van KPN op enig moment
"**Aandeelhouders**"	alle ADS Aandeelhouders en Gewone Aandeelhouders
"**Aanmeldingstermijn**"	de periode waarin de Aandeelhouders hun Aandelen bij de Bieder kunnen aanmelden, welke begint om 9.00 uur CEST op 18 oktober 2013 en eindigt op de Sluitingstijd, welke termijn slechts eenmalig kan worden verlengd in overeenstemming met artikel 15 lid 3 van het Bob
"**Actie door enige Mexicaanse Overheidsorganisatie**"	heeft de betekenis die daaraan wordt gegeven in paragraaf 10.6.7 (*Geen Actie door een Mexicaanse Overheidsinstantie)*
"**Administratieve Agent**"	de entiteit die optreedt als administratieve agent in de context van de Kredietovereenkomst
"**ADRs**"	Amercian depositary receipts, ieder ter bewijs van één ADS

"**ADSs**"	American depositary shares, die elk één Gewoon Aandeel vertegenwoordigen
"**ADS Aandeelhouders**"	houders van American Depositary Shares anders dan AMX en de Bieder
"**AFM**"	de Stichting Autoriteit Financiële Markten
"**AMX**"	América Móvil, S.A.B. de C.V., een *sociedad anónima bursátil de capital variable* opgericht naar Mexicaans recht, en, indien van toepassing, haar Dochterondernemingen (waaronder, maar niet gelimiteerd, de Bieder), of ieder van hen
"**AMX Groep**"	AMX en al haar dochtermaatschappijen
"**AMX Materieel Negatief Effect**"	heeft de betekenis die daaraan wordt gegeven in paragraaf 10.6.7 (*Geen Actie door een Mexicaanse Overheidsinstantie)*
"**Bezit**"	van een Persoon betekent elk bezit, bezittingen of opbrengsten van een dergelijke Persoon of een belang daarin
"**Bieder**"	Carso Telecom B.V., een besloten vennootschap met beperkte aansprakelijkheid, opgericht naar Nederlands recht, met statutaire zetel in Amsterdam, Nederland, met adres Fred. Roeskestraat 123, 1076 EE, Amsterdam, Nederland en ingeschreven bij de Kamer van Koophandel onder nummer 55341535
"**Biedingsbericht**"	dit biedingsbericht (inclusief de Engelse tekst) met betrekking tot het Bod
"**Biedprijs**"	een bedrag in contanten van EUR 2,40 per Aandeel zonder rente en onderhevig aan enige inhouding van toepasselijke belastingen, verminderd met een bedrag per aandeel gelijk aan enig uitgekeerd dividend of andere uitkeringen op of voorafgaand aan de Dag van Overdracht, en de registratie van een dergelijke uitkering op of voorafgaand aan de Dag van Overdracht heeft plaatsgevonden
"**Bob**"	Besluit openbare biedingen Wft
"**Bod**"	het Bod op de Aandelen zoals beschreven in dit Biedingsbericht
"**CEST**"	Centrale Europese Zomertijd
"**CET**"	Centrale Europese Tijd
"**Constitutionele Documenten**"	de Statuten, het bestuursreglement van de Raad van Bestuur, het bestuursreglement van de Raad van Commissarissen, het profiel van de Raad van Commissarissen, de taakomschrijving van de audit commissie, de taakomschrijving van de remuneratie en organisatie ontwikkelings commissie en de taakomschrijving van de nominatie en corporate governance commissie van de Raad van Commissarissen

"**Dag van Gestanddoening**"	de datum waarop de Bieder openbaar zal mededelen dat het Bod gestand wordt gedaan overeenkomstig de Fusieregels. Artikel 16 lid 1 Bob bepaalt dat zo'n openbare mededeling zal worden gedaan binnen drie Werkdagen na de Sluitingsdatum
"**Dag van Overdracht**"	de datum waarop, overeenkomstig de voorwaarden van het Bod, de Bieder de Biedprijs zal betalen aan de Aandeelhouders die op geldige wijze hun Aandelen hebben aangemeld (of op ongeldige wijze, mits de Bieder de aanmelding daarvan desalniettemin aanvaardt) en geleverd voor de Sluitingsdatum, welke datum terstond zal zijn, in elk geval niet later dan de vijfde Werkdag na de Dag van Gestanddoening
"**Dochterondernemingen**"	betekent met betrekking tot een Persoon, (a) elke vennootschap, vereniging of andere zakelijke entiteit waarin een dergelijke Persoon of van een of meer van zijn Dochterondernemingen of een dergelijke Persoon en een of meer van zijn Dochterondernemingen rechtstreeks of indirect, meer dan 50% van de uitstaande kapitaalbelangen of stembelangen bezit, (b) een maatschap of joint venture, indien een belang van meer dan 50% in de winst of het kapitaal daarvan in handen is van een dergelijke Persoon of van een of meer van zijn Dochterondernemingen of een dergelijke Persoon en een of meer van zijn Dochterondernemingen (tenzij deze maatschap of gezamenlijke onderneming belangrijke zakelijke maatregelen kan en zal nemen zonder voorafgaande toestemming van die Persoon of van een of meer van zijn Dochterondernemingen), of (c) een onderneming, vereniging, vennootschap, joint venture of andere zakelijke entiteit met effecten of andere eigendomsbelangen met gewoon stemrecht waarmee de meerderheid van de raad van bestuur kan worden benoemd, in het geval van de Bieder waaronder de leden van de raad van commissarissen, of andere Personen die overeenkomstige functies hebben op dat moment direct of indirect eigendom zijn van deze Persoon
"**EUR**", "**Euro**" **of** "**€**"	de Euro, het wettig betaalmiddel in de lidstaten van de Europese Monetaire Unie
"**Euronext Amsterdam**"	NYSE Euronext in Amsterdam, de gereglementeerde markt van Euronext Amsterdam N.V.
"**FCC**"	Federal Communications Commission of the United States
"**Fusieregels**"	alle toepasselijke wet- en regelgeving, inclusief maar niet beperkt tot de toepasselijke artikelen van de Wft en het Bob, alsmede nadere regelgeving en beleidsregels afgekondigd onder de Wft en/of het Bob en het reglement van Euronext Amsterdam, het Burgerlijk Wetboek, en andere toepasselijke wet- en regelgeving op het gebied van het effectenrecht of het mededingingsrecht

"**Garantie**"	van enig Persoon betekent, zonder duplicatie, elke verplichting (anders dan aantekening in de normale gang van zaken van verhandelbare instrumenten voor storting of invordering) van een dergelijke Persoon om een Schuld, dividend of andere verplichting van een andere Persoon te garanderen op welke manier dan ook, direct of indirect, waaronder inbegrepen verplichtingen aangegaan door middel van een overeenkomst contingent of anderszins, door een dergelijke Persoon (a) om een dergelijke Schuld, verplichting of Bezit bestaande uit zekerheid daarvoor te kopen, (b) om fondsen voor te schieten of te verstrekken voor de koop of betaling van een dergelijke Schuld of verplichting, of (c) om financieel overzicht te handhaven of zekerheid voor een schuldeiser van die andere persoon tegen verlies anderszins aan te gaan
"**Geldleners**"	de banken en financiële instellingen die partij zijn bij de Kredietovereenkomst
"**Gewone Aandeelhouders**"	houders van één of meer Gewone Aandelen anders dan AMX en de Bieder
"**Gewone Aandelen**"	alle gewone aandelen met een nominale waarde van EUR 0,24 in het kapitaal van Koninklijke KPN N.V., die op enig moment zijn uitgegeven
"**Hedge arrangementen**"	betekent rentecap overeenkomsten, interest rate swaps, vreemde valuta en swap-overeenkomsten, aandelen of aan aandelen index swap-overeenkomsten en andere hedging overeenkomsten of regelingen (inclusief een optie met betrekking tot elk van de voorgaande transacties) of een combinatie van de voorgaande transacties
"**Informatie Agent**"	D.F. King & Co., Inc., die de ADS Aandeelhouders zal assisteren met betrekking tot de procedures voor het aanmelden en leveren van de ADSs en die kopieën van de documentatie betreffende het Bod ter beschikking heeft
"**Kapitaalleases**"	op elk moment een lease waaronder de leasende partij verplicht is tot de aanschaf van een bezit en het aangaan van een verplichting in overeenstemming met Internationale Financiële Rapportage Standaarden
" **KPN Groep**"	KPN en de met haar verbonden groepsmaatschappijen zoals beschreven in artikel 2:24b van het Burgerlijk Wetboek
"**KPN Materieel Negatieve Gebeurtenis**"	heeft de betekenis zoals gegeven in paragraaf 10.6.6 (*KPN Materieel Negatieve Gebeurtenis*)
"**KPN Obligaties**"	alle overdraagbare schuldbewijzen (inclusief hybride effecten) die op enig moment door KPN zijn uitgegeven
"**Kredietovereenkomst**"	de kredietovereenkomst die is aangegaan door, onder andere, AMX en de Bieder met betrekking tot de

	financiering van het Bod
"**Leningen**"	de leningen verstrekt aan AMX en/of de Bieder onder de Kredietovereenkomst
"**Leningsdocumentatie**"	de Kredietovereenkomst en de Obligaties, elke brief van krediet gerelateerd aan een administratief agentschap honorarium en elk ander document dat AMX en de Bieder van tijd tot tijd als zodanig aanwijzen
"**Na-Aanmeldingstermijn**"	een termijn na de Sluitingsdatum waarin Aandelen die nog niet onder het Bod zijn aangeboden kunnen worden aangeboden onder dezelfde voorwaarden en condities als beschreven in dit Biedingsbericht
"**Omwissel- en Betaalkantoor**"	SNS Securities N.V., een naamloze vennootschap, opgericht naar Nederlands recht, met statutaire zetel in Amsterdam, Nederland, met adres Nieuwezijds Voorburgwal 162 - 170, 1012 SJ Amsterdam, Nederland en ingeschreven bij de Kamer van Koophandel onder nummer 33191824
"**Onafhankelijke Commissarissen**"	de leden van de Raad van Commissarissen die niet zijn genomineerd door AMX
"**Obligaties**"	een promesse zoals aan de Kredietovereenkomst gehecht die is uitgevoerd en geleverd door elk van AMX en de Bieder die daar daadwerkelijk de opbrengsten van hebben ontvangen van de Administratieve Agent
"**Optie Overeenkomst**"	betekent de call optie overeenkomst en de put optie overeenkomst met betrekking tot de Preferente Aandelen tussen KPN en Stichting Preferente Aandelen van 3 juni 1994
"**Overdracht**"	de betaling van de Biedprijs in overeenstemming met de voorwaarden en beperkingen van het Bod door de Bieder aan de Aandeelhouders die op geldige wijze (of op ongeldige wijze, indien de Bieder de aanmelding desalniettemin heeft aanvaardt) hun Aandelen onder het Bod hebben aangemeld voor de Sluitingstijd
"**Overdrachtsbrief**"	de overdrachtsbrief die ADS Aandeelhouders kunnen verkrijgen van het V.S. Omwissel- en Betaalkantoor of de Informatie Agent waarmee ADS Aandeelhouders hun ADSs kunnen aanmelden onder het Bod
"**Overheidsorganisatie**"	elke natie of overheid, internationale of multinationale autoriteit of overheid, en elke staat of andere politieke divisie daarvan en elke entiteit die uitvoerende, wetgevende, rechtsprekende, regulerende of administratieve functies vervuld of anderszins aan de overheid gelieerd is
"**Persoon**"	een individu, maatschap, coöperatie, vennootschap met beperkte aansprakelijkheid, trust, vereniging, joint venture, Overheidsorganisatie of andere entiteit

"**Preferente Aandelen**"	alle preferente aandelen B in het kapitaal van de Vennootschap
"**Raad van Bestuur**"	de raad van bestuur van KPN
"**Raad van Commissarissen**"	de raad van commissarissen van KPN
"**Raden**"	de Raad van Bestuur en de Raad van Commissarissen
"**Schuld**"	van een Persoon betekent, zonder duplicatie, (a) alle schulden van een dergelijke Persoon voor geleend geld of voor de uitgestelde aankoopprijs van Bezit of diensten (anders dan de huidige handel schulden die in de normale gang van zaken en te betalen in overeenstemming met de gebruikelijke praktijk), (b) alle andere schulden van een dergelijke Persoon, die blijkt uit een obligatie, schuldbewijs of soortgelijk instrument, (c) alle verplichtingen van deze Persoon ten aanzien van Kapitaalleases, (d) alle verplichtingen van een dergelijke Persoon in verband met brieven van krediet en acceptaties (of instrumenten waar een soortgelijke functie) uitgegeven of gemaakt voor rekening van dergelijke Persoon (met uitzondering van contingente verplichtingen met betrekking tot documentair kredietbrieven die tot doel hebben handelstransacties van een dergelijke Persoon te ondersteunen in de normale gang van zaken), (e) alle verplichtingen die gedekt zijn door enig Zekerheid op enig Bezit dat eigendom zijn van een dergelijke Persoon, hoewel een dergelijke Persoon niet aansprakelijk voor de betaling daarvan, (f) de netto-exposure van deze Persoon ten aanzien van Hedge Agreements (berekend door een dergelijke Persoon op een basis in overeenstemming met de algemeen aanvaarde praktijk) en (g) alle Garanties van een dergelijk Persoon met betrekking tot de verplichtingen van een soort beschreven in (a) tot en met (f) van deze definitie
"**Sluitingsdatum**"	de datum waarop de Sluitingstijd plaatsvindt, welke in overeenstemming met artikel 15 van het Bob kan worden verlengd
"**Sluitingstijd**"	de datum en het tijdstip waarop het Bod verloopt, namelijk om 17:30 uur CET op 13 December 2013, of een dusdanig latere datum en tijdstip, indien het Bod wordt verlengd in overeenstemming met artikel 15 van het Bob
"**Specifieke Convenanten**"	de convenanten opgenomen in de paragraaf 10.10.7 (*Strategische Convenanten*) tot en met 10.10.11 (*Nationale Veiligheid. Privacy*)
"**Statuten**"	statuten van KPN, zoals meest recentelijk gewijzigd op 17 mei 2013
"**Stichting Preferente Aandelen**"	Stichting Preferente Aandelen B KPN
"**Toegelaten Instelling**"	instelling die is toegelaten tot Euronext Amsterdam

"**Uitgegeven en Uitstaande**"	alle Gewone Aandelen uitgegeven door KPN, welke niet worden gehouden door KPN of een van haar dochtermaatschappijen; op basis van gepubliceerde informatie, is dit aantal Uitgegeven en Uitstaande Aandelen op de datum van dit Biedingsbericht 4.258.098.273, gebaseerd op een totaal van 4.270.254.664 Aandelen die zijn uitgegeven door KPN en 12.156.391 Aandelen die door KPN zelf of een van haar dochtermaatschappijen worden gehouden
"**Veiligheidsovereenkomst**"	mogelijk bindende overeenkomst tussen AMX en de Nederlandse overheid met daarin vastgelegd afdwingbare verplichtingen op het gebied van nationale veiligheid, naleving van de wetgeving, publieke veiligheid en de economische belangen, over welke overeenkomst AMX en de Nederlandse overheid (vertegenwoordigd door het Ministerie van Economische Zaken) in een constructieve dialoog zijn
"**Vennootschap**" óf "**KPN**"	Koninklijke KPN N.V., een naamloze vennootschap, opgericht naar Nederlands recht, met statutaire zetel in Den Haag, Nederland, met adres Maanplein 55, 2516 CK, Den Haag, Nederland en ingeschreven bij de Kamer van Koophandel onder nummer 02045200 en, indien van toepassing, tevens de Groep en de aan haar gelieerde bedrijven en, indien van toepassing, haar Dochterondernemingen, of ieder van hen
"**Voorwaarden**"	de opschortende voorwaarden met betrekking tot het Bod zoals uiteengezet in paragraaf 3.6 (*Offer Conditions*) en paragraaf 10.6 (*Voorwaarden*)
"V.S. Omwissel- en Betaalkantoor"	The Bank of New York Mellon
"V.S. Werkdag"	elke dag waarop het hoofdkantoor van de Securities and Exchange Commission van de Verenigde Staten van Amerika geopend is om deponeringen te ontvangen in het tijdsbestek van 00.01 uur tot 24.00 uur, New York City tijd
"**Werkdag**"	een dag, anders dan een algemeen erkende feestdag, zoals bedoel in artikel 3 van de Algemene termijnenwet, zaterdag of zondag waarop banken zoals volgt uit de collectieve arbeidsovereenkomst voor het bankbedrijf (*Algemene Bank-CAO)* geopend zijn
"**Wft**"	Wet op het financieel toezicht
"**Zekerheid**"	elke hypotheek, pandrecht, bezwaring of ander zekerheidsrecht (wettelijk of anderszins) van een verkoper, verhuurder, kredietverstrekker of andere zekerheidhoudende partij verstrekt aan een Partij onder elke voorwaardelijke verkoop of andere titelbeperkende overeenkomst of Kapitaallease met betrekking tot enig Bezit van enig Persoon

10.3 Bod

Op 9 augustus 2013 heeft AMX aangekondigd dat het voornemens is om (direct ofwel via een volledige dochtermaatschappij) een vrijwillig openbaar bod in cash te doen op alle geplaatste en uitstaande gewone aandelen in het kapitaal van KPN tegen een biedprijs van EUR 2,40 per gewoon aandeel.

10.3.1 *Biedprijs*

Bij het vaststellen van de Biedprijs ad EUR 2,40 heeft de Bieder zorgvuldig de geschiedenis en vooruitzichten van de Vennootschap in overweging genomen, daaronder mede begrepen analyses van historische financiële informatie afkomstig uit de jaarstukken van de Vennootschap en persberichten en eventuele toekomstige ontwikkelingen met betrekking tot winstgevendheid, kasstromen en de balans. De Bieder heeft tevens de historische marktwaarde van de Aandelen onderzocht. De Bieder heeft ook de bredere achtergrond van de kapitaal markt, ontwikkelingen in de telecommunicatie sector en waarderingen van gelijksoortige ondernemingen in de Europese telecommunicatie sector in overweging genomen. Daarnaast heeft de Bieder een zorgvuldige financiële analyse gemaakt en daarbij overig relevante data gebruikt voor het vaststellen van dergelijke biedprijzen. Zie tevens paragraaf 3.2 (*Substantiation of the Offer Price*).

De Bieder doet een Bod tot koop op alle Aandelen, onder de voorwaarden en conform de bepalingen en beperkingen in dit Biedingsbericht.

Op voorwaarde dat het Bod gestand wordt gedaan, zal aan de Aandeelhouders die hun Aandelen onder het Bod op geldige wijze hebben aangemeld (of op ongeldige wijze, indien de Bieder de aanmelding daarvan desalniettemin aanvaardt), de Biedprijs in contanten worden betaald.

10.4 Motivering van het Bod

De afgelopen jaren heeft AMX de mogelijkheden verkend om haar activiteiten uit te breiden naar andere regio's buiten het Amerikaanse continent teneinde geografische diversificatie te realiseren en attractieve lange termijn opbrengsten te creëren voor haar aandeelhouders. KPN vertegenwoordigde de eerste investering voor AMX buiten het Amerikaanse continent. Meer dan een jaar na haar eerste investering in KPN is de doelstelling voor AMX om een meerderheidsbelang te verkrijgen in KPN om een grotere operationele samenwerking en coördinatie tussen de twee ondernemingen te faciliteren, om alle mogelijkheden voor een potentieel samenwerkingsverband te realiseren en om potentiële synergie tussen beide ondernemingen te intensiveren. AMX beoogt KPN's plannen in een snel veranderende omgeving in Europa in hoge mate te ondersteunen zodat beide ondernemingen kunnen profiteren van hun respectievelijke ervaringen in de sector. In dit kader zal AMX bestaande en nieuwe mogelijkheden onderzoeken om de activiteiten van KPN en AMX uit te breiden, bijvoorbeeld door het uitbreiden van de netwerk capaciteit (inclusief het investeren in de volgende generatie van draadloze netwerken, afhankelijk van het beschikbare spectrum).

Zie tevens paragraaf 3.4 (*Rationale behind the Offer*).

10.5 Financiering van het Bod

Op 9 augustus 2013 heeft AMX aangekondigd dat het voornemens is om (direct ofwel via een volledige dochtermaatschappij) een vrijwillig openbaar bod in cash te doen op alle geplaatste en uitstaande gewone aandelen in het kapitaal van KPN tegen een biedprijs van EUR 2,40 per gewoon aandeel.

Op 21 augustus 2013 heeft AMX aangekondigd over voldoende middelen te beschikken ter volledige financiering voor het betalen van de Biedprijs voor alle Gewone Aandelen die nog niet gehouden worden door AMX onder het Bod.

AMX is bindende kredietfaciliteiten aangegaan met wereldwijd opererende financiële instellingen met een goede reputatie betreffende de volledige financiering van het Bod.

10.6 Voorwaarden

Niettegenstaande de andere bepalingen in dit Biedingsbericht, is de Bieder verplicht het Bod gestand te doen indien aan elk van de volgende Voorwaarden wordt voldaan, tenzij daarvan door de Bieder, voor zover rechtens mogelijk en ter uitsluitende beoordeling van de Bieder, afstand wordt gedaan:

10.6.1 *Minimale Acceptatie*

Het totale aantal:

a) Aandelen dat onder het Bod op geldige wijze is aangemeld (of indien dit op ongeldige wijze geschiedt, maar de Bieder de aanmelding daarvan desalniettemin aanvaardt) voor Sluitingstijd; plus

b) Aandelen dat is gekocht maar nog niet is geleverd aan de Bieder, onder de enkele voorwaarde dat het Bod gestand wordt gedaan; plus

c) Aandelen dat direct of indirect wordt gehouden door AMX,

gezamenlijk ten minste 50% plus 1 van de stemrechten in een algemene vergadering van Aandeelhouders van KPN bedraagt op de Dag van Gestanddoening en onder de voorwaarde dat de Preferente Aandelen uitgegeven door KPN aan de Stichting Preferente Aandelen voor de Dag van Gestanddoening door KPN zijn ingetrokken of ingekocht en waarbij een dergelijke inkoop gevolgd zal worden door intrekking van de Preferente Aandelen, met als gevolg dat de Stichting Preferente Aandelen niet langer aandelen in het kapitaal van KPN houdt en de Preferente Aandelen zijn ingetrokken, en de Optie Overeenkomsten en alle overige overeenkomsten en afspraken tussen KPN en de Stichting Preferente Aandelen die tot gevolg hebben dat KPN aandelen of andersoortige effecten kan uitgeven aan de Stichting Preferente Aandelen of dat de Stichting Preferente Aandelen KPN kan verplichten aandelen of andersoortige effecten aan haar uit te geven, onherroepelijk en onvoorwaardelijk beëindigd zijn en dat er tevens geen andere overeenkomsten en afspraken overeen zijn gekomen tussen KPN en een derde partij (inclusief maar niet gelimiteerd tot de Stichting Preferente Aandelen) tot de uitgifte van Preferente Aandelen.

10.6.2 *Goedkeuring van Toezichthouders*

Elk van de volgende gebeurtenissen zich heeft voorgedaan voor of op Sluitingsdatum:

a) de U.S. Federal Trade Commission c.q. het U.S. Department of Justice, of elke andere bevoegde mededingingsautoriteit heeft met betrekking tot het Bod een goedkeuringsbeschikking genomen ten aanzien van de voorgestelde concentratie; of de afloop, verloop of beëindiging van alle toepasselijke wacht- en andere periodes (inclusief verlengingen daarvan) onder alle toepasselijke wet- en regelgeving in de relevante jurisdicties, of de doorverwijzing van het Bod of een deel daarvan naar een andere mededingingsautoriteit in overeenstemming met toepasselijk recht en de relevante goedkeuring is verkregen of de wachtperiode is afgelopen, verlopen of beëindigt;

b) de FCC heeft goedkeuring of een machtiging verleend voor de Bieder om (economische) zeggenschap of controle te verkrijgen over alle toepasselijke FCC licenties die gehouden worden door enig lid van de KPN Groep; en

c) elke andere bevoegde toezichthouder heeft met betrekking tot het Bod een goedkeuringsbeschikking genomen; of de afloop, verloop of beëindiging van alle toepasselijke wacht- en andere periodes (inclusief verlengingen daarvan) onder alle toepasselijke wet- en regelgeving in de relevante jurisdicties, of de doorverwijzing van het Bod of een deel daarvan naar een andere mededingingsautoriteit in overeenstemming met toepasselijk recht en de relevante goedkeuring is verkregen of de wachtperiode is afgelopen, verlopen of beëindigt.

10.6.3 *Geen Concurrerende Transacties*

Sinds de datum dit Biedingsbericht is er geen publieke mededeling gedaan met de strekking dat een derde een partieel, tender, volledig of verplicht bod of andersoortige transactie (waaronder inbegrepen maar niet uitsluitend een juridische fusie of splitsing) is begonnen, heeft veranderd, herbevestigd of gedaan of dat een derde een partieel, tender, volledig of verplicht bod of andersoortige transactie (waaronder inbegrepen maar niet uitsluitend een juridische fusie of splitsing) aan het voorbereiden is of mee bezig is of een bijstelling van het partieel, tender, volledig of verplicht bod of andersoortige transactie (waaronder inbegrepen maar niet uitsluitend een juridische fusie of splitsing) aan het voorbereiden is, voor een bedrijfscombinatie die zou meebrengen dat een poging wordt gedaan om zeggenschap te verkrijgen over KPN op: (i) alle of een materieel deel van alle Uitgegeven en Uitstaande Gewone Aandelen of KPN Obligaties of (ii) alle of een substantieel deel van de activa van de KPN Groep.

10.6.4 *Geen Belemmerende Transacties of Activering van Anti-Overname Maatregelen*

Sinds de datum van dit Biedingsbericht hebben noch KPN noch haar Dochterondernemingen enige actie ondernomen op of voor de Dag van Gestanddoening die, alleen of gezamenlijk, materieel en negatief het Bod, het vermogen van de Bieder om het Bod te voltooien, de waarde van de Aandelen, de KPN Obligaties of de waarde van KPN's activa, kan beïnvloeden, door, waaronder mede begrepen, (i) het aangaan van enige overeenkomst, of voltooiing van enige transactie of actie, met betrekking tot de verkoop, koop, aflossing, uitgifte door KPN of haar Dochterondernemingen van effecten, effecten die converteerbaar zijn in of verwisselbaar zijn met aandelen of opties om te onderschrijven op elk van het voornoemde (anders dan door equity incentive plans die worden uitgeoefend in de normale bedrijfsvoering in overeenstemming met de gangbare praktijk), of met betrekking to de acquisitie van materiële activa of de verkoop of koop van een materieel deel van de onderneming of activa door KPN of haar Dochterondernemingen (inclusief de verkoop of koop van aandelen in dochtermaatschappijen, enige licentie, goedkeuring, recht, privilege, franchise of concessie die nodig of vereist is voor KPN of enige van haar Dochterondernemingen voor hun respectievelijke bedrijfsuitoefening, of van enig wissel of transmissie materiaal, inclusief schakelaars, mobiele basisstations, microcells and lokale verbanden en repeaters, of gerelateerde activa die worden gebruikt door KPN of enige van haar Dochterondernemingen met betrekking to het leveren van telecommunicatie diensten), waaronder mede begrepen, transacties bij wijze van juridische fusie, splitsing liquidatie of enige andere transactie met hetzelfde gevolg, (ii) het aangaan van samenwerkingsovereenkomsten of gelijke overeenkomsten of regelingen die redelijkerwijs een materieel negatief gevolg zullen hebben op het vermogen van AMX en/of de Bieder om de bedrijfsvoering van KPN te kunnen doen of het vermogen van AMX, de Bieder en/of KPN om operationeel hun bedrijfsvoering te kunnen coördineren in navolging van de voltooiing van het Bod, (iii) het realiseren van een splitsing of en het ongedaan maken van een splitsing in effecten die door KPN zijn uitgegeven, (iv) het aangaan van, het wijzigen of het beëindigen van enig substantiële overeenkomst buiten de normale bedrijfsvoering en die inconsistent zijn met de gangbare praktijk, waaronder mede begrepen het verschaffen van ontslagvergoedingen bij de beëindiging van de dienstbetrekking of gelijksoortige overeenkomsten, (v) het goedkeuren, vaststellen of uitbetalen van dividenden[24], (vi) het ontstaan van een significante schuld bij KPN en/of een groepsmaatschappij van KPN (vii) het doen van een onverschuldigde of onwettige betaling aan een derde partij, (viii) het overdragen van enige activa van de KPN Groep onder niet commerciële voorwaarden of zonder enige tegenprestatie, (ix) de toezegging

[24] KPN heeft in de context van de verkoop van E-Plus aangekondigd dat het van plan is dividend uit te keren mogelijk al in 2014, dit in tegenstelling tot eerdere verklaringen van KPN waarin KPN aangaf de komende jaren niet van plan te zijn dividend uit te keren. De Bieder is van mening dat KPN is ondergekapitaliseerd en dat KPN een voorzichtig dividend beleid moet toepassen, welk beleid rekening houdt met de operationele resultaten, investeringsbehoeften en toekomstige financieringverplichtingen van KPN. Tot op de dag van dit Biedingsbericht heeft KPN niet aangegeven dat het additionele externe financiering nodig heeft om haar ondernemingsplannen te realiseren. Tegen deze achtergrond is de Bieder van mening dat het niet gunstig voor KPN zou zijn om op korte termijn dividend uit te keren aan haar aandeelhouders en om deze reden is de goedkeuring, vaststelling en uitbetaling van dividenden in deze Voorwaarde opgenomen (ondanks dat de Biedprijs cum dividend is).

om enig van het voorgenoemde te doen, in elk geval als een gevolg waarvan de Bieder redelijkerwijs van mening is dat niet redelijkerwijs van haar verwacht kan worden het Bod voort te zetten. De voorgenomen verkoop van E-Plus aan Telefónica Deutschland Holdings AG onder de verbeterende voorwaarden zoals gepresenteerd aan de algemene vergadering van aandeelhouders van KPN gehouden op 2 oktober 2013 en beschreven in het aandeelhouderscirculaire gedateerd 21 augustus 2013 en het supplement aandeelhouderscirculaire gedateerd 29 augustus 2013 gepubliceerd door KPN kwalificeert niet als een transactie of maatregel zoals beschreven in deze paragraaf 10.6.4 (*Geen Belemmerde Transactie of Activering van Anti-Overname Maatregelen*).

10.6.5 *Geen wijziging van de Constitutionele Documenten en geen Invoering van Beschermingsmaatregelen*

Sinds de datum van dit Biedingsbericht zijn de Constitutionele Documenten niet gewijzigd en er is geen besluit genomen of voorgesteld door het betreffende orgaan van KPN om de Constitutionele Documenten te wijzigen. Sinds de datum van dit Biedingsbericht heeft KPN of een aan haar gelieerde onderneming daarnaast geen actie of maatregel ondernomen die kan leiden tot een afzwakking of een beperking van de rechten van Aandeelhouders of die anderszins kan leiden tot of als gevolg heeft de invoering van een beschermingsmaatregel voor KPN ter benadeling van de rechten van de Bieder.

10.6.6 *KPN Materieel Negatieve Gebeurtenis*

Sinds de datum van dit Biedingsbericht, heeft er geen KPN Materieel Negatieve Gebeurtenis plaatsgevonden of is geen KPN Materieel Negatieve Gebeurtenis bekend geworden of is een KPN Materieel Negatieve Gebeurtenis redelijkerwijs te verwachten.

In deze paragraaf 10.6.6 (*KPN Materieel Negatieve Gebeurtenis*) wordt met "**KPN Materieel Negatieve Gebeurtenis**" bedoeld het zich voordoen voor de datum waarop wordt bepaald of een dergelijke KPN Materieel Negatieve Gebeurtenis zich heeft voorgedaan, van enig feit, zaak, gebeurtenis of omstandigheid die, gezamenlijk genomen met alle andere feiten, zaken, gebeurtenissen of omstandigheden, heeft geleid of redelijkerwijs kan leiden tot een substantieel materieel negatief effect op de activa, onderneming, financiële condities, vooruitzichten of bedrijfsresultaten of kapitalisatie van de KPN Groep als geheel, in ieder geval met uitsluiting van elke gebeurtenis voor zover:

a) die geen materieel disproportioneel effect op de Groep heeft ten opzichte van andere telecombedrijven die actief zijn in jurisdicties waarbinnen de KPN Groep opereert;

b) die voortvloeit of toerekenbaar is aan:

    i. een handeling of omissie door de Bieder of AMX, hetzij voor of na de datum van dit Biedingsbericht;

    ii. enig falen, op zichzelf en van zichzelf, door de KPN Groep om enige gepubliceerde verwachtingen, vooruitzichten of omzet- of winstverwachtingen te vervullen (met dien verstande dat de onderliggende reden voor dergelijk falen meegenomen kan worden in het bepalen of er sprake is van een Materieel Negatieve Gebeurtenis);

    iii. omstandigheden die in het algemeen de telecommunicatie sector in jurisdicties waarbinnen de KPN Groep opereert, beïnvloeden; of

c) het effect daarvan op de Groep is ongedaan gemaakt naar redelijke tevredenheid van de Bieder voor de Dag van Overdracht.

10.6.7 *Geen Actie door een Mexicaanse Overheidsinstantie*

Sinds de datum van dit Biedingsbericht heeft zich er geen Actie door enige Mexicaanse Overheidsorganisatie voorgedaan, waarbij "**Actie door enige Mexicaanse Overheidsorganisatie**" betekent (A) enige Mexicaanse Overheidsorganisatie heeft beperkingen opgelegd die betalingen in een vrij verhandelbare munteenheid verbieden met betrekking tot de Leningen of de Obligaties, (B) enige Mexicaanse Overheidsorganisatie heeft enige actie ondernomen om een substantieel deel (op een geconsolideerde basis) van het Bezit van AMX of de Bieder te confisceren, nationaliseren of verbeurd te verklaren, dat resulteert in een AMX Materieel Negatief Effect, of (C) enige Mexicaanse Overheidsorganisatie heeft enige actie ondernomen, waaronder inbegrepen een surseance van betaling van enige Schuld, die een materieel negatief effect heeft op (i) de mogelijkheid van AMX en de bieder om zijn verplichtingen onder de Leningsdocumentatie na te komen, of (ii) de geagendeerde betalingen onder de Kredietovereenkomst of onder de Obligaties.

Voor doeleinden van deze paragraaf betekent een "**AMX Materieel Negatief Effect**" een materieel negatief effect op (a) de onderneming, conditie (financieel of anderszins), operaties, prestatie, bezittingen of vooruitzichten van AMX en haar Dochterondernemingen gezamenlijk, of (b) de juridische geldigheid, bindende karakter, of afdwingbaarheid van de Leningsdocumentatie of de rechten en remedies die beschikbaar zijn voor de Administratieve Agent en de Geldleners daaronder.

10.6.8 *Beperkend Bevel AFM*

Er is geen notificatie ontvangen van de AFM waarin gesteld wordt dat de Bieder in overtreding is met één van de bepalingen in hoofdstuk 5.5 van de Wft of het Bob, zoals omschreven in sectie 5:80 van de Wft, in welk geval, conform die bepalingen, het beleggingsondernemingen (zoals omschreven in de Wft) niet toegestaan is mee te werken met de tenuitvoerlegging en voltooiing van het Bod.

10.6.9 *Beperkend Bevel andere Autoriteiten*

Sinds de datum van dit Biedingsbericht is er geen wijziging in wetgeving, regelgeving of overige regels die van toepassing zijn op de KPN Groep of een aandeelhouder in de KPN Groep voorgesteld, aanhangig of vastgesteld en er is geen bevel, schorsing, uitspraak of besluit uitgevaardigd door enige rechtbank, arbitraal college, regering, overheidsinstantie of andere toezichthoudende of administratieve instantie, of enig statuut, regel, wetgeving, overheidsaanwijzing of maatregel is van kracht of van toepassing verklaard op het Bod, de KPN Groep of een aandeelhouder in de KPN Groep die, in elk geval, het afronden van het Bod kan of redelijkerwijs kan beperken of verbieden, een materieel negatieve impact heeft op de mogelijkheid van AMX en/of de Bieder de activiteiten van KPN uit te voeren, en/of de mogelijkheid van AMX, de Bieder en/of KPN om de operationele activiteiten van diens ondernemingen te coördineren na het afronden van het Bod, inclusief het schorsen van de handel in de Aandelen door Euronext Amsterdam.

10.6.10 *Geen negatieve bijstelling van Kredietbeoordeling*

Sinds de datum van dit Biedingsbericht heeft zich geen negatieve bijstelling voorgedaan, noch zal er een notificatie worden gegeven van een beoogde of potentiële negatieve bijstelling of van enige toetsing voor een mogelijke verandering die niet de richting aangeeft van de mogelijke verandering, in de kredietbeoordeling van KPN of van enige van de effecten die zijn uitgegeven door KPN of enige van haar dochtermaatschappijen door Moody's Investors Service, Standard & Poor's of Fitch voorafgaand aan de Dag van Gestanddoening.

Zie tevens paragraaf 3.6 (*Offer Conditions*).

10.7 Aanmelding

10.7.1 *Aanmeldingstermijn*

De Aanmeldingstermijn vangt aan op 18 oktober 2013 om 09:00 uur CEST en eindigt, tenzij de Aanmeldingstermijn wordt verlengd overeenkomstig artikel 15 van het Bob, om 17:30 uur CET, op 13 december 2013.

Aandelen die voor Sluitingstijd zijn aangeboden, mogen niet worden teruggetrokken, behoudens het recht tot herroeping (i) gedurende een verlenging van de Aanmeldingstermijn in overeenstemming met artikel 15 lid 3 van het Bob of (ii) in geval van een verhoging van de Biedprijs in overeenstemming met artikel 15a lid 3 van het Bob. Aandelen die zijn aangeboden voorafgaand aan de Sluitingstijd, mogen teruggetrokken worden gedurende de verlengde Aanmeldingstermijn. Echter, Aandelen die voorafgaand aan een dergelijke verlenging van de Aanmeldingstermijn zijn aangeboden en tijdens een dergelijke verlenging van de Aanmeldingstermijn niet zijn teruggetrokken, blijven onderworpen aan het Bod.

Als de Bieder het Bod gestand doet, zal de Bieder alle Aandelen aanvaarden die op geldige wijze zijn aangemeld (of op ongeldige wijze, indien de Bieder de aanmelding desalniettemin aanvaardt) en niet eerder zijn teruggetrokken in overeenstemming met de voorwaarden van het Bod met inachtneming van de procedures zoals uiteengezet in paragraaf 4.2 (*Acceptance of the Offer and Tender*).

10.7.2 *Verhoging van de Biedprijs*

Gedurende de Aanmeldingstermijn is de Bieder bevoegd overeenkomstig artikel 15 lid 4 van het Bob om de Biedprijs te verhogen. De Aanmeldingstermijn moet tenminste nog zeven Werkdagen na aankondiging van de verhoging van de Biedprijs open staan. Indien de Aanmeldingstermijn open staat voor een kortere periode na aankondiging van de verhoging van de Biedprijs, wordt de Aanmeldingstermijn van rechtswege verlengd tot zeven (7) Werkdagen. Gedurende een dergelijke verlenging van de Aanmeldingstermijn mag de Biedprijs niet nogmaals worden verhoogd. Indien, op het moment dat een dergelijke verhoging van de Biedprijs is aangekondigd aan de Aandeelhouders, de Aanmeldingsperiode eerder afloopt dan de tiende V.S. Werkdag vanaf de datum van een dergelijke aankondiging (inclusief die datum), zal de Aanmeldingstermijn in overeenstemming met artikel 15 lid 1 van het Bob en V.S. wetgeving worden verlengd minstens tot de tiende V.S. Werkdag na de dag van een dergelijke aankondiging, waarbij opgemerkt dient te worden dat de Aanmeldingstermijn slechts eenmalig kan worden verlengd. Aandelen die zijn aangemeld vóór een dergelijke verlenging van de oorspronkelijke Aanmeldingstermijn mogen worden ingetrokken gedurende de verlengde aanmeldingstermijn in overeenstemming met artikel 15 lid 3 en artikel 15a lid 3 van het Bob. Echter, Aandelen die zijn aangemeld en niet worden teruggetrokken gedurende de verlenging van de Aanmeldingstermijn blijven gelden als aangemeld onder het Bod. Indien en voorzover de Bieder gedurende de Aanmeldingstermijn Aandelen koopt buiten het Bod tegen een hogere prijs dan de Biedprijs, zal de Bieder op het moment van gestanddoening van het Bod een dergelijke hogere prijs betalen voor alle Aandelen die op geldige wijze zijn aangemeld (of op ongeldige wijze, indien de Bieder de aanmelding desalniettemin heeft aanvaard) door een Aandeelhouder en geleverd aan de Bieder.

10.7.3 *Gestanddoening van het Bod*

Tenzij de Aanmeldingstermijn wordt verlengd, zal de Bieder met inachtneming van de bepalingen van artikel 16 lid 1 van het Bob binnen drie (3) Werkdagen na de Sluitingsdatum aankondigen of het Bod gestand wordt gedaan (de "**Dag van Gestanddoening**"). De Bieder zal alle Aandelen aanvaarden die op geldige wijze zijn aangemeld (of op ongeldige wijze, indien de Bieder de aanmelding desalniettemin aanvaardt).

10.7.4 *Verlenging*

De Bieder kan eenmalig het Bod verlengen tot na de Sluitingsdatum overeenkomstig artikel 15 lid 1 van het Bob, behoudens een mogelijke verlenging in het geval van een verhoging van de Biedprijs zoals hieronder beschreven, en in dat geval zullen alle verwijzingen in dit Biedingsbericht naar de Sluitingsdatum worden verschoven naar de uiterste datum en tijd waarnaar het Bod is verlengd, tenzij uit de context anders blijkt. Echter, zoals toegelicht in paragraaf 4.2 (*Acceptance of the Offer and Tender*), kan een bewaarnemer, bank of effectenmakelaar een vroegere uiterste termijn vaststellen voor de aanmelding door de Aandeelhouders teneinde de bewaarnemer, bank of effectenmakelaar in staat te stellen hun acceptaties tijdig aan het Omwissel- en Betaalkantoor te communiceren.

Indien de Aanmeldingstermijn wordt verlengd, zal dit, met inachtneming van de toepasselijke wetgeving, openbaar worden medegedeeld. Artikel 15 lid 2 van het Bob vereist dat een dergelijke mededeling uiterlijk op de derde Werkdag na de oorspronkelijke Sluitingsdatum wordt gedaan.

Gedurende een verlening van de Aanmeldingstermijn, blijven Aandelen die zijn aangemeld vóór een dergelijke verlenging van de oorspronkelijke Aanmeldingstermijn, gelden als Aandelen die zijn aangemeld onder het Bod. In overeenstemming met artikel 15 lid 3 van het Bod kunnen Aandeelhouders die hun Aandelen hebben aangemeld vóór het einde van de oorspronkelijke Aanmeldingstermijn tijdens de verlengingsperiode deze aanmelding herroepen. Daarnaast kunnen Aandeelhouders in overeenstemming met artikel 15a lid 3 van het Bod de aanmelding van Aandelen binnen zeven (7) Werkdagen herroepen na de dag van aankondiging van de verhoging van de Biedprijs.

Daarnaast kan overeenkomstig artikel 15 lid 9 van het Bob de Aanmeldingstermijn worden verlengd indien de Biedprijs is verhoogd binnen zeven werkdagen voor de Sluitingsdatum, voor een periode van zeven werkdagen na de verhoging van de Biedprijs. Indien, op het moment dat een dergelijke verhoging van de Biedprijs is aangekondigd aan de Aandeelhouders, de Aanmeldingsperiode eerder afloopt dan de tiende V.S. Werkdag vanaf de datum van een dergelijke aankondiging (inclusief die datum), zal de Aanmeldingstermijn in overeenstemming met artikel 15 lid 1 van het Bob en V.S. wetgeving worden verlengd minstens tot de tiende V.S. Werkdag na de dag van een dergelijke aankondiging, waarbij opgemerkt dient te worden dat de Aanmeldingstermijn slechts eenmalig kan worden verlengd, behoudens een mogelijke verlenging van in het geval van een verhoging van de Biedprijs zoals hierboven beschreven. Het afstand doen van een Voorwaarde kan resulteren in een verlening van de Aanmeldingstermijn.

10.7.5 *Overdracht*

Aandeelhouders die hun aandelen voor of op de Sluitingsdatum hebben aangemeld en geleverd overeenkomstig het Bod zullen de Biedprijs ontvangen op de Dag van Overdracht met betrekking tot elk Aandeel dat op geldige wijze is aangemeld (of op ongeldige wijze, indien de Bieder de aanmelding desalniettemin aanvaardt).

Zie tevens paragraaf 4.7 (*Settlement of the Offer*).

10.7.6 *Na-Aanmeldingstermijn*

De Bieder kan overeenkomstig artikel 17 van het Bob, binnen drie Werkdagen na gestanddoening van het Bod, een Na-Aanmeldingstermijn uitroepen om Aandeelhouders, die hun Aandelen niet hebben aangemeld tijdens de Aanmeldingstermijn, de mogelijkheid te bieden hun Aandelen alsnog onder het Bod aan te melden onder dezelfde voorwaarden en condities. Een dergelijke Na-Aanmeldingstermijn zal aanvangen op de eerste Werkdag volgend op de aankondiging van de betreffende Na-Aanmeldingstermijn en zal niet langer duren dan twee weken. Wanneer de Na-Aanmeldingstermijn is aangekondigd, zal de Bieder alle Aandelen aanvaarden die op geldige wijze zijn aangemeld (of op ongeldige wijze, mits de Bieder de aanmelding daarvan desalniettemin aanvaardt) tijdens de Na-Aanmeldingstermijn en zal de Bieder binnen vijf Werkdagen na het eindigen van de Na-Aanmeldingstermijn overgaan tot betaling van de Biedprijs per Aandeel of, indien hiervan is afgeweken, volgens de aankondiging.

Zie tevens paragraaf 4.8 (*Post Acceptance Period*).

10.8 Aanvaarding van het Bod

10.8.1 *Aanvaarding van het Bod via een Toegelaten Instelling*

Aandeelhouders die Gewone Aandelen houden via een Toegelaten Instelling dienen hun aanmelding via hun commissionair, bank of effectenmakelaar uiterlijk op 13 december 2013 om 17:30 CET bekend te maken, tenzij de Aanmeldingstermijn is verlengd overeenkomstig paragraaf 4.1 (*Offer Price*) of paragraaf 4.5 (*Extension of the Acceptance Period*). Uw commissionair, bank of effectenmakelaar kan een eerdere deadline vaststellen voor aanmelding door Aandeelhouders zodat deze commissionair, bank of effectenmakelaar voldoende tijd heeft om de aanmelding door te geven aan het Omwissel- en Betaalkantoor.

Zie tevens paragraaf 4.2.1 (*Acceptance of the Offer and Tender via an Admitted Institution*).

10.8.2 *Aanvaarding van het Bod door Aandeelhouders die Individueel zijn Geregistreerd in het Aandeelhoudersregister van KPN*

Aandeelhouders die Gewone Aandelen hebben die individueel zijn geregistreerd in het aandeelhoudersregister van KPN en die hun aandelen willen aanmelden onder het Bod, moeten een compleet en getekend aanmeldingsformulier overhandigen aan het Omwissel- en Betaalkantoor uiterlijk op de Sluitingstijd. De aanmeldingsformulieren zijn op aanvraag beschikbaar bij het Omwissel- en Betaalkantoor:

SNS Securities N.V.
Nieuwezijds Voorburgwal 162 – 170
1012 SJ Amsterdam
Nederland
Telefoon: 020 550 8536
Email: offer@snssecurities.nl

Het aanmeldingsformulier zal tevens dienen als akte van levering met betrekking tot de Gewone Aandelen waarnaar hierin wordt verwezen.

10.9 Bieder

De Bieder is Carso Telecom B.V. (voorheen AMOV Europa B.V.), een besloten vennootschap met beperkte aansprakelijkheid die rechtsgeldig is opgericht op 22 mei 2012 en rechtsgeldig bestaat onder Nederlands recht, met statutaire zetel in Amsterdam en met geregistreerd adres aan de Fred. Roeskestraat 123, 1076 EE Amsterdam, en geregistreerd bij de kamer van koophandel te Amsterdam onder nummer 55341535. Sercotel, S.A. de C.V. is de enig aandeelhouder van de Bieder. AMX houdt alle aandelen in Sercotel, S.A. de C.V., met uitzondering van één (1) aandeel in het kapitaal van Sercotel, S.A. de C.V. welke gehouden wordt door AMOV IV, S.A. de C.V., een 100% dochtermaatschappij van AMX. AMX biedt telecommunicatiediensten aan in 18 landen, waaronder Mexico, Brazilië, Argentinië, Chili, Paraguay, Uruguay, Colombia, Panama, Ecuador, Peru en de Verenigde Staten. AMX is de grootste aanbieder van draadloze diensten in Latijns Amerika.

De raad van bestuur van de Bieder bestaat uit Alejandro Cantú Jiménez, Dirk Stolp en Allard van der Veen, die ieder zijn benoemd op 22 mei 2012. Geen van de leden van de raad van bestuur van de Bieder houdt enige Aandelen.

Het maatschappelijk kapitaal van de Bieder bedraagt EUR 90,000.00 en bestaat uit 90,000 gewone aandelen met een nominale waarde van EUR 1.00 elk. Alle gewone aandelen van de

Bieder zijn geregistreerde aandelen. Op de datum van publicatie van dit Biedingsbericht zijn er 18,000 gewone aandelen geplaatst en volgestort.

Zie tevens Hoofdstuk 7 (*Information on the Offeror*).

10.10 Strategische Visie AMX en Specifieke Convenanten

Strategische visie AMX

10.10.1 *Strategie*

AMX is voornemens de identiteit van KPN te respecteren en meer specifiek om het hoofdkantoor van KPN in Den Haag te behouden, KPN diensten te blijven laten aanbieden onder de merknamen van KPN en uitbreidingsmogelijkheden te blijven onderzoeken (o.a. organische groei of door overnames) die KPN zal onderscheiden als toonaangevende dienstverlener van telecommunicatie diensten in haar thuismarkten. AMX verwacht dat KPN genoteerd blijft op Euronext Amsterdam zolang de Bieder niet tenminste 95% van de Uitgegeven en Uitstaande Aandelen houdt.

Met AMX als grootaandeelhouder kan KPN zich focussen op het uitvoeren van haar ondernemingsplannen[25], zichzelf positioneren als leider in alle gebieden waarin zij opereert en op het verlenen van uitstekende diensten aan haar huidige en toekomstige klanten, een ieder ondersteunt door de operationele ervaring van AMX.

De Bieder heeft als doel dat de KPN Group een state-of-the-art telecommunicatie dienstverlener blijft (op het gebied van onder meer kwaliteit, technologie en innovatie) in Nederland en de overige landen waarin zij opereert (behalve voor Duitsland als en wanneer de verkoop van E-Plus aan Telefónica Deutschland Holdings AG is voltooid) en dat de KPN Groep haar huidige licenties (inclusief operationele licenties) behoudt en aan de voorwaarden blijft voldoen om dergelijke licenties te behouden. In deze context zal de Bieder de commitment van de KPN Groep om te blijven investeren in de netwerken en de dienstverlening in Nederland op een niveau dat minimaal gelijk is aan KPN's huidige operationele ondernemingsplan zoals gepubliceerd door KPN voor de datum van dit Biedingsbericht, waaronder de plannen van KPN om het glasvezel netwerk en 4G netwerk in Nederland verder uit te rollen, respecteren, handhaven en op geen enkele wijze tegenwerken of verminderen.

De Bieder gelooft dat de werknemers van KPN belangrijk zijn voor het bereiken van toekomstig succes. De Bieder is daarom van plan te blijven investeren in het personeel van KPN and verwacht daardoor dat er aantrekkelijke carrièremogelijkheden voor werknemers van KPN zullen zijn.

10.10.2 *Nationale veiligheid*

De Bieder erkent dat het van cruciaal belang is voor de nationale veiligheid van Nederland en voor de veiligheid, gesteldheid en privacy van de Nederlandse bevolking om de continuïteit, integriteit en veiligheid van KPN's infrastructuur en KPN's dienstverlening in Nederland te behouden. De Bieder is daarom volledig gecommitteerd dat KPN alle huidige maatregelen behoudt, en waar nodig nieuwe maatregelen introduceert, ter bescherming tegen ongeoorloofde toegang en openbaarmaking van elektronische communicatie, ter waarborging en ter garantie van de continuïteit, integriteit en veiligheid van haar communicatie systemen en netwerken en ter naleving van alle op KPN van toepassing zijnde wetgeving en regelgeving op dit gebied. Deze commitment houdt onder meer de voorzetting en, waar noodzakelijk, de versterking in van de maatregelen genomen door KPN om de veiligheid en continuïteit van de

[25] Gerefereerd wordt aan de ondernemingsplannen zoals publiekelijk bekend gemaakt op of voor de datum van dit Biedingsbericht, zoals opgenomen in het jaarverslag 2012 van KPN, KPN's strategie 2011-2015 (http://www.kpn.com/v2/static/annualreport-2012/strategie/strategie-011-2015.html), KPN's strategie in een oogopslag (http://www.kpn.com/v2/static/annualreport-2012/strategie/strategie-in-een-oogopslag.html) en KPN's strategie in actie (http://www.kpn.com/v2/static/annualreport-2012/strategie/strategie-in-actie.html).

netwerken en diensten die KPN levert aan de Nederlandse overheid en haar agentschappen, inclusief maar niet gelimiteerd aan de politie, brandweer, ziekenhuizen, nationale veiligheidsdiensten, leger, kustwacht en douane te waarborgen.

AMX is in een constructieve dialoog met de Nederlandse overheid (vertegenwoordigd door het ministerie van Economische Zaken) om te komen tot het vastleggen van bindende afspraken betreffende de nationale veiligheid, afdwingbaarheid van de wetgeving, publieke veiligheid en de economische belangen in een bindende overeenkomst tussen AMX en de Nederlandse overheid (de "**Veiligheidsovereenkomst**"). In deze context hebben verscheidene telefoongesprekken en uitwisselingen van commentaar en concept overeenkomsten plaatsgevonden. AMX heeft de intentie om toe te werken naar finalisatie van de Veiligheidsovereenkomst voor gestanddoening van het Bod.

AMX stelt zich voor dat KPN ook partij wordt bij een dergelijke Veiligheidovereenkomst, welke overeenkomst in ieder geval de volgende afdwingbare verplichtingen zal bevatten met betrekking tot:

- controle, toezicht, configuratie en verdere ontwikkeling van KPN's infrastructuur en dienstverlening;
- assistentie en naleving van de elektronische surveillance verplichtingen;
- de locatie en de wijze van opslag van communicatie gerelateerde data, binnenlandse communicatie en elektronische surveillance gegevens;
- de bescherming van communicatie gerelateerde data, vertrouwelijke (overheids) informatie en elektronische surveillance gegevens tegen ongeoorloofde toegang, waaronder in ieder geval geldt enige toegang voor AMX (of haar directeuren en werknemers), tenzij een dergelijke toegang schriftelijk is goedgekeurd door de Nederlandse overheid of een bevoegde Nederlandse overheidsdienst;
- overdracht en openbaarmaking van communicatie gerelateerde data en elektronische surveillance gegevens naar de Nederlandse overheid in overeenstemming met van toepassing zijnde wet- en regelgeving;
- het behouden en implementeren van organisatorische en technische maatregelen welke voldoende zijn om de veiligheid, integriteit en beschikbaarheid van KPN's infrastructuur en dienstverlening te waarborgen in overeenstemming met best practices die gebruikt worden in de Nederlandse telecommunicatie industrie en het huidige veiligheidsbeleid en procedures van de KPN Groep;
- benoeming van een Nederlandse bewoner en werknemer van de KPN Groep tot veiligheidsdirecteur met als belangrijkste verantwoordelijkheid ervoor zorgen dat de KPN Groep haar verplichtingen onder de Veiligheidsovereenkomst naleeft;
- het voortzetten door KPN van overheidscontracten voor het leveren van infrastructuur en diensten in overeenstemming met het kwaliteitsniveau en overige voorwaarden vastgelegd in dergelijke overheidscontracten, waaronder (maar niet gelimiteerd aan) het leveren door KPN van infrastructuur en diensten voor spoedgevallen en inlichtingendiensten, waaronder het C2000 netwerk, het Nederlandse nationale alarmnummer 112 en overige noodgevallen en handhavings- en nationale veiligheidsdiensten; en
- het behouden van een goede relatie en samenwerking onder goede wil met de Nederlandse overheid en bevoegde Nederlandse overheidsdiensten.

10.10.3 *Samenstelling Raden na Overdracht van het Bod. Governance structuur.*

De Bieder verwacht niet dat de samenstelling van de Raad van Commissarissen zal veranderen bij Overdracht van het Bod. Na Overdracht van het Bod zal de Bieder een voorstel presenteren aan de Raad van Commissarissen met betrekking tot de invulling van de vacature die is ontstaan door het opstappen van de heer Hageman als CFO van KPN, en met betrekking tot additionele leden aangewezen door de Bieder te benoemen tot de Raad van Bestuur. Anders dan hiervoor beschreven – of in het geval toekomstige vacatures ontstaan niet gerelateerd aan het Bod - verwacht de Bieder niet dat de samenstelling van de Raad van Bestuur zal veranderen bij Overdracht van het Bod.

Voor een beschrijving van de governance structuur van KPN na Overdracht van het Bod zoals voorgesteld door AMX aan KPN, zie paragraaf 8.1 (*Interaction between KPN and AMX*).

Zolang de Gewone Aandelen op Euronext Amsterdam verhandelbaar zijn, zal de Bieder er zorg voor dragen dat KPN de Nederlandse Corporate Governance Code blijft naleven in zoverre KPN op dit moment de Nederlandse Corporate Governance Code naleeft, behalve voor afwijkingen van de Nederlandse Corporate Governance Code zoals afgesproken tussen AMX and KPN welke geïmplementeerd zullen worden op het moment van Overdracht van het Bod.

10.10.4 *Statutenwijziging*

De Bieder verwacht niet dat de Statuten gewijzigd zullen worden bij Overdracht van het Bod.

10.10.5 *Dividendbeleid*

Op 23 april 2013 heeft KPN aangekondigd dat zij geen dividend zal uitkeren voor de boekjaren 2013 en 2014. Afhankelijk van haar operationele prestaties en financiële positie gaf KPN aan te verwachten daarna dividenduitkeringen te hervatten.

Op 23 juli 2013 heeft KPN haar intentie aangekondigd dividend te gaan uitkeren afhankelijk van afronding van de verkoop van E-Plus aan Telefónica Deutschland Holdings AG.

Op 2 oktober 2013 heeft KPN aangekondigd dat het grootste gedeelte van de EUR 5,0 miljard opbrengst verkregen door afronding van de verkoop van E-Plus aan Telefónica Deutschland Holdings AG gebruikt zal worden om de financiële flexibiliteit van KPN verder te vergroten en om dividenduitkeringen aan zijn aandeelhouders te hervatten over het boekjaar 2014.

De Bieder verwacht dat KPN in het boekjaar jaar 2013 geen dividend zal uitkeren. De Bieder voorziet daarna dat KPN een prudent dividend beleid vaststelt dat rekening houdt met het bedrijfsresultaat, de investeringsbehoeften en toekomstige schuldverplichtingen van de KPN Groep (zie ook voetnoot 28 met betrekking tot de Voorwaarde in paragraaf 10.6.4 (*Geen Belemmerende Transacties of Activering van Anti-Overname Maatregelen*).

<u>Specifieke Convenanten</u>

10.10.6 *Duur. Handhaving*

Alhoewel de Bieder op dit moment niet de intentie heeft om af te wijken van de Specifieke Convenanten, is de Bieder bereid om zekere afspraken met de Onafhankelijke Commissarissen te treffen met het doel om zekere handhavingsrechten te realiseren voor de Onafhankelijke Commissarissen met betrekking tot de naleving van de Specifieke Convenanten om voldoende waarborgen omtrent deze Specifieke Convenanten te geven door overeen te komen dat iedere materiële afwijking van de Specifieke Convenanten de bevestigende stem van tenminste één (1) Onafhankelijke Commissaris vereist, onder het voorbehoud dat de Bieder rechten krijgt toegekend met betrekking tot de samenstelling van de Raden en de governance van KPN welke passend zijn bij haar meerderheidsaandeel in KPN. De Bieder heeft voor ogen dat dergelijke afspraken twee (2) jaar na de Dag van Overdracht zullen eindigen. Tot het moment dat de Bieder en de Onafhankelijke Commissarissen een overeenkomst met betrekking tot de naleving van de Specifieke Convenanten zijn aangegaan, zijn de Specifieke Convenanten een eenzijdige intentie van de Bieder.

Daarnaast hebben AMX en de Bieder de intentie om afdwingbare verplichtingen aan te gaan met de Nederlandse overheid (vertegenwoordigd door het ministerie van Economische Zaken) met betrekking tot onder andere nationale veiligheid en privacy voor de Overdracht van het Bod (zie ook paragraaf 10.10.2 (*Nationale Veiligheid*)).

Geen enkele partij kan rechten ontlenen aan de verklaringen van de Bieder zoals uiteengezet in paragraaf 10.10 (*Strategische Visie AMX en Specifieke Convenanten*).

10.10.7 *Strategische Convenanten*

De KPN Groep zal een state-of-the-art telecommunicatie dienstverlener blijven (op het gebied van onder andere kwaliteit, technologie, services en spectrum) in Nederland en de overige landen waarin zij opereert (behalve voor Duitsland als en wanneer de verkoop van E-Plus aan Telefónica Deutschland Holdings AG is voltooid), en KPN zal haar licenties (inclusief haar operationele licenties) behouden en aan de voorwaarden blijven voldoen om dergelijke licenties te behouden.

De Bieder zal de KPN Groep respecteren in haar doelstelling te investeren in haar netwerken en services in Nederland op een niveau dat minimaal gelijk is aan KPN's huidige operationele ondernemingsplannen in overeenstemming met de strategie en ondernemingsplan zoals publiekelijk bekendgemaakt door KPN voor de datum van dit Biedingsbericht, waaronder de plannen van KPN om het glasvezel netwerk en 4G netwerk in Nederland verder uit te rollen.

10.10.8 *Organisatorische Convenanten*

a) Het hoofdkantoor van KPN blijft in Den Haag, evenals de relevante functies van het hoofdkantoor.

b) KPN zal een separate juridische entiteit blijven en KPN zal de holding maatschappij van de KPN Groep's Dochterondernemingen en operationele activiteiten blijven.

c) KPN en de KPN Groep zal een gelieerde onderneming van de AMX Groep worden, waarbij het beleid van de AMX Groep, voor zover toepasselijk, zal worden toegepast of KPN en de KPN Groep op een soortgelijke basis als overige divisies binnen de AMX Groep.

De convenanten in deze paragraaf 10.10.8 (*Organisatorische Convenanten*) gelden onverminderd de implementatie van een maatregel, methode, procedure of wijziging zoals beschreven in paragraaf 3.8.3 (*Possible Measures by the Offeror to obtain 100% of the Shares*) indien het Bod gestand wordt gedaan, waarbij geldt dat als bijvoorbeeld KPN juridisch fuseert met een huidige of toekomstig gelieerde onderneming van de Bieder of een andere entiteit, de Specifieke Convenanten worden nageleefd door de verkrijgende vennootschap.

10.10.9 *Werknemers Convenanten*

a) Het sociaal beleid en de sociale plannen van KPN zullen materieel gezien in lijn blijven met het sociale beleid en de sociale plannen van de KPN Groep zoals deze op dit moment gelden.

b) De bestaande rechten en verplichtingen van de werknemers van de KPN Groep zullen niet door de transactie worden aangetast en de Bieder zal deze rechten en verplichtingen respecteren (met uitzondering van die rechten die in werking treden door de Overdracht van het Bod in zoverre zulke rechten door de relevante werknemer zijn verkregen na 7 mei 2012, de datum waarop AMX haar intentie tot het doen van een partieel bod op KPN heeft aangekondigd[26]), met inachtneming van de huidige voorwaarden (inclusief de afgesproken duur).

c) De bestaande pensioensrechten van de huidige en voormalige werknemers van de KPN Groep zullen door de Bieder worden gerespecteerd.

d) Het huidige reserveringsbeleid met betrekking tot pensioenen door de KPN Groep zal worden voortgezet om te kunnen voldoen aan de pensioen verplichtingen van de KPN Groep.

e) De Bieder erkent de bestaande rechten van de centrale ondernemingsraad van KPN onder het Burgerlijk Wetboek, de Wet op de Ondernemingsraden en de Statuten en zal deze respecteren.

f) De Bieder zal de bestaande afvloeiingsregelingen en sociale plannen binnen de KPN Groep respecteren.

g) De Bieder zal de KPN Groep respecteren en ondersteunen om zijn huidige beleid op het gebied van maatschappelijke verantwoordelijkheid zoals weergegeven in het jaarverslag van KPN van 2012 voort te zetten.

h) De Bieder is gecommitteerd aan de ontwikkeling en training van het personeel en ziet veel mogelijkheden voor het management en personeel van zowel de KPN Groep als de AMX Groep als gevolg van een combinatie van best practice overdracht, ontwikkeling van capaciteiten en internationale carrière mogelijkheden.

De convenanten in a), b), c), d) en f) van deze paragraaf 10.10.9 (*Werknemers Convenanten*) zijn onder het voorbehoud dat KPN de Bieder toegang geeft tot de relevante onderliggende documentatie en de Bieder een due diligence onderzoek met betrekking tot deze documentatie heeft kunnen verrichten met een voor de Bieder bevredigende afloop. Voor het doel van deze Sectie 10.10.9 (*Werknemers Convenanten*) betekent een due diligence onderzoek met bevredigend afloop dat het sociaal beleid, de sociale plannen, de bestaande rechten en verplichtingen (waaronder rechten met betrekking tot pensioen), het reserveringsbeleid met betrekking tot pensioenen en de bestaande afvloeiingsregelingen in lijn zijn met de markt standaard.

10.10.10 *Belangrijkste Nederlandse Sponsoring en Merken Convenant*

a) De Bieder zal de KPN Groep respecteren en ondersteunen in het naleven van diens belangrijkste sponsor arrangementen, waaronder de betrekkingen met de K.N.S.B. (Nederlandse Schaatsbond) en het Rijksmuseum en de Bieder staat er open voor om KPN's huidige Nederlandse sponsor arrangementen na de vervaldatum voort te zetten en dat KPN door blijft gaan te zoeken naar additionele Nederlandse sponsor arrangementen.

b) De Bieder erkent de grote waarde van het KPN merk in Nederland en committeert zich om de bestaande merken van KPN in Nederland te behouden.

De convenant in a) van deze paragraaf 10.10.10 (*Belangrijkste Nederlandse Sponsoring en Merken Convenant*) is onder het voorbehoud dat KPN de Bieder toegang geeft tot de relevante onderliggende sponsor contracten en de Bieder een due diligence onderzoek met betrekking tot deze documentatie heeft kunnen verrichten met een voor de Bieder bevredigende afloop. Voor het doel van deze Sectie 10.10.10 (*Belangrijkste Nederlandse Sponsoring en Merken Convenant*) betekent een due diligence onderzoek met bevredigend afloop dat de sponsor contracten niet dusdanig zwaarwegende verplichtingen bevatten voor KPN waardoor het niet redelijkerwijs van de Bieder verwacht kan worden de sponsor arrangementen voor te zetten.

[26] Hiermee wordt gedoeld op exit regelingen ('golden parachute') en soortgelijke regelingen.

10.10.11 *Nationale Veiligheid. Privacy*

a) De Bieder zal alle toepasselijke wetgeving, regelgeving en overige regels met betrekking tot informatie, privacy en wetshandhaving respecteren en naleven.

b) De Bieder is voornemens dat alle binnenlandse communicatie infrastructuur (inclusief alle infrastructuur die op dit moment wordt gebruikt voor het verlenen van overheidsdiensten) (i) door KPN geopereerd en gecontroleerd zal blijven, (ii) in Nederland zal blijven (in zoverre deze infrastructuur op dit moment in Nederland gelegen is) en (iii) zal blijven worden aangestuurd, gecontroleerd en gemanaged door en onder toezicht zal blijven van KPN.

c) De Bieder is volledig gecommitteerd dat KPN de werking, integriteit en veiligheid van haar systemen en netwerken blijft onderhouden en alle van toepassing zijnde wetgeving en regelgeving op dit gebied, inclusief maar niet gelimiteerd aan wet- en regelgeving op het gebied van privacy en het bewaren, behouden en produceren van Information en data blijft naleven.

d) De Bieder is volledig gecommitteerd dat KPN blijft doorgaan met het verlenen diensten aan de Nederlandse overheid, agentschappen en alle relevante overheidsdiensten en departementen, inclusief maar niet gelimiteerd aan het Nederlandse nationale alarmnummer 112, politie, brandweer, ziekenhuizen, nationale veiligheidsdiensten, leger, kustwacht en douane.

e) De Bieder is volledig gecommitteerd dat KPN haar huidige veiligheidsbeleid en procedures in stand houdt om ervoor te zorgen dat alle wetgeving, regelgeving en regels met betrekking tot informatie, privacy en wetshandhaving door KPN wordt nageleefd.

10.11 Overige Gevolgen van het Bod

Verwezen wordt naar paragraaf 3.8 (*Possible Consequences of the Offer*) voor mogelijk andere gevolgen van het Bod, waaronder de mogelijke gevolgen voor (i) de notering van KPN op Euronext; (ii) de juridische structuur van KPN en (iii) bepaalde procedures welke gestart kunnen worden door de Bieder na Overdracht van het Bod om 100% van de Aandelen te verkrijgen.

Als de Bieder na afloop van het Bod een procedure start zoals weergegeven in paragraaf 3.8 (*Possible Consequences of the Offer*), zullen de belangen van de minderheidsaandeelhouders in KPN zorgvuldig in overweging genomen worden, waarbij iedere procedure die redelijkerwijs kan leiden tot een verwatering van de belangen van de achterblijvende minderheidsaandeelhouders in KPN (anders dan bij een uitkoopprocedure), de bevestigende stem van tenminste één (1) Onafhankelijke Commissaris vereist. Dit vereiste zal vervallen zodra de Bieder 95% van de Uitgegeven en Uitstaande Gewone Aandelen houdt.

10.12 Consultaties

Gezien het feit dat er geen overeenkomst met de Raden is bereikt over het Bod, is geen voorafgaande consultatie met de (centrale) ondernemingsraad van KPN vereist volgens de Wet op de Ondernemingsraden. De Bieder heeft de vakbonden betrokken bij KPN in Nederland geïnformeerd en geconsulteerd inzake het Bod, en heeft het secretariaat van de Sociaal-Economische Raad geïnformeerd over het Bod in overeenstemming met het SER-besluit Fusiegedragsregels 2000.

Het is niet de verwachting van de Bieder dat het aantal werknemers van KPN zal reduceren of dat er gedwongen ontslagen zullen vallen als een direct gevolg van het Bod en de uitvoering daarvan.

10.13 Aankondigingen

Aankondigingen in verband met gestanddoening van het Bod, een verlenging van de Aanmeldingstermijn of het inroepen van een Na-Aanmeldingstermijn zullen door middel van een persbericht worden gedaan. Met inachtneming van de Fusieregels, heeft de Bieder geen verplichting enige publieke aankondiging te doen anders dan hierboven beschreven.

10.14 Beoogd tijdschema

Verwachte Datum en Tijd	**Gebeurtenis**
17 oktober 2013	Publicatie van het persbericht met betrekking tot de verkrijgbaarstelling van dit Biedingsbericht en de aanvang van het Bod
18 oktober 2013, 9:00 uur CEST	Aanvang van de Aanmeldingstermijn onder het Bod overeenkomstig artikel 14 van het Bob
13 december 2013, 17:30 uur CET, behoudens verlenging	Uiterste datum waarop Aandeelhouders hun Aandelen onder het Bod kunnen aanmelden (*Sluitingsdatum*)
Uiterlijk drie (3) Werkdagen na de Sluitingsdatum	De dag waarop de Bieder openbaar aankondigt dat in overeenstemming met artikel 15 en 16 van het Bob dat: • het Bod gestand wordt gedaan, de Dag van Gestanddoening; • het Bod is verlengd voor een periode van tussen de twee (2) en tien (10) weken; of • het Bod wordt niet gestand gedaan doordat aan een Voorwaarde niet is voldaan en de Bieder geen afstand heeft gedaan of wil doen van deze Voorwaarde.
Uiterlijk binnen (3) Werkdagen na de Dag van Gestanddoening	*Na-aanmeldingstermijn* De Bieder heeft de mogelijkheid een na-aanmeldingstermijn aan te kondigen voor een periode van maximaal twee (2) weken om Aandeelhouders die hun Aandelen niet hebben aangemeld gedurende de Aanmeldingstermijn alsnog in staat te stellen hun Aandelen aan te melden onder dezelfde voorwaarden en condities die van toepassing zijn op het Bod.
Uiterlijk vijf (5) Werkdagen na de dag waarop het Bod gestand wordt gedaan	De datum waarop de Bieder zal overgaan tot betaling van de Biedprijs per Aandeel, aan de Aandeelhouders die op geldige wijze hun Aandelen hebben aangemeld (of op ongeldige wijze, mits de Bieder de aanmelding en levering daarvan desalniettemin aanvaardt) en geleverd voor de Sluitingstijd, onder de voorwaarde dat het Bod gestand wordt gedaan, zijnde uiterlijk vijf (5) Werkdagen na de Dag van Gestanddoening (*Dag van Overdracht*).

10.15 Verkrijgbaarheid informatie

Digitale exemplaren van dit Biedingsbericht zijn verkrijgbaar op de website van AMX op www.americamovil.com. Deze website maakt op geen enkele wijze deel uit van dit

Biedingsbericht. Exemplaren van dit Biedingsbericht zijn verder kosteloos verkrijgbaar op het hoofdkantoor van het Omwissel- en Betaalkantoor op onderstaand adres.

De Bieder

Carso Telecom B.V.
Fred. Roeskestraat 123
1076 EE Amsterdam
The Netherlands

Omwissel- en Betaalkantoor

SNS Securities N.V.
Nieuwezijds Voorburgwal 162 - 170
1012 SJ Amsterdam
Nederland
Telefoon: 020 550 8536
Email: offer@snssecurities.nl

11. ADVISORS

Advisors to the Offeror

Legal advisor
Clifford Chance LLP Droogbak 1A 1013 GE Amsterdam The Netherlands

Financial advisor
Deutsche Bank AG 1 Great Winchester Street London EC2N 2DB United Kingdom

12. PRESS RELEASES

12.1 Press Release by AMX dated 9 August 2013

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This is a public announcement by América Móvil, S.A.B. de C.V. ("América Móvil") pursuant to the provisions of Section 5 paragraph 2 of the Dutch Decree on Public Takeover Bids (Besluit openbare biedingen Wft, the "Takeover Decree"). This announcement and related information do not constitute a public offer to sell or the solicitation of an offer to buy or subscribe for any securities. Any offer will be made only by means of an offer memorandum.

The offer described in this announcement will be made for the ordinary shares of Koninklijke KPN N.V., a public limited liability company incorporated under Dutch law, and is subject to Dutch disclosure and procedural requirements, which are different from those of the United States. The offer will be made in the United States in compliance with Section 14(e) of, and Regulation 14E under, the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), subject to the exemptions provided by Rule 14d-1(d) under the U.S. Exchange Act and otherwise in accordance with the requirements of Dutch law. Accordingly, the offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, the offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and laws.

To the extent permissible under applicable law or regulation, América Móvil, S.A.B. de C.V. and its affiliates or brokers (acting as agents for América Móvil, S.A.B. de C.V. or its affiliates, as applicable) may from time to time after the date hereof, and other than pursuant to the offer, directly or indirectly purchase, or arrange to purchase, ordinary shares of Koninklijke KPN N.V., that are the subject of the offer or any securities that are convertible into, exchangeable for or exercisable for such shares. To the extent information about such purchases or arrangements to purchase is made public in The Netherlands, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Koninklijke KPN N.V. of such information. In addition, the financial advisors to América Móvil, S.A.B. de C.V., may also engage in ordinary course trading activities in securities of Koninklijke KPN N.V., which may include purchases or arrangements to purchase such securities.

The offer price shall be reduced by the per share amount of any dividends or other distributions paid or declared by Koninklijke KPN N.V. following the date hereof and prior to the settlement of the offer.

"América Móvil announces tender offer for all shares of KPN"

Mexico City, Mexico, August 9, 2013 -- América Móvil, S.A.B. de C.V. ("América Móvil" or "AMX") (BMV: AMX; NYSE: AMX; Nasdaq: AMOV; LATIBEX: XAMXL) announced today its intention to make (directly or through a wholly owned subsidiary) a voluntary tender offer in cash for all of the issued and outstanding ordinary shares of *Koninklijke KPN N.V.* ("KPN"), at a price of EUR 2.40 per share (the "Intended Offer").

The Intended Offer price of EUR 2.40 per share implies a premium of approximately 35.4% over the average closing price of KPN's ordinary shares on Euronext Amsterdam for the last 30 trading days.

Rationale for the Intended Offer

In recent years, América Móvil has been exploring opportunities to expand its operations to other regions outside the Americas in order to achieve geographical diversification and create attractive long-term returns for its shareholders. KPN represented its first investment outside of the Americas. More than a year after its initial investment in KPN, América Móvil's objective is to acquire a majority stake in KPN in order to facilitate greater operational co-operation and co-ordination between the two companies, to exploit all areas for potential partnerships and to intensify the realization of synergy potential for both companies.

América Móvil aims to support to a greater extent KPN's plans in a rapidly changing environment in Europe so that both companies benefit from their respective experiences in the sector.

As of the date hereof, América Móvil held (directly and indirectly) 1,267,677,000 ordinary shares in the capital of KPN, representing approximately 29.77% of all issued and outstanding ordinary shares in the capital of KPN.[1]

América Móvil recently explained the proposed transaction to KPN representatives. América Móvil has invited KPN´s Supervisory Board and Board of Management (the "KPN Boards") to meet as soon as possible to further discuss the Intended Offer and potential terms for a long-term constructive relationship. América Móvil would welcome support from the KPN Boards.

Conditions to the Intended Offer

The Intended Offer will be subject to conditions, which will include a minimum acceptance condition that following settlement of the Intended Offer América Móvil will hold directly or indirectly more than 50% (fifty per cent) of the voting rights exercisable in a general meeting of shareholders of KPN, required regulatory approvals, no competing transactions having been announced or made by any party and no material adverse event having occurred.

In accordance with article 12 paragraph 1 of the Takeover Decree, América Móvil will ultimately at the time of launch of the Intended Offer determine and confirm the conditions to the Intended Offer.

Indicative Timetable

América Móvil intends to submit an offer memorandum to the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, "AFM") for approval, to make the required statement that it will have means available to fund the offer price payable under the Intended Offer, and to finalize all required documentation with regard to the Intended Offer expeditiously. Once the offer memorandum is approved by the AFM, the offer will be made and the offer memorandum will be published. It is currently expected that this will take place during September 2013. América Móvil has informed the AFM of the Intended Offer.

E-Plus

On July 23, 2013, KPN announced that it had "*entered into a transaction, subject to shareholder approval, to sell and transfer 100% of its interest in E-Plus to Telefonica Deutschland for EUR 5.0 billion in cash and a 17.6% stake in Telefonica Deutschland post transaction*". According to KPN's announcement the transaction is subject to other terms and conditions, including merger clearance.

América Móvil is carefully evaluating the merits of the proposed transaction and will make a final determination in relation to the exercise of its voting rights at the upcoming Extraordinary General Meeting of KPN.

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[1] Not taking into account 12,156,391 ordinary shares held by KPN as at 31 December 2012.

América Móvil Financial Position

América Móvil will continue to maintain its sound financial position, allowing for further investments in the telecommunication and related sectors in the Americas in order for AMX to maintain its leadership and state-of-the-art technology, as well as to continue with the development, growth and innovation of products, services and content.

About América Móvil

AMX is the leading provider of telecommunication services in Latin America. As of June 30, 2013, it had 262 million wireless subscribers and 66.8 million fixed revenue generating units in the Americas.

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Disclaimer

This press release contains certain forward-looking statements that reflect the current views and/or expectations of AMX and its management with respect to its performance, business and future events. We use words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "should" and other similar expressions to identify forward-looking statements, but they are not the only way we identify such statements. Such statements are subject to a number of risks, uncertainties and assumptions. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in this release. AMX is under no obligation and expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

12.2 Press Release by AMX dated 21 August 2013

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This is a public announcement by América Móvil, S.A.B. de C.V. ("América Móvil") pursuant to the provisions of Section 7 paragraph 1 and Section 7 paragraph 4 of the Dutch Decree on Public Takeover Bids (Besluit openbare biedingen Wft, the "Takeover Decree"). This announcement and related information do not constitute a public offer to sell or the solicitation of an offer to buy or subscribe for any securities. Any offer will be made only by means of an offer memorandum.

The offer described in this announcement will be made for the ordinary shares of Koninklijke KPN N.V., a public limited liability company incorporated under Dutch law, and is subject to Dutch disclosure and procedural requirements, which are different from those of the United States. The offer will be made in the United States in compliance with Section 14(e) of, and Regulation 14E under, the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), subject to the exemptions provided by Rule 14d-1(d) under the U.S. Exchange Act and otherwise in accordance with the requirements of Dutch law. Accordingly, the offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, the offer timetable, settlement procedures and timing of payments, that are different from those applicable under U.S. domestic tender offer procedures and laws.

To the extent permissible under applicable law or regulation, América Móvil, S.A.B. de C.V. and its affiliates or brokers (acting as agents for América Móvil, S.A.B. de C.V. or its affiliates, as applicable) may from time to time after the date hereof, and other than pursuant to the offer, directly or indirectly purchase, or arrange to purchase, ordinary shares of Koninklijke KPN N.V., that are the subject of the offer or any securities that are convertible into, exchangeable for or exercisable for such shares. To the extent information about such purchases or arrangements to purchase is made public in The Netherlands, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Koninklijke KPN N.V. of such information. In addition, the financial advisors to América Móvil, S.A.B. de C.V., may also engage in ordinary course trading activities in securities of Koninklijke KPN N.V., which may include purchases or arrangements to purchase such securities. For purposes of this press release any reference to América Móvil shall where appropriate include Carso Telecom B.V., the affiliate designated by América Móvil to make the Intended Offer (as defined below). Any reference in this press release to a "voluntary public offer" and "voluntary tender offer" shall be construed as references to a full offer (volledig bod) as referred to in Section 1 paragraph b of the Takeover Decree.

The offer price shall be reduced by the per share amount of any dividends or other distributions paid or declared by Koninklijke KPN N.V. following the date hereof and prior to the settlement of the offer.

"América Móvil announces certain funds for voluntary public offer for KPN and submission of offer memorandum to the AFM"

Mexico City, Mexico, August 21, 2013 -- América Móvil, S.A.B. de C.V. ("América Móvil" or "AMX") (BMV: AMX; NYSE: AMX; Nasdaq: AMOV; LATIBEX: XAMXL) announced today that it has secured the necessary funds to fully finance payment of the offer price for all ordinary shares in the capital of Koninklijke KPN N.V. ("KPN") not yet held by América Movil under its intended voluntary public offer (the "Intended Offer") for KPN and that it will submit an offer memorandum to the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, "AFM") for approval on this same date.

América Móvil has entered into binding credit facilities subject to customary conditions with reputable global financial institutions regarding the full financing of the Intended Offer.

On August 9, 2013, América Móvil announced its intention to make (directly or through a wholly owned subsidiary) a voluntary tender offer in cash for all issued and outstanding ordinary shares in the capital of KPN at an offer price of EUR 2.40 per share. América Movil's wholly owned subsidiary making the offer will be Carso Telecom B.V.

As of this date, América Móvil holds (directly and indirectly) 1,267,677,000 ordinary shares in the capital of KPN, representing approximately 29.77% of all issued and outstanding ordinary shares in the capital of KPN.

Submission of an offer memorandum to the AFM and indicative timetable

América Móvil, through its wholly owned subsidiary Carso Telecom B.V., intends to submit an offer memorandum to the AFM following this announcement. In line with regulatory requirements, it shall at the same time submit a request for approval of its offer memorandum to the AFM. Once the offer memorandum is approved by the AFM, the Intended Offer will be made and the offer memorandum will be published. It is currently expected that this will take place during September 2013.

About América Móvil

América Móvil is the leading provider of telecommunication services in Latin America. As of June 30, 2013, it had approximately 262 million wireless subscribers and approximately 67 million fixed revenue generating units in the Americas.

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Disclaimer

This press release contains certain forward-looking statements that reflect the current views and/or expectations of América Móvil and its management with respect to its performance, business and future events. We use words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "should" and other similar expressions to identify forward-looking statements, but they are not the only way we identify such statements. Such statements are subject to a number of risks, uncertainties and assumptions. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in this release. América Móvil is under no obligation and expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

12.3 Press Release by AMX dated 26 August 2013

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This is a public announcement by América Móvil, S.A.B. de C.V. ("América Móvil") pursuant to the provisions of Section 4 paragraph 1 and paragraph 3 of the Dutch Decree on Public Takeover Bids (Besluit openbare biedingen Wft, the "Takeover Decree"). This announcement and related information do not constitute a public offer to sell or the solicitation of an offer to buy or subscribe for any securities. Any offer will be made only by means of an offer memorandum.

The offer described in this announcement will be made for the ordinary shares of Koninklijke KPN N.V., a public limited liability company incorporated under Dutch law, and is subject to Dutch disclosure and procedural requirements, which are different from those of the United States. The offer will be made in the United States in compliance with Section 14(e) of, and Regulation 14E under, the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), subject to the exemptions provided by Rule 14d-1(d) under the U.S. Exchange Act and otherwise in accordance with the requirements of Dutch law. Accordingly, the offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, the offer timetable, settlement procedures and timing of payments, that are different from those applicable under U.S. domestic tender offer procedures and laws.

To the extent permissible under applicable law or regulation, América Móvil, S.A.B. de C.V. and its affiliates or brokers (acting as agents for América Móvil, S.A.B. de C.V. or its affiliates, as applicable) may from time to time after the date hereof, and other than pursuant to the offer, directly or indirectly purchase, or arrange to purchase, ordinary shares of Koninklijke KPN N.V., that are the subject of the offer or any securities that are convertible into, exchangeable for or exercisable for such shares. To the extent information about such purchases or arrangements to purchase is made public in The Netherlands, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Koninklijke KPN N.V. of such information. In addition, the financial advisors to América Móvil, S.A.B. de C.V., may also engage in ordinary course trading activities in securities of Koninklijke KPN N.V., which may include purchases or arrangements to purchase such securities. For purposes of this press release any reference to América Móvil shall where appropriate include Carso Telecom B.V., the affiliate designated by América Móvil to make the Intended Offer (as defined below). Any reference in this press release to a "voluntary public offer" and "voluntary tender offer" shall be construed as references to a full offer (volledig bod) as referred to in Section 1 paragraph b of the Takeover Decree.

The offer price shall be reduced by the per share amount of any dividends or other distributions paid or declared by Koninklijke KPN N.V. following the date hereof and prior to the settlement of the offer.

"América Móvil to support sale of E-Plus at improved terms"

Mexico City, Mexico, August 26, 2013 -- América Móvil, S.A.B. de C.V. ("América Móvil" or "AMX") (BMV: AMX; NYSE: AMX; Nasdaq: AMOV; LATIBEX: XAMXL) announced today that Telefónica S.A. ("Telefónica") and Telefónica Deutschland Holdings AG ("Telefónica Deutschland") have agreed to improve the terms and conditions offered to Koninklijke KPN N.V. ("KPN") for the sale of 100% of E-Plus to Telefónica Deutschland (the "E-Plus Transaction"). As part of the improved terms, KPN will receive Euro 5.0 billion in cash and a *20.5%* stake in Telefónica Deutschland post transaction, for a total transaction value of Euro 8,550 million compared to the previous announced value of Euro 8,100 million. These terms have been approved by the unanimous vote of the Supervisory Board and Board of Management of KPN and by the boards of Telefónica and Telefónica Deutschland.

For its part, América Móvil has agreed with Telefónica to vote in favour of the E-Plus Transaction at the improved terms at the extraordinary general meeting of shareholders of KPN convened for such purpose. As of this date, América Móvil holds (directly and indirectly) approximately 29.77% of all issued and outstanding ordinary shares in the capital of KPN.

AMX Intended Offer

América Móvil remains committed to its announced plans and intentions to make (directly or through a wholly owned subsidiary) a voluntary public offer in cash for all issued and outstanding ordinary shares in the capital of KPN at an offer price of EUR 2.40 per share.

AMX Rationale

América Móvil believes that by acquiring a majority stake in KPN, both companies can benefit from greater operational co-operation and co-ordination facilitating the realization of further synergies, including in areas such as procurement, technology, marketing and operational excellence. Also, by achieving majority ownership, AMX believes it will be able to support KPN to a greater extent with its investment plans in a rapidly changing European environment.

América Móvil's historical success in the countries in which it operates has been founded on long term investments in infrastructure and providing innovative services to its customers. América Móvil believes both KPN and América Móvil can benefit from each other's long-term experience in the sector and their respective markets.

Through its extensive international footprint, including operations in countries such as México, Brasil and the United States of America, América Móvil recognizes the importance of local expertise in each relevant market and strong constructive relationships with governments of the countries in which it operates. Management and employees with such local experience and relationships are hence important for the achievement of KPN's future success.

América Móvil recently explained its intended offer to KPN representatives. América Móvil is open to continue discussions with KPN´s Supervisory Board and Board of Management regarding the potential terms of a constructive long-term relationship. AMX intends to initiate a dialogue with relevant authorities.

Consequences of the Offer

América Móvil intends to respect the identity of KPN and more particularly: (i) to retain the KPN headquarters in The Hague, The Netherlands; (ii) to KPN continuing to offer services under the KPN brands and (iii) to continue to investigate expansion investments that will differentiate KPN as a leading telecom service provider in its home markets.

Unless a significant majority of shareholders accept the offer, leading to América Móvil having a resulting shareholding in KPN of 95% or more, América Móvil expects KPN to maintain its listing on Euronext Amsterdam. In this context, América Móvil believes that KPN must continue to have proper corporate governance rules customary for public companies, including adequate minority shareholder protection.

Under the proposed transaction, KPN can focus on executing its business plans, positioning itself as a leader in all areas of its operations and providing outstanding services to its customers today and in the future, all backed by the operational experience of América Móvil.

About América Móvil

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12.4 Press Release by AMX dated 30 August 2013

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This is a public announcement by América Móvil, S.A.B. de C.V. ("América Móvil") pursuant to the provisions of Section 4 paragraph 1 and Section 4 paragraph 3 of the Dutch Decree on Public Takeover Bids (Besluit openbare biedingen Wft, the "Takeover Decree"). This announcement and related information do not constitute a public offer to sell or the solicitation of an offer to buy or subscribe for any securities. Any offer will be made only by means of an offer memorandum.

The offer described in this announcement will be made for the ordinary shares of Koninklijke KPN N.V., a public limited liability company incorporated under Dutch law, and is subject to Dutch disclosure and procedural requirements, which are different from those of the United States. The offer will be made in the United States in compliance with Section 14(e) of, and Regulation 14E under, the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), subject to the exemptions provided by Rule 14d-1(d) under the U.S. Exchange Act and otherwise in accordance with the requirements of Dutch law. Accordingly, the offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, the offer timetable, settlement procedures and timing of payments, that are different from those applicable under U.S. domestic tender offer procedures and laws.

To the extent permissible under applicable law or regulation, América Móvil, S.A.B. de C.V. and its affiliates or brokers (acting as agents for América Móvil, S.A.B. de C.V. or its affiliates, as applicable) may from time to time after the date hereof, and other than pursuant to the offer, directly or indirectly purchase, or arrange to purchase, ordinary shares of Koninklijke KPN N.V., that are the subject of the offer or any securities that are convertible into, exchangeable for or exercisable for such shares. To the extent information about such purchases or arrangements to purchase is made public in The Netherlands, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Koninklijke KPN N.V. of such information. In addition, the financial advisors to América Móvil, S.A.B. de C.V., may also engage in ordinary course trading activities in securities of Koninklijke KPN N.V., which may include purchases or arrangements to purchase such securities. For purposes of this press release any reference to América Móvil shall where appropriate include Carso Telecom B.V., the affiliate designated by América Móvil to make the Intended Offer (as defined below). Any reference in this press release to a "voluntary public offer" and "voluntary tender offer" shall be construed as references to a full offer (volledig bod) as referred to in Section 1 paragraph b of the Takeover Decree.

The offer price shall be reduced by the per share amount of any dividends or other distributions paid or declared by Koninklijke KPN N.V. following the date hereof and prior to the settlement of the offer.

américa móvil

"América Móvil notes exercise of the call option by the foundation preference shares class B KPN and continues to be committed to the intended offer for KPN"

Mexico City, Mexico, August 30, 2013 -- América Móvil, S.A.B. de C.V. ("América Móvil" or "AMX") (BMV: AMX; NYSE: AMX; Nasdaq: AMOV; LATIBEX: XAMXL) announced today that it has taken note of the announcement by the board of the *Stichting* Preference Shares B KPN (the "Foundation") that the Foundation has exercised the option granted to it by Koninklijke KPN N.V. ("KPN") to purchase class B preference shares in the capital of KPN. In addition América Móvil has taken note of the announcement by KPN's Supervisory Board and Management Board (the "KPN Boards") that KPN has issued 4,258,098,272 preference shares class B to the Foundation, resulting in the Foundation having obtained 4,258,098,272 preference shares class B in the capital of KPN, representing 50% minus 1 vote of all issued and outstanding shares in the capital of KPN.[1]

The Facts

América Móvil has been KPN´s largest minority shareholder since June, 2012. At the time we made our initial investment, the company was suffering the impact of

[1] Not taking into account 12,156,391 ordinary shares held by KPN as at 31 December 2012.

years of underinvestment in the business, as the company catered to investors seeking high cash returns and quick profits. In the process KPN had lost market share across the board as thousands of dissatisfied customers jumped ship to its competitors.

Less than six months after the completion of America Movil's initial investment América Móvil was sought out by KPN because the company was struggling to maintain an investment grade rating on its debt. When adjusted for pension and off-balance sheet obligations the real debt of the company was substantially higher, and was several times larger than the cash flow generated by its operations. The company feared that the loss of the investment grade status on its debt would make it extremely difficult for the company to meet its obligations.

América Móvil decided to support a re-capitalization effort at KPN. Thanks to its support, KPN managed to raise €4 billion euros in new equity, including €3 billion euros through a rights issue last May to which America Movil contributed €900 million euros.

Recently KPN decided to sell its German subsidiary E-Plus to the Spanish operator Telefónica. America Movil's efforts allowed KPN to receive €500 million euros more for the sale of its German asset than had been offered by Telefónica—and accepted by KPN.

América Móvil is an investor well known for taking the long view on its investments, for developing its companies, creating jobs and training its employees for them to adapt to a rapidly changing work environment driven by technological change.

We have acquired dozens of firms in the Americas, including in the U.S., and currently manage operations in 18 countries. We have over 150 thousand employees and continue to create jobs in the countries where we operate. **Our capital expenditures total 10 billion dollars per year** and have helped us build an integrated fixed and mobile operation throughout Latin America. Our business is one that is competitive and offers more and better services to its clients at increasingly affordable prices.

From the beginning América Móvil has tried to cooperate with KPN and to create value for KPN's stakeholders. We have operating knowhow and scale that KPN lacks and that can yield important improvements for the company. In February we entered into a Relationship Agreement with KPN that allowed us to have more interaction with the company's management with a view to making a greater contribution for the future of the company. As a long-term investor we believe we can help KPN focus more on its infrastructure investments for the benefit of its customers, its employees and its shareholders. We believe we can help make it into a better company, one that grows, creates jobs, is more competitive and ultimately is strong enough to remain a major player at home and abroad. And one that, because of its financial strength and technological reliability, serves its country well.

On August 9th America Movil announced its intention to make a public offer for the shares of KPN. This announcement, contrary to what has been stated by the Foundation, followed consultations with the company. Immediately after the announcement, and also contrary to the Foundation's statements, America Movil sought out KPN's management for the purpose of negotiating a new Relationship Agreement that would establish the basis of their interaction in years to come. As recently as this week we had further substantive discussions with KPN to progress the draft Relationship Agreement. Further meetings were scheduled to take place today, August 30th.

America Movil is a company that continues to grow, serving more customers and investing more in the development of new services. This is what we aim to do with KPN.

In the event that the Foundation maintains its current position and seeks to prevent the offer from proceeding to the detriment of KPN's customers, employees and shareholders, and also to the detriment of telecommunication services in the Netherlands, all of whom America Movil firmly believes will benefit from the offer, America Movil is prepared to withdraw its offer.

About América Móvil

América Móvil is the leading provider of telecommunication services in Latin America. As of June 30, 2013, it had approximately 262 million wireless subscribers and approximately 67 million fixed revenue generating units in the Americas.

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Disclaimer

This press release contains certain forward-looking statements that reflect the current views and/or expectations of América Móvil and its management with respect to its performance, business and future events. We use words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "should" and other similar expressions to identify forward-looking statements, but they are not the only way we identify such statements. Such statements are subject to a number of risks, uncertainties and assumptions. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in this release. América Móvil is under no obligation and expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

12.5 Press Release by AMX dated 12 September 2013

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This is a public announcement by América Móvil, S.A.B. de C.V. ("América Móvil") pursuant to the provisions of Section 4 paragraph 1 and Section 4 paragraph 3 of the Dutch Decree on Public Takeover Bids (Besluit openbare biedingen Wft, the "Takeover Decree"). This announcement and related information do not constitute a public offer to sell or the solicitation of an offer to buy or subscribe for any securities. Any offer will be made only by means of an offer memorandum.

The offer described in this announcement will be made for the ordinary shares of Koninklijke KPN N.V., a public limited liability company incorporated under Dutch law, and is subject to Dutch disclosure and procedural requirements, which are different from those of the United States. The offer will be made in the United States in compliance with Section 14(e) of, and Regulation 14E under, the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), subject to the exemptions provided by Rule 14d-1(d) under the U.S. Exchange Act and otherwise in accordance with the requirements of Dutch law. Accordingly, the offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, the offer timetable, settlement procedures and timing of payments, that are different from those applicable under U.S. domestic tender offer procedures and laws.

To the extent permissible under applicable law or regulation, América Móvil, S.A.B. de C.V. and its affiliates or brokers (acting as agents for América Móvil, S.A.B. de C.V. or its affiliates, as applicable) may from time to time after the date hereof, and other than pursuant to the offer, directly or indirectly purchase, or arrange to purchase, ordinary shares of Koninklijke KPN N.V., that are the subject of the offer or any securities that are convertible into, exchangeable for or exercisable for such shares. To the extent information about such purchases or arrangements to purchase is made public in The Netherlands, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Koninklijke KPN N.V. of such information. In addition, the financial advisors to América Móvil, S.A.B. de C.V., may also engage in ordinary course trading activities in securities of Koninklijke KPN N.V., which may include purchases or arrangements to purchase such securities. For purposes of this press release any reference to América Móvil shall where appropriate include Carso Telecom B.V., the affiliate designated by América Móvil to make the Intended Offer (as defined below). Any reference in this press release to a "voluntary public offer" and "voluntary tender offer" shall be construed as references to a full offer (volledig bod) as referred to in Section 1 paragraph b of the Takeover Decree.

The offer price shall be reduced by the per share amount of any dividends or other distributions paid or declared by Koninklijke KPN N.V. following the date hereof and prior to the settlement of the offer.

américa móvil

"América Móvil continues discussions with KPN"

Mexico City, Mexico, September 12, 2013 -- América Móvil, S.A.B. de C.V. ("América Móvil" or "AMX") (BMV: AMX; NYSE: AMX; Nasdaq: AMOV; LATIBEX: XAMXL) announced today that it continues to be committed to its previously announced plans to make (through its wholly owned subsidiary Carso Telecom B.V.) a voluntary public offer in cash for all issued and outstanding ordinary shares in the capital of KPN at an offer price of EUR 2.40 per share (the "Intended Offer"), and to the rationale for the Intended Offer and the intentions in relation to KPN, as set out in América Móvil's announcements dated 9 August 2013, 21 August 2013, 26 August 2013 and 30 August 2013. This announcement, providing a status confirmation of the Intended Offer, has been shared with the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, "AFM").

América Móvil is engaged in constructive dialogues with KPN.

América Móvil continues to carefully evaluate all options available to it in respect of the announcements by the Stichting Preference Shares B KPN (the "Foundation") and KPN of 29 August 2013 in relation to the exercise of the call option by the Foundation and the issue of the preference shares B by KPN, and to reserve any or all rights in this respect, including the right to withdraw the Intended Offer or, if the Intended Offer is made, the right to not declare the Intended Offer unconditional if the Foundation's ability to hold, acquire or vote preference shares B is retained.

About América Móvil

América Móvil is the leading provider of telecommunication services in Latin America. As of June 30, 2013, it had approximately 262 million wireless subscribers and approximately 67 million fixed revenue generating units in the Americas.

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Disclaimer

This press release contains certain forward-looking statements that reflect the current views and/or expectations of América Móvil and its management with respect to its performance, business and future events. We use words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "should" and other similar expressions to identify forward-looking statements, but they are not the only way we identify such statements. Such statements are subject to a number of risks, uncertainties and assumptions. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in this release. América Móvil is under no obligation and expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

12.6 Press Release by AMX dated 27 September 2013

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This is a public announcement by América Móvil, S.A.B. de C.V. ("América Móvil") pursuant to the provisions of Section 4 paragraph 1 and Section 4 paragraph 3 of the Dutch Decree on Public Takeover Bids (Besluit openbare biedingen Wft, the "Takeover Decree"). This announcement and related information do not constitute a public offer to sell or the solicitation of an offer to buy or subscribe for any securities. Any offer will be made only by means of an offer memorandum.

The offer described in this announcement will be made for the ordinary shares of Koninklijke KPN N.V., a public limited liability company incorporated under Dutch law, and is subject to Dutch disclosure and procedural requirements, which are different from those of the United States. The offer will be made in the United States in compliance with Section 14(e) of, and Regulation 14E under, the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), subject to the exemptions provided by Rule 14d-1(d) under the U.S. Exchange Act and otherwise in accordance with the requirements of Dutch law. Accordingly, the offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, the offer timetable, settlement procedures and timing of payments, that are different from those applicable under U.S. domestic tender offer procedures and laws.

To the extent permissible under applicable law or regulation, América Móvil, S.A.B. de C.V. and its affiliates or brokers (acting as agents for América Móvil, S.A.B. de C.V. or its affiliates, as applicable) may from time to time after the date hereof, and other than pursuant to the offer, directly or indirectly purchase, or arrange to purchase, ordinary shares of Koninklijke KPN N.V., that are the subject of the offer or any securities that are convertible into, exchangeable for or exercisable for such shares. To the extent information about such purchases or arrangements to purchase is made public in The Netherlands, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Koninklijke KPN N.V. of such information. In addition, the financial advisors to América Móvil, S.A.B. de C.V., may also engage in ordinary course trading activities in securities of Koninklijke KPN N.V., which may include purchases or arrangements to purchase such securities. For purposes of this press release any reference to América Móvil shall where appropriate include Carso Telecom B.V., the affiliate designated by América Móvil to make the Intended Offer (as defined below). Any reference in this press release to a "voluntary public offer" and "voluntary tender offer" shall be construed as references to a full offer (volledig bod) as referred to in Section 1 paragraph b of the Takeover Decree.

The offer price shall be reduced by the per share amount of any dividends or other distributions paid or declared by Koninklijke KPN N.V. following the date hereof and prior to the settlement of the offer.

"AMX gives update on timing of Intended Offer for KPN"

Mexico City, Mexico, September 27, 2013 -- América Móvil, S.A.B. de C.V. ("América Móvil" or "AMX") (BMV: AMX; NYSE: AMX; Nasdaq: AMOV; LATIBEX: XAMXL) announced today that – with reference to its earlier announcements made on August 9, 2013 and August 21, 2013 – launch of the voluntary public offer in cash for all issued and outstanding ordinary shares in the capital of Koninklijke KPN N.V. ("KPN") at an offer price of EUR 2.40 per share (the "Intended Offer") is no longer expected to occur in September 2013.

As previously announced, América Móvil is engaged in dialogues with KPN and stakeholders of KPN in relation to the Offer, and intends to allow for sufficient time for such discussions to be pursued.

América Móvil is making good progress towards finalizing preparations for the Intended Offer and currently expects that, in case it decides to proceed with making the Intended Offer, the offer memorandum will be published and the Intended Offer will be made in the course of October 2013.

As set out in América Móvil's announcements dated August 30, 2013 and September 12, 2013, América Móvil continues to carefully evaluate all options available to it in respect of the announcements made by the Stichting Preferente Aandelen B KPN (the "Foundation") and KPN on August 29, 2013 in relation to the exercise of the call option by the Foundation and the issue of the preference shares B by KPN, and to reserve any or all rights in this respect, including the right to withdraw the Intended Offer or, if the Intended Offer is made, the right to not declare the Intended Offer unconditional if the Foundation's ability to hold, acquire or vote preference shares B is retained.

About América Móvil

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Disclaimer

This press release contains certain forward-looking statements that reflect the current views and/or expectations of América Móvil and its management with respect to its performance, business and future events. We use words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "should" and other similar expressions to identify forward-looking statements, but they are not the only way we identify such statements. Such statements are subject to a number of risks, uncertainties and assumptions. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in this release. América Móvil is under no obligation and expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

13. FINANCIAL INFORMATION

13.1 Restrictions

This Section 13 (*Financial Information*) contains certain financial information relating to the KPN Group. This information has been derived from the Annual Report 2012, the Annual Report 2011, and the press release relating to the half year 2013 results dated 23 July 2013 (the "**HY 2013 Press Release**"), and has not been commented on, amended or verified by the Offeror and/or AMX. As the information underlying the information on KPN in this Section 13 (*Financial Information*) has been prepared by parties other than the Offeror or AMX, neither the Offeror nor AMX can assume any responsibility for the accuracy of this underlying information. KPN has not given its consent to include this information in this Offer Memorandum.

13.2 Comparative Overview

The tables below provide a comparative overview of KPN's consolidated statements of income, consolidated balance sheets and the consolidated statements of cash flows for the financial year 2012, the financial year 2011 and the financial year 2010. All amounts were derived from the audited financial statements for the financial year 2012 and the financial year 2011, as published in the Annual Report 2012 and the Annual Report 2011.

As KPN did not cooperate with the preparation of the Offer Memorandum and the Offeror did not have access to the auditor of KPN during the preparation of the Offer Memorandum, no auditor's statement in respect of the financial information included in this Section 13.2 was available to the Offeror for inclusion in the Offer Memorandum.

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13.2.1 Consolidated Statement of Income

Consolidated Statement of Income (x EUR 1,000)	**2012**	**2011**	**2010**
Revenues	12,409	13,022	13,324
Other income	299	141	74
Total	**12,708**	**13,163**	**13,398**
Own work capitalized	-113	-116	−101
Cost of materials	901	1,005	911
Work contracted out and other expenses	4,545	4,503	4,560
Employee benefits	1,911	1,874	1,932
Depreciation, amortization and impairments	2,708	2,589	2,226
Other operating expenses	936	759	620
Total operating expenses	**10,888**	**10,614**	**10,148**
Operating profit	**1,820**	**2,549**	**3,250**
Finance income	39	32	19
Finance costs	-732	-690	−860
Other financial results	-151	-96	−75
Financial income and expenses	**-844**	**-754**	**−916**
Share of the loss of associates and joint ventures	-13	-24	−31
Profit before income tax	**963**	**1,771**	**2,303**
Income taxes	-270	-222	-508
Profit for the year	**693**	**1,549**	**1,795**
Profit attributable to non-controlling Interests	2	–	2
Profit attributable to equity holders	691	1,549	1,793
Earnings per share after taxes attributable to equity holders for the year in EUR			
– Basic	0.49	1.06	1.15
– Fully-diluted	0.49	1.06	1.15

13.2.2 Consolidated statement of Financial Position - Assets

Consolidated Statement of Financial Position Assets (x EUR 1,000)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
NON-CURRENT ASSETS			
Goodwill	5,157	5,575	5,733
Licenses	2,191	2,495	2,818
Software	838	852	819
Other intangibles	272	290	385
Total intangible assets	**8,458**	**9,212**	**9,755**
Land and buildings	671	705	875
Plant and equipment	6,573	5,704	5,619
Other tangible non-current assets	94	116	130
Assets under construction	557	1,008	890
Total property, plant and equipment	**7,895**	**7,533**	**7,514**
Investments in associates and joint ventures	326	261	284
Loans to associates and joint ventures	227	127	33
Available-for-sale financial assets	35	48	53
Derivative financial instruments	233	169	17
Deferred income tax assets	1,822	1,831	1,918
Trade and other receivables	291	261	236
Total non-current assets	**19,287**	**19,442**	**19,810**
CURRENT ASSETS			
Inventories	111	123	153
Trade and other receivables	1,696	1,607	1,867
Income tax receivables	5	1	27
Cash and cash equivalents	1,286	990	823
Total current assets	**3,098**	**2,721**	**2,870**
Non-current assets and disposal groups held for sale	**28**	**224**	**57**
TOTAL ASSETS	**22,413**	**22,387**	**22,737**

13.2.3 Consolidated statement of Financial Position – Equity and Liability

Consolidated Statement of Financial Position Equity and Liabilities (x EUR 1,000)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
GROUP EQUITY			
Share capital	344	344	377
Share premium	6,717	6,717	8,184
Other reserves	-361	−127	−709
Retained earnings	-4,290	−4,004	−4,352
Equity attributable to equity holders	**2,410**	**2,930**	**3,500**
Non-controlling interests	51	–	–
Total Group equity	**2,461**	**2,930**	**3,500**
NON-CURRENT LIABILITIES			
Borrowings	12,369	11,641	11,359
Derivative financial instruments	458	229	250
Deferred income tax liabilities	440	793	956
Provisions for retirement benefit obligations	314	441	608
Provisions for other liabilities and charges	387	397	404
Other payables and deferred income	122	155	225
Total non-current liabilities	**14,090**	**13,656**	**13,802**
CURRENT LIABILITIES			
Trade and other payables	3,857	3,804	3,982
Borrowings	1,527	1,458	1,178
Derivative financial instruments	16	–	1
Income tax payables	270	218	152
Provisions for other liabilities and charges	186	129	106
Total current liabilities	**5,856**	**5,609**	**5,419**
Liabilities directly associated with non-current assets and disposal groups classified as held for sale	6	**192**	**16**
TOTAL EQUITY AND LIABILITIES	**22,413**	**22,387**	**22,737**

13.2.4 Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows (x EUR 1,000)	**2012**	**2011**	**2010**
Profit before income tax	963	1,771	2,303
Adjustments for:			
– Net finance cost	844	754	916
– Share-based compensation	-1	-15	-17
– Share of the profit of associates and joint ventures	13	24	31
– Depreciation, amortization and impairments	2,708	2,589	2,226
– Other income	-258	-137	-66
– Changes in provisions (excluding deferred taxes)	-127	-209	-336
Changes in working capital relating to:			
– Inventories	19	14	-52
– Trade receivables	5	24	27
– Prepayments and accrued income	37	64	19
– Other current assets	-15	12	-41
– Trade payables	-66	150	246
– Accruals and deferred income	56	-151	-88
– Current liabilities (excluding short-term financing)	-43	-20	-36
Dividends received	19	1	1
Income taxes received / paid	-486	-231	-589
Interest received / paid	-661	-637	-736
Net Cash flow provided by operating activities	**3,007**	**4,003**	**3,808**
Acquisition of subsidiaries, associates and joint ventures (net of acquired cash)	-323	-23	-106
Disposal of subsidiaries, associates and joint ventures	8	-2	63
Investments in intangible assets (excluding software)	-54	-27	-337
Investments in software	-429	-463	-411
Investments in property, plant and equipment	-1,780	-1,584	-1,398
Disposals of intangible assets (excluding software)	–	9	–
Disposals of software	1	1	1
Disposals of property, plant and equipment	529	176	103
Loans to associates and joint ventures	-89	-75	-65
Other changes and disposals	4	2	1
Net Cash flow used in investing activities	**-2,133**	**-1,986**	**-2,149**
Share repurchases	–	-1,000	-1,000
Dividends paid	-979	-1,200	-1,152
Proceeds from exercised options	2	5	13
Proceeds from borrowings	1,640	2,159	991
Repayments of borrowings and settlement of derivatives	-1,526	-1,702	-2,484
Other changes	-13	-10	-2
Net Cash flow used in financing activities	**-876**	**-1,748**	**-3,634**
Changes in cash and cash equivalents	**-2**	**269**	**-1,975**
Net Cash and cash equivalents at the beginning of the year	950	682	2,652
Exchange rate differences	-1	-1	5
Changes in cash and cash equivalents	-2	269	-1,975
Net Cash and cash equivalents at the end of the year	**947**	**950**	**682**
Cash classified as held for sale	-4	-36	-17
Bank overdrafts	343	76	158
Cash and cash equivalents	**1,286**	**990**	**823**

13.3 First half 2013 Unaudited Financial Information

On the pages 115 through and including 144 below a copy of the HY 2013 Press Release is included. KPN has not given its consent to include this information in this Offer Memorandum.

As KPN did not cooperate with the preparation of the Offer Memorandum, the Offeror did not have access to the auditor of KPN during the preparation of the Offer Memorandum, and the HY 2013 financial information was not reviewed by KPN's auditor, no review statement in respect of the financial information included in this Section 13.3 was available to the Offeror for inclusion in the Offer Memorandum.

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Press release
23 July 2013

Half year results 2013

Highlights

- Continued good operational performance, on track to realize outlook
- Strengthened financial position, provides sound platform to continue to execute strategy
- Revenues down due to challenging market circumstances; encouraging operational progress
  - 4G roll-out in The Netherlands accelerated, currently ~50% coverage
  - Triple play penetration at 42%, +12%-points y-on-y
  - Continued good postpaid net adds (H1 2013: 475k vs. H1 2012: 284k) and data growth (H1 2013: ~60%) in Germany
  - Strong postpaid net adds (Q2 2013: 53k) following new propositions launched in Q2 2013 in Belgium
- EBITDA reflecting higher commercial investments, mainly in Germany
  - Continued improvements underlying cost structure across the Group
  - ~3,900 FTE reductions in The Netherlands since start of program
- Free cash flow reflects lower revenues and higher investments
  - Majority of free cash flow to be generated in H2 2013 due to intrayear phasing

Key figures

Group financials*	Q2 2013	Q2 2012	Δ y-on-y	Δ y-on-y	YTD 2013	YTD 2012	Δ y-on-y	Δ y-on-y
(in EUR m, unless stated otherwise)	reported	reported	reported	underlying	reported	reported	reported	underlying
Revenues and other income	2,935	3,192	-8.1%	-6.1%	5,846	6,383	-8.4%	-5.2%
EBITDA	1,034	1,167	-11%	-14%	2,028	2,298	-12%	-11%
EBITDA margin	*35.2%*	*36.6%*			*34.7%*	*36.0%*		
EBITDA (excl. restructuring costs)	1,082	1,218	-11%		2,093	2,368	-12%	
Profit for the period (net profit)	108	334	-68%		248	640	-61%	
Earnings per share non-diluted (in EUR)**	0.02	0.14	-86%		0.08	0.27	-70%	
Capex	548	507	8.1%		1,083	967	12%	
Free cash flow	139	534	-74%		224	571	-61%	

* All non-IFRS terms are explained in the safe harbor section at the end of the interim financial statements
** Historic EPS restated following rights issue based on the adjustment of the historical share price (adjustment factor of 0.60628)

Message from the CEO, Eelco Blok

"Conditions remained challenging in the first half of 2013, however we have further strengthened our market positions. We continue to improve our networks, especially with the accelerated 4G rollout in The Netherlands. Our customer-centric propositions are increasingly yielding operational results demonstrated by growing triple play in The Netherlands and strong postpaid net additions and data growth in Germany and Belgium. And we are driving ahead with simplifying our processes and improving our underlying cost structure."

Group financial review

Revenues

Group revenues and other income were 8.1% or EUR 257m lower y-on-y in Q2 2013. This was mainly due to declining revenues at Consumer Mobile, Business, NetCo and Germany, partly offset by increasing revenues at Consumer Residential. The impact on Group revenues from regulation in Q2 2013 was EUR 61m (1.9%) y-on-y. Furthermore, revenues and other income were impacted by a net negative effect from M&A of EUR 25m and net positive effect from incidentals of EUR 15m. Underlying revenues and other income decreased by 6.1% y-on-y as a result of the competitive environment in all three mobile markets and continued decline of traditional fixed services impacting Business and NetCo.

Group revenues and other income *(in EUR m)*	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
KPN Group revenues	2,935	3,192	*-8.1%*	*-6.1%*	5,846	6,383	*-8.4%*	*-5.2%*
- *Of which The Netherlands*	1,735	1,907	*-9.0%*	*-7.6%*	3,494	3,883	*-10%*	*-6.9%*
- *Of which Mobile International*	997	1,082	*-7.9%*	*-4.6%*	1,950	2,102	*-7.2%*	*-3.4%*

EBITDA and EBITDA margin

Group EBITDA decreased by 11% or EUR 133m y-on-y in Q2 2013. EBITDA was impacted by regulation of EUR 32m (2.7%) and supported by a net positive effect from incidentals of EUR 52m. The EBITDA margin for the Group was 35.2% (Q2 2012: 36.6%). Underlying EBITDA decreased by 14% y-on-y, as a result of lower revenues and higher commercial investments, mainly in Germany (EUR 50m) supporting growth in postpaid net adds and data revenues. This resulted in an underlying EBITDA margin for the Group of 34.7% (Q2 2012: 37.7%). In The Netherlands, EBITDA was supported by the handset lease model in Consumer Mobile and 16% lower costs for employee benefits y-on-y mainly due to FTE reductions (of which 10% structurally lower expenses). This was offset by higher commercial costs at Consumer Residential and lower revenues at NetCo and Business. The underlying EBITDA margin in The Netherlands was 43.8% in Q2 2013 (Q2 2012: 43.5%).

In Q2 2013, further significant progress was made with reducing FTEs in The Netherlands. Approximately 900 FTE reductions were realized this quarter, mainly at Business, bringing the total FTE reductions to approximately 3,900 since the start of the program in 2011. The full program will result in 4,500 – 5,000 FTE reductions, to be finalized by the end of this year.

Group EBITDA* *(in EUR m)*	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
KPN Group EBITDA	1,034	1,167	*-11%*	*-14%*	2,028	2,298	*-12%*	*-11%*
- *Of which The Netherlands*	717	778	*-7.8%*	*-7.0%*	1,479	1,563	*-5.4%*	*-3.7%*
- *Of which Mobile International*	322	402	*-20%*	*-28%*	560	761	*-26%*	*-29%*

* All non-IFRS terms are explained in the safe harbor section at the end of the interim financial statements

Group EBITDA margin *(in %)*	Q2 2013 reported	Q2 2012 reported	Q2 2013 underlying	Q2 2012 underlying	YTD 2013 reported	YTD 2012 reported	YTD 2013 underlying	YTD 2012 underlying
KPN Group EBITDA margin	35.2%	36.6%	34.7%	37.7%	34.7%	36.0%	34.4%	36.8%
- *The Netherlands*	41.3%	40.8%	43.8%	43.5%	42.3%	40.3%	43.8%	42.4%
- *Germany*	34.2%	39.8%	27.0%	37.7%	30.1%	39.0%	26.0%	37.5%
- *Belgium*	26.8%	35.7%	26.8%	34.0%	26.0%	33.7%	26.0%	31.8%

EBIT and profit for the period

Group operating profit (EBIT) decreased by EUR 365m (-59%) y-on-y, due to EUR 133m lower EBITDA and EUR 232m higher depreciation and amortization. Depreciation increased in Q2 2013 by EUR 168m (50%) y-on-y due to impairments of EUR 75m in Germany and higher customer driven investments across the Group, while amortization was EUR 64m (30%) higher y-on-y mainly due to an impairment of assets of EUR 44m in Germany. Net profit decreased in Q2 2013 by EUR 226m (-68%) y-on-y, as lower operating profit was partly offset by positive income tax (Q2 2013: EUR 30m, Q2 2012: EUR -91m), which was supported by two positive one-offs totaling EUR 44m.

Group EBIT and profit for the period *(in EUR m, unless stated otherwise)*	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported
Operating profit (EBIT)	253	618	*-59%*	618	1,210	*-49%*
Profit for the period (net profit)	108	334	*-68%*	248	640	*-61%*
Earnings per share non-diluted (in EUR)*	0.02	0.14	*-86%*	0.08	0.27	*-70%*
Earnings per share fully diluted (in EUR)*	0.02	0.14	*-86%*	0.08	0.27	*-70%*

* Historic EPS restated following rights issue based on the adjustment of the historical share price (adjustment factor of 0.60628)

Capex

Capex for the first half of 2013 was EUR 1,083m (H1 2012: EUR 967m). Increased customer driven and mobile network investments, including the 4G roll-out in The Netherlands, were the main drivers for the EUR 116m increase in Capex compared to H1 2012. Customer driven investments related mainly to handsets and customer premises equipment to activate new IPTV and FttH customers.

Group Capex *(in EUR m)*	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported
KPN Group Capex	548	507	*8.1%*	1,083	967	*12%*
- *Of which The Netherlands*	369	333	*11%*	770	658	*17%*
- *Of which Mobile International*	177	171	*3.5%*	309	303	*2.0%*

Free cash flow

Cash flow from operating activities in the first half of 2013 was EUR 134m (-10%) lower y-on-y. EUR 270m lower EBITDA, EUR 45m higher interest paid and EUR 72m higher cash out related to changes in provisions (mainly related to FTE reductions) were partly offset by a EUR 149m positive effect from change in working capital and by EUR 73m less tax paid. Capex was EUR 116m higher in the first half of 2013 compared to the first half of 2012 and the tax recapture was EUR 61m lower, resulting in free cash flow of EUR 224m in H1 2013. Free cash flow reflects intrayear phasing, which implies that the majority of free cash flow is to be generated in the second half of the year.

Group free cash flow *(in EUR m)*	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported
Cash flow from operating activities	631	948	*-33%*	1,212	1,346	*-10%*
Capex	548	507	*8.1%*	1,083	967	*12%*
Free cash flow	139	534	*-74%*	224	571	*-61%*

Pension fund coverage ratio

At the end of Q2 2013 the average coverage ratio of the KPN pension funds in The Netherlands was 102% compared to 107% at the end of Q1 2013. The average coverage ratio decreased due to an increase in interest rates late in Q2 2013. This negatively impacted the value of some of the plan assets but did not lead to an increase in the three months' average interest rate with which the pension funds' obligations are discounted. Since the coverage ratio at the end of Q2 2013 was below the minimum requirement of 105%, a recovery payment of EUR 19m is required in Q4 2013. The agreement with the pension funds prescribes that the same amount (EUR 19m) also becomes payable in Q3 2013. In Q2 2013 a recovery payment of EUR 19m was made, which related to the coverage ratio at the end of Q4 2012.

Net debt to EBITDA

Net debt[1] at the end of Q2 2013 amounted to EUR 9.5bn, compared to EUR 12.5bn at the end of Q1 2013. The reduction resulted from a stable gross debt position and an increase of net cash & cash equivalents from EUR 1.0bn at the end of Q1 2013 to EUR 4.0bn at the end of Q2 2013. The increase in net cash & cash equivalents in Q2 2013 resulted from the EUR 3bn rights issue which was successfully completed in May 2013. Combined with a lower 12-month rolling EBITDA[2], this resulted in a net debt to EBITDA ratio of 2.2x by the end of Q2 2013 (Q1 2013: 2.8x).

KPN has a credit rating of Baa2 with a negative outlook by Moody's, BBB- with a stable outlook by Standard & Poor's and BBB- with a stable outlook by Fitch Ratings.

[1] Nominal debt repayment obligations in Euro at maturity, including 50% of hybrid capital instruments, less net cash and cash equivalents
[2] Based on 12 month rolling total EBITDA excluding book gains, release of provisions and restructuring costs, when over EUR 20m

Financial and operating review by segment

Consumer Residential

Underlying revenues and other income at Consumer Residential were 0.7% higher y-on-y in Q2 2013 due to continued growth in triple play revenues as a result of the good performance of IPTV and FttH, partly offset by the continued decline of traditional voice services. Underlying EBITDA decreased 10% y-on-y as a result of increased distribution and marketing costs, higher content costs related to IPTV growth and a continued decline in higher margin traditional services, resulting in an underlying EBITDA margin of 19.6% (Q2 2012: 21.9%). Several actions have been initiated to improve profitability, such as price increases as of 1 July 2013, increasing efficiencies through FTE reductions and quality programs, and continued reduction of churn by bundling services and FttH uptake.

The broadband customer base grew organically for the fourth consecutive quarter in Q2 2013, up by 12k. KPN's broadband market share (Q2 2013: 41%) was 2%-points higher compared to the same period last year. Net line loss in Q2 2013 was 15k due to decline of traditional services. KPN's market leading IPTV proposition resulted in another quarter of strong IPTV net adds (82k) leading to a TV market share of 24%, an increase of 5%-points y-on-y. ARPU per customer increased by 7.7% y-on-y to EUR 42 in Q2 2013. IPTV and FttH drove growth of triple play packages which resulted in 8.2% growth of Revenue Generating Units per customer to 2.13 (Q2 2012: 1.97). Triple play packages increased by 54k this quarter to a total of 1,131k (Q2 2012: 753k), resulting in a 42% triple play penetration level, 12%-points higher compared to the same quarter last year. FttH activations continued to grow by 30k net adds in Q2 2013, resulting in 429k homes activated.

Following the introduction of the KPN Compleet quad play proposition for existing customers at the beginning of this year, KPN Compleet was also made available to new customers in Q2 2013. At the end of Q2 2013 there were 55k KPN Compleet activations (Q1 2013: 29k).

Consumer Residential *(in EUR m)*	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	480	457	*5.0%*	*0.7%*	981	915	*7.2%*	*1.5%*
EBITDA	79	80	*-1.3%*	*-10%*	172	186	*-7.5%*	*-16%*

Consumer Mobile

Underlying revenues and other income at Consumer Mobile were down by 9.7% y-on-y in Q2 2013. The revenue decrease was driven by lower service revenues and lower hardware sales. Underlying service revenues decreased by 7.2% y-on-y, driven by lower traffic, partly offset by higher committed revenues. Underlying EBITDA margin was 35.2% (Q2 2012: 29.5%), supported by the handset lease model and phasing of marketing spend.

KPN estimates that its total Dutch mobile market share remained relatively stable around 45%. In Q2 2013, the retail postpaid net adds were 7k[3] and the retail postpaid ARPU declined y-on-y to EUR 32 (Q2 2012: EUR 36), due to a competitive market and an increasing share of SIM-only subscriptions. Committed postpaid retail ARPU improved to 72%, up 9%-points y-on-y.

KPN is the first mover in the Dutch market with 4G and has announced the acceleration of the 4G roll-out to reach nationwide coverage by the end of Q1 2014. The 4G roll-out is firmly on track with currently approximately 50% of the Dutch population covered. On 1 July 2013, new simplified propositions were launched for the KPN brand with 4G included in the All-in-One propositions. These

[3] Including a 13k positive one-off adjustment to customer base

simpler tariffs differentiate in data allowance and speed and include a flat fee for unlimited voice and SMS and handset ownership instead of handset lease.

Consumer Mobile *(in EUR m)*	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y Underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	389	444	*-12%*	*-9.7%*	782	871	*-10%*	*-9.3%*
EBITDA	135	134	*0.7%*	*7.9%*	276	228	*21%*	*26%*

Business

Underlying revenues and other income for the Business segment declined by 8.6% y-on-y due to lower hardware sales, decline in traditional services and continued price pressure. Continued difficult macro-economic conditions resulted in a reduced order intake of corporate customer projects. Underlying EBITDA decreased by 16% in Q2 2013 y-on-y. The decline in high margin revenues was partly offset by lower personnel costs as a result of the FTE reduction program. The underlying EBITDA margin in Q2 2013 was 24.9% (Q2 2012: 26.9%). KPN is performing relatively well in a challenging business market and has maintained its stable market positions.

Wireless data revenues in Q2 2013 were supported by growing data usage. However, total service revenues (-1.6% y-on-y) continued to be under pressure impacted by regulation and declining traffic volumes. As a result, the ARPU was lower at EUR 49 (Q2 2012: EUR 51). To further mitigate the effect of traffic declines KPN aims to support the uptake of flat fee propositions in the business market.

Traditional wireline services showed a continued decline in both access lines and traffic volumes. This was partly mitigated by further migration of the customer base to flat fee propositions. In June 2013, KPN introduced KPN ÉÉN, providing integrated fixed, mobile and ICT solutions for Business customers, underpinning the strategy to bundle services.

The sale of Infrastructure Services & Projects, announced in Q1 2013, was completed subsequent to the approval of ACM in April. The transaction resulted in a book gain of EUR 23m in Q2 2013.

Business *(in EUR m)*	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	706	752	*-6.1%*	*-8.6%*	1,407	1,498	*-6.1%*	*-7.8%*
EBITDA	185	201	*-8.0%*	*-16%*	366	394	*-7.1%*	*-14%*

NetCo

Underlying revenues and other income at NetCo declined by 6.5% in Q2 2013 driven mainly by FTA regulation impacting wholesale traffic revenues. Underlying EBITDA decreased by 8.1% y-on-y as a result of a continued decline of traditional services and higher FttH access costs, partly offset by lower personnel costs due to the FTE reduction program. The underlying EBITDA margin was 55.3% in Q2 2013 (Q2 2012: 56.3%).

The FttH roll-out continued and 128k homes passed were added in Q2 2013, making a total of 1,455k homes passed at the end of the quarter (Q2 2012: 986k).

NetCo (in EUR m)	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	587	635	-7.6%	-6.5%	1,190	1,299	-8.4%	-6.6%
EBITDA	325	345	-5.8%	-8.1%	667	732	-8.9%	-7.0%

IT Solutions

Underlying revenues and other income at IT Solutions decreased by 9.4% y-on-y in Q2 2013, as a result of continued price pressure due to overcapacity in the market and postponement of (large) investments by clients. Underlying EBITDA decreased by 18% y-on-y, mainly as a result of lower margin contract renewals, partly offset by lower personnel costs due to the FTE reduction program. Consequently, the underlying EBITDA margin declined to 8.5% (Q2 2012: 9.4%).

IT Solutions (in EUR m)	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	164	231	-29%	-9.4%	321	528	-39%	-7.2%
EBITDA	9	24	-63%	-18%	18	32	-44%	75%

iBasis

Underlying revenues and other income at iBasis decreased by 5.4% y-on-y, due to price pressure in the market and an unfavorable currency effect of 0.7%. The underlying EBITDA margin was relatively stable at 2.8% as margin pressure was offset by good cost control.

iBasis (in EUR m)	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	247	261	-5.4%	-5.4%	489	516	-5.2%	-5.2%
EBITDA	7	7	0.0%	0.0%	14	14	0.0%	0.0%

Germany

Underlying revenues and other income in Germany declined by 1.8% y-on-y in Q2 2013 as strong performance in postpaid was offset by the negative impact of a decrease in SMS and voice usage in the prepaid segment. Hardware sales continued to increase supporting the uptake of data propositions, which partly offset a decline in underlying service revenue. The underlying service revenue decline is stabilizing and was 2.4% y-on-y in Q2 2013. Underlying EBITDA decreased by EUR 88m (30%) y-on-y, mainly as a result of increased growth related investments (EUR 50m), the impact of lower revenues (EUR 22m) and higher network and other costs (EUR 16m) related to a larger scale data network. The growth related investments such as customer acquisition and marketing costs support growth in postpaid net adds and data revenues, mainly in underpenetrated regions. As a result of these investments, the underlying EBITDA margin was 27.0% in Q2 2013 (Q2 2012: 37.7%). E-Plus' market share in Q2 2013 is estimated to be stable at ~15% in a competitive environment.

The data network in Germany has been further improved in terms of coverage, capacity and quality. E-Plus more than doubled its data speed compared to Q2 2012 supported by the dual carrier roll-out and the average throughput is now 4.1Mbps, ranking as the third network in Germany[4]. Increased speeds and increased network capacity have improved customer experience and supported the take-

[4] Source: NetCheck network quality benchmark

up of postpaid net adds and data revenues. This is evidenced by the accelerating data revenue growth of approximately 60% in the first half of 2013, compared to the first half of 2012.

An increased focus on postpaid, especially in underpenetrated regions, resulted in continued strong postpaid net adds of 210k in Q2 2013 (Q2 2012: 179k). Postpaid ARPU in Q2 2013 (EUR 20) was stable compared to Q1 2013 but declined somewhat compared to Q2 2012 (EUR 21), mainly impacted by regulation. Prepaid ARPU remained stable at EUR 6, as the declining voice and SMS usage was offset by a one-off adjustment of deferred revenues. E-Plus will continue to focus on growing postpaid and stabilizing prepaid, and is making good progress.

Germany *(in EUR m)*	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	803	842	*-4.6%*	*-1.8%*	1,563	1,636	*-4.5%*	*-0.8%*
EBITDA	275	335	*-18%*	*-30%*	470	638	*-26%*	*-31%*

Belgium

Underlying revenues in Belgium decreased by 5.7% y-on-y in Q2 2013 as a result of declining underlying service revenue (3.6%) and lower other revenues. Underlying service revenue declined as a result of price pressure caused by continued competition in the Belgian mobile market. Underlying EBITDA declined by 26% y-on-y due to lower revenues and higher commercial costs related to the launch of a new mobile and fixed portfolio.

Although the size of the Belgian mobile market is under pressure due to continued competition and the implemented change to the telecoms law, which allows for increased tariff optimization, BASE Company continued to outperform the market and has grown its market share to approximately 21% in Q2 2013. The successful introduction of the new mobile propositions in April 2013 resulted in 53k postpaid net adds (Q2 2012: 4k), the highest number of net adds since Q4 2005. Prepaid net adds of negative 54k[5] in Q2 2013 were impacted by the annualizing effect of last year's campaign. Postpaid ARPU was lower y-on-y at EUR 35 (Q2 2012: EUR 41) impacted by regulation and increased competition.

The significant investments made during recent years in the network infrastructure have resulted in a leading network position[6] for BASE Company, with the number one position in voice quality and joint number one position in data quality. BASE Company aims to have the majority of the Belgian population covered by LTE at the end of 2014.

Belgium *(in EUR m)*	Q2 2013 reported	Q2 2012 reported	Δ y-on-y reported	Δ y-on-y underlying	YTD 2013 reported	YTD 2012 reported	Δ y-on-y reported	Δ y-on-y underlying
Revenues and other income	183	207	*-12%*	*-5.7%*	366	398	*-8.0%*	*-2.1%*
EBITDA	49	74	*-34%*	*-26%*	95	134	*-29%*	*-20%*

[5] Excluding clean-up of 108k
[6] Source: NetCheck network quality benchmark

Outlook[7]

KPN is on track to realize its outlook.

- The Netherlands is expected to stabilize towards 2014
- Next phase in the German strategy is expected to lead to service revenue growth combined with lower EBITDA margin, especially in 2013
- Capex in 2013 below EUR 2.3bn and total planned Capex for the period 2013-2015 below EUR 7bn, including Reggefiber[8]
- No dividend for 2013 and 2014. Thereafter resume dividend payments, subject to operational performance and financial position

Risk management

KPN's risk categories and risk factors which could have a material impact on its financial position and results, are extensively described in KPN's 2012 Annual Report (page 134). Those risk categories and factors are deemed incorporated and repeated in this report by this reference and KPN beliefs that these risks similarly apply for the second quarter of 2013.

With respect to regulatory risk, reference is made to note [13] regulatory developments and with regard to related parties reference is made to note [12] related parties.

[7] Excluding sale of E-Plus
[8] Reggefiber not expected to be consolidated before H2 2014

Analysis of underlying results Q2 2013

The following table shows the key items between reporting and underlying revenues.

Revenues and other income *(in EUR m)*	Q2 2013 reported	M&A	Incidentals	Q2 2013 underlying	Q2 2012 reported	Regulation*	M&A	Incidentals	Q2 2012 underlying	Δ y-on-y reported	Δ y-on-y underlying
Germany	803		29	774	842	-38		16	788	-4.6%	-1.8%
Belgium	183			183	207	-13			194	-12%	-5.7%
Rest of World					61				61	-100%	-100%
Other	11			11	-28				-28	n.m.	n.m.
Mobile International	**997**		**29**	**968**	**1,082**	**-51**		**16**	**1,015**	**-7.9%**	**-4.6%**
Consumer Mobile	389			389	444	-6		7	431	-12%	-9.7%
Consumer Residential	480	20		460	457				457	5.0%	0.7%
Business	706	11	23	672	752	-3	14		735	-6.1%	-8.6%
NetCo	587		-6	593	635	-1			634	-7.6%	-6.5%
Other	-526			-526	-530				-530	-0.8%	-0.8%
Dutch Telco	**1,636**	**31**	**17**	**1,588**	**1,758**	**-10**	**14**	**7**	**1,727**	**-6.9%**	**-8.0%**
IT Solutions	164			164	231		42	8	181	-29%	-9.4%
Other	-65			-65	-82				-82	-21%	-21%
The Netherlands	**1,735**	**31**	**17**	**1,687**	**1,907**	**-10**	**56**	**15**	**1,826**	**-9.0%**	**-7.6%**
iBasis	247			247	261				261	-5.4%	-5.4%
Other activities	18			18	18				18	0.0%	0.0%
Intercompany revenues	-62			-62	-76				-76	-18%	-18%
KPN Group	**2,935**	**31**	**46**	**2,858**	**3,192**	**-61**	**56**	**31**	**3,044**	**-8.1%**	**-6.1%**

* To calculate regulatory impact the revenues for the same period last year are adjusted using last year's volumes and this year's tariffs

The following table specifies the revenue incidentals in more detail.

Revenues incidentals *(in EUR m)*	Segment	Q2 2013	Q2 2012
Adjustment deferred revenue	Germany	29	
Book gain sale SNT	Germany		16
Adjustment deferred revenue	Consumer Mobile		7
Book gain sale IS&P	Business	23	
Additional provision	NetCo	-6	
Book gain sale Getronics International	IT Solutions		8

The following table shows the key items between reporting and underlying EBITDA.

EBITDA *(in EUR m)*	Q2 2013 reported	M&A	Incidentals	Restructuring	Q2 2013 underlying	Q2 2012 reported	Regulation*	M&A	Incidentals	Restructuring	Q2 2012 underlying	Δ y-on-y reported	Δ y-on-y underlying
Germany	275		66		209	335	-22		16		297	-18%	-30%
Belgium	49				49	74	-8				66	-34%	-26%
Rest of World						-5					-5	-100%	-100%
Other	-2				-2	-2					-2	0.0%	0.0%
Mobile International	**322**		**66**		**256**	**402**	**-30**		**16**		**356**	**-20%**	**-28%**
Consumer Mobile	135			-2	137	134	-1		7	-1	127	0.7%	7.9%
Consumer Residential	79	-1		-10	90	80				-20	100	-1.3%	-10%
Business	185	4	23	-9	167	201	-1	3		-1	198	-8.0%	-16%
NetCo	325		-1	-2	328	345			5	-17	357	-5.8%	-8.1%
Other	-16			-19	3	-6				-2	-4	>100%	n.m.
Dutch Telco	**708**	**3**	**22**	**-42**	**725**	**754**	**-2**	**3**	**12**	**-41**	**778**	**-6.1%**	**-6.8%**
IT Solutions	9			-5	14	24			8	-1	17	-63%	-18%
Other												n.m.	n.m.
The Netherlands	**717**	**3**	**22**	**-47**	**739**	**778**	**-2**	**3**	**20**	**-42**	**795**	**-7.8%**	**-7.0%**
iBasis	7				7	7					7	0.0%	0.0%
Other activities	-12			-1	-11	-20				-9	-11	-40%	0.0%
KPN Group	**1,034**	**3**	**88**	**-48**	**991**	**1,167**	**-32**	**3**	**36**	**-51**	**1,147**	**-11%**	**-14%**

* To calculate regulatory impact the revenues for the same period last year are adjusted using last year's volumes and this year's tariffs

The following table specifies the EBITDA incidentals in more detail.

EBITDA incidentals *(in EUR m)*	Segment	Q2 2013	Q2 2012
Adjustment deferred revenue	Germany	29	
Book gain sale SNT	Germany		16
Adjustment deferred revenue	Consumer Mobile		7
Book gain sale IS&P	Business	23	
Additional provision	NetCo	-6	
Book gain sale Getronics International	IT Solutions		8
Release of asset retirement obligation	NetCo	5	
Release of asset retirement obligation	Germany	37	
Release of provision	NetCo		5

Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2013

Unaudited Consolidated Statement of Income

(in EUR m, unless indicated otherwise)	For the three months ended 30 June 2013	2012	For the six months ended 30 June 2013	2012
Revenues	2,914	3,154	5,816	6,312
Other income	21	38	30	71
Revenues and other income [1]	2,935	3,192	5,846	6,383
Own work capitalized	-29	-29	-59	-57
Cost of materials	190	236	364	500
Work contracted out and other expenses	1,160	1,142	2,285	2,285
Employee benefits	390	452	826	957
Depreciation, amortization and impairments	781	549	1,410	1,088
Other operating expenses	190	224	402	400
Total operating expenses	2,682	2,574	5,228	5,173
Operating profit [2]	253	618	618	1,210
Finance income	6	8	11	13
Finance costs	-196	-191	-386	-377
Other financial results	24	-3	22	-18
Finance income and expenses [3]	-166	-186	-353	-382
Share of the profit of associates and joint ventures	-9	-7	-12	-13
Profit before income tax	78	425	253	815
Income taxes [4]	30	-91	-5	-175
Profit for the period	108	334	248	640
Profit attributable to non-controlling interest	1	-	3	-
Profit attributable to equity holders	107	334	245	640
Earnings per ordinary share on non-diluted basis (in EUR)*	0.02	0.14	0.08	0.27
Earnings per ordinary share on fully diluted basis (in EUR)*	0.02	0.14	0.08	0.27
Weighted average number of shares on a non-diluted basis*			2,802,543,420	2,348,443,311
Weighted average number of shares on a fully diluted basis*			2,805,077,037	2,349,299,697

* Historic EPS and number of weighted average number of shares (non-diluted and fully diluted) restated following rights issue based on the adjustment of the historical share price (adjustment factor of 0.60628)

Unaudited Consolidated Statement of Comprehensive Income

(in EUR m, unless indicated otherwise)	For the three months ended 30 June 2013	2012	For the six months ended 30 June 2013	2012
Profit for the period	108	334	248	640
Items of other comprehensive income that will not be reclassified subsequently to profit or loss:				
Actuarial result pensions and other post-employment plans:				
Gains or (losses) arising during the period	234	-673	98	-394
Income tax	-36	125	-16	80
	198	-548	82	-314
Items of other comprehensive income that will be reclassified subsequently to profit or loss when specific conditions are met:				
Cash flow hedges:				
Gains or (losses) arising during the period	-158	68	-147	-222
Income tax	39	-18	37	54
	-119	50	-110	-168
Currency translation adjustments:				
Gains or (losses) arising during the period	1	-	5	4
Income tax	-	-	-	-
	1	-	5	4
Fair value adjustment available for sale financial assets:				
Unrealized gains or (losses) arising during the period	-	-2	7	1
Realized gains through the income statement	-8	-	-8	-
	-8	-2	-1	1
Other comprehensive income for the period, net of tax	72	-500	-24	-477
Total comprehensive income for the year, net of tax	180	-166	224	163
Total comprehensive income attributable to:				
Equity holders	179	-166	221	163
Non-controlling interest	1	-	3	-

Unaudited Consolidated Statement of Financial Position

ASSETS (in EUR m)	As at 30 June 2013	31 December 2012
NON-CURRENT ASSETS		
Goodwill	5,158	5,157
Licenses	3,395	2,191
Software	722	838
Other intangibles	189	272
Total intangible assets	9,464	8,458
Land and buildings	660	671
Plant and equipment	6,616	6,573
Other tangible non-current assets	91	94
Assets under construction	688	557
Total property, plant and equipment	8,055	7,895
Investments in associates and joint ventures	321	326
Loans to associates and joint ventures	256	227
Available-for-sale financial assets	19	35
Derivative financial instruments	118	233
Deferred income tax assets	1,890	1,847
Trade and other receivables	169	154
Total non-current assets	20,292	19,175
CURRENT ASSETS		
Inventories	118	111
Trade and other receivables	1,721	1,696
Income tax receivables	7	5
Cash and cash equivalents [5]	4,345	1,286
Total current assets	6,191	3,098
Non-current assets and disposal groups classified as held for sale [6]	-	28
TOTAL ASSETS	26,483	22,301

EQUITY AND LIABILITIES (in EUR m)	As at 30 June 2013	31 December 2012
GROUP EQUITY		
Share capital	1,025	344
Share premium	8,993	6,717
Other reserves	-467	-361
Perpetual capital securities [8]	1,089	-
Retained earnings	-5,089	-5,417
Equity attributable to equity holders	5,551	1,283
Non-controlling interest	50	51
Total group equity [7]	5,601	1,334
NON-CURRENT LIABILITIES		
Borrowings [8]	11,720	12,369
Derivative financial instruments	668	458
Deferred income tax liabilities	93	211
Provisions for retirement benefit obligations	1,423	1,557
Provisions for other liabilities and charges	323	387
Other payables and deferred income	87	122
Total non-current liabilities	14,314	15,104
CURRENT LIABILITIES		
Trade and other payables	3,732	3,858
Borrowings [8]	2,428	1,527
Derivative financial instruments	6	16
Income tax payables	267	270
Provision for other liabilities and charges	135	186
Total current liabilities	6,568	5,857
Liabilities directly associated with non-current assets and disposal groups classified as held for sale	-	6
TOTAL EQUITY AND LIABILITIES	26,483	22,301

Unaudited Consolidated Statement of Cash Flows

(in EUR m)	For the six months ended 30 June	
	2013	2012
Profit before income tax	253	815
Adjustments for:		
- Net finance costs	353	382
- Share-based compensation	1	1
- Share of the profit of associated and joint ventures	12	13
- Depreciation, amortization and impairments	1,410	1,088
- Other income	-27	-58
- Changes in provisions (excl. deferred taxes)	-180	-108
Changes in working capital relating to:		
- Inventories	-9	-3
- Trade receivables	80	-14
- Prepayments and accrued income	-108	-140
- Other current assets	22	28
- Trade payables	99	41
- Accruals and deferred income	-59	-52
- Current liabilities (excl. short-term financing)	-75	-59
Change in working capital	-50	-199
Dividends received	1	1
Taxes paid / received	-137	-210
Interest paid	-424	-379
Net cash flow from operations	1,212	1,346
Acquisition of subsidiaries, associates and joint ventures (net of acquired cash)	-33	-161
Disposal of subsidiaries, associates and joint ventures	53	-2
Investments in intangible assets (excl. software)	-1,358	-16
Investments in property, plant & equipment	-939	-822
Investments in software	-144	-145
Disposal in property, plant & equipment	8	5
Disposals of real estate	2	38
Other changes and disposals	-20	-43
Net cash flow from investing activities	-2,431	-1,146
Rights issue [7]	2,948	-
Dividends paid	-4	-809
Exercised options	-	2
Issuance of perpetual hybrid bond [8]	1,085	-
Proceeds from borrowings [8]	915	847
Repayments from borrowings and settlement of derivatives	-613	-425
Other changes in interest-bearing current liabilities	-25	-4
Net cash flow used in financing activities	4,306	-389
Changes in cash and cash equivalents	3,087	-189
Net cash and cash equivalents at beginning of period	947	950
Exchange rate difference	-	1
Changes in cash and cash equivalents	3,087	-189
Net cash and cash equivalents at end of period	4,034	762
Bank overdrafts	311	116
Cash classified as held for sale	-	-
Cash and cash equivalents at end of period [5]	4,345	878

Unaudited Consolidated Statement of Changes in Group Equity

(in EUR m, except number of shares)	Number of subscribed shares	Share capital	Share premium	Perpetual capital securities	Other reserves	Retained earnings	Equity attributable to owners of the parent	Non controlling interests	Total Group equity
Balance as of 1 January 2012	1,431,522,482	344	6,717	-	-127	-4,661	2,273	-	2,273
Share based compensation	-	-	-	-	-	1	1	-	1
Exercise of options	-	-	-	-	2	-	2	-	2
Dividends paid [10]	-	-	-	-	-	-809	-809	-	-809
Comprehensive income for the period	-	-	-	-	-163	326	163	-	163
Balance as of 30 June 2012	1,431,522,482	344	6,717	-	-288	-5,143	1,630	-	1,630
Balance as of 1 January 2013	1,431,522,482	344	6,717	-	-361	-5,417	1,283	51	1,334
Rights issue [7]	2,838,732,182	681	2,276	-	-	-	2,957	-	2,957
Issuance of perpetual hybrid bond [8]	-	-	-	1,089	-	-	1,089	-	1,089
Share based compensation	-	-	-	-	-	1	1	-	1
Exercise of options	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-4	-4
Comprehensive income for the period	-	-	-	-	-106	327	221	3	224
Balance as of 30 June 2013	4,270,254,664	1,025	8,993	1,089	-467	-5,089	5,551	50	5,601

Notes to the Condensed Consolidated Interim Financial Statements

Company profile

KPN is the leading telecommunications and ICT provider in The Netherlands offering wireline and wireless telephony, broadband and TV to consumers and end-to-end telecom and ICT services to business customers. In Germany and Belgium, KPN pursues a Challenger strategy in its wireless operations and offers mobile telephony products and services to retail customers through E-Plus and BASE Company, respectively. In Belgium, BASE Company also offers fixed line services, via the incumbent's VDSL network. KPN operates an efficient IP-based infrastructure with global scale in international wholesale through iBasis.

Accounting policies

Basis of presentation

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. As permitted by IAS 34, the condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. In addition, the notes to these consolidated financial statements are presented in a condensed format. The applied accounting policies are in line with those as described in KPN's 2012 Annual Report except for the impact of new accounting standards (described below). These condensed consolidated interim financial statements have not been audited or reviewed by the KPN's external auditor.

Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period as well as the information disclosed. For KPN's critical accounting estimates and judgments, reference is made to the notes to the Consolidated Financial Statements contained in the 2012 Annual Report, including the determination of deferred tax assets for carry forward losses and the provision for tax contingencies, the determination of fair value less costs to sell and value in use of cash-generating units for goodwill impairment testing, the depreciation rates for the copper and fiber network, the assumptions used to determine the value of the call/put arrangements of Reggefiber Group, the assumptions used to determine the provision for retirement benefit obligations and pension and net interest costs (such as expected discount rates, return on plan assets and benefit increases) and the 'more likely than not' assessment required to determine whether or not to recognize a provision for idle cables, which are part of a public electronic communications network. Also reference is made to note [29] 'Capital and Financial Risk Management' to the Consolidated Financial Statements contained in the 2012 Annual Report which discusses KPN's exposure to credit risk and financial market risks.

As of 1 January 2013, KPN changed the economic life of copper to ten years compared to a fixed end term until 31 December 2022 applied in previous years. This change did not result in a change of depreciation charges. Furthermore, KPN changed the assumption used for determining certain accrued expenses at NetCo, resulting in a one-off gain of EUR 17m in Q1 2013. As of 1 April 2013, KPN changed the assumptions used for determining asset retirement obligations for mobile sites, based on historical information.

Change in accounting policies

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

- Elimination of the corridor approach and recognition of all actuarial gains and losses in Other Comprehensive Income as they occur;
- Immediate recognition of all past service costs; and

- Replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

In addition, net interest costs are presented as other financial results as of 1 January 2013, because this provides a better view of the operating expenses related to KPN's pension plans. IAS 19R is applied to the (interim) financial statements 2013 with restatement of comparative 2012 numbers.

The impact of IAS 19R on equity attributable to equity holders in 2012 can be summarized as follows:

(in EUR m)	31 December 2012	30 June 2012	1 January 2012
Equity attributable to equity holders as previously reported	2,410	2,564	2,930
IAS 19R impact (net of deferred tax)	-1,127	-934	-657
Adjusted equity attributable to equity holders	1,283	1,630	2,273

The movement in IAS 19R impact on equity attributable to equity holders in the first six months of 2012 can be summarized as follows:

(in EUR m)	Unrecognized actuarial losses/past service cost	Deferred tax	Net
Balance as at 1 January 2012	783	-126	657
Reversal amortization	-45	-	-45
Adjustment expected return plan assets	7	-	7
Higher tax expense	-	1	1
Actuarial losses	394	-80	314
Balance as at 30 June 2012	1,139	-205	934

The impact of IAS 19R on the net pension provision at 31 December 2012 is an increase of EUR 1,380m and at 30 June 2012 an increase of EUR 1,140m. The impact of IAS 19R on net deferred tax assets at 31 December 2012 is an increase of EUR 253m and at 30 June 2012 an increase of EUR 206m.

The impact of IAS 19R on the Consolidated Statement of Income in the first six months of 2012 can be summarized as follows:

(in EUR m)	As reported	IAS 19R impact	Adjusted
Employee benefits	1,012	-55	957
Total operating expenses	5,228	-55	5,173
Operating profit	1,155	55	1,210
Finance income and expense	-364	-17	-381
Profit before income tax	778	38	816
Income taxes	-175	-1	-176
Profit for the period	603	37	640

The impact of IAS 19R on Total Comprehensive Income in the first six months of 2012 is a decrease of EUR 277m (consisting of net actuarial losses of EUR 314m and profit for the period of EUR 37m).

For a more detailed explanation of the impact of IAS 19R on the Consolidated Statement of Income 2012 and the Consolidated Statement of Financial Position as at 31 December 2012, reference is made to page 99 of KPN's Annual Report 2012.

Changes to organizational structure

As per 1 January 2013 KPN Group's organizational structure and reporting format has been changed.

First of all, certain parts of KPN Corporate Market have been integrated in the Business segment. The remaining part of KPN Corporate Market has been renamed IT Solutions and will continue to focus on data centers, consulting services and workspace solutions. The 2012 comparative figures have been restated. For details on the restatements reference is made to the separate press release issued on 15 March 2013 (www.kpn.com/ir).

Secondly, as from 1 January 2013, Rest of World, consisting mainly of Ortel Mobile, ceased to exist as a separate reporting entity. The Ortel Mobile activities have been integrated in Germany, Belgium and Consumer Mobile, depending on geography. The remaining activities are included in other Mobile International. The financials have not been restated for this organizational change as the revenue of Ortel Mobile was already largely incorporated in the respective segments as intercompany revenue.

[1] Revenues and other income

For a description of the activities of the segments, reference is made to the 2012 Annual Report. For operating profit reference is made to note [2] and for other segment information reference is made to note [9] in these Condensed Consolidated Interim Financial Statements.

Revenues and other income *(in EUR m)*	For the six months ended 30 June 2013				For the six months ended 30 June 2012			
	External revenues	Other income	Inter segment revenues	Total revenues and other income	External revenues	Other income	Inter segment revenues	Total revenues and other income
Germany	1,552	3	8	1,563	1,568	27	41	1,636
Belgium	362	-	4	366	369	1	28	398
Rest of World	-	-	-	-	122	-	-1	121
Other (incl. eliminations)	25	-1	-3	21	-	-	-53	-53
Mobile International	1,939	2	9	1,950	2,059	28	15	2,102
Consumer Mobile	744	-	38	782	825	-	46	871
Consumer Residential	921	-	60	981	854	-	61	915
Business	1,307	28	72	1,407	1,419	-	79	1,498
NetCo	249	3	938	1,190	296	34	969	1,299
Other (incl. eliminations)	1	-	-1,060	- 1,059	-	-	-1,062	-1,062
Dutch Telco	3,222	31	48	3,301	3,394	34	93	3,521
IT Solutions	225	-3	99	321	415	8	105	528
Other (incl. eliminations)	-	-	-128	-128	-	-	-166	-166
The Netherlands	3,447	28	19	3,494	3,809	42	32	3,883
iBasis	390	-	99	489	409	-	107	516
Other activities	40	-	-1	39	35	1	1	37
Eliminations	-	-	-126	-126	-	-	-155	-155
KPN Group	5,816	30	-	5,846	6,312	71	-	6,383

KPN Group revenues and other income were 8.4% or EUR 537m lower y-on-y in H1 2013, mainly due to the sale of Getronics International (EUR 174m) and lower revenues at NetCo, Business, Consumer Mobile and Germany. The negative impact on Group revenues from regulation was EUR 115m (1.8%). The net negative impact of incidentals and the effect from M&A on Group revenues was EUR 109m. Other income in H1 2012 included a book gain on the sale of mobile towers in The Netherlands of EUR 31m, the sale of SNT Inkasso of EUR 16m and a book profit on the sale of Getronics International of EUR 8m. Other income in H1 2013 included a book gain related to the sale of IS&P of EUR 23m. For more detailed information on revenues, reference is made to the Management Report.

[2] Operating profit

Operating profit, DA&I and EBITDA *(in EUR m)*	For the six months ended 30 June 2013 Operating profit	Depreciation, Amortization & Impairments (DA&I)	EBITDA	For the six months ended 30 June 2012 Operating profit	Depreciation, Amortization & Impairments (DA&I)	EBITDA
Germany	-34	504	470	325	313	638
Belgium	20	75	95	59	75	134
Rest of World	-	-	-	-14	4	-10
Other (incl. eliminations)	-5	-	-5	-	-1	-1
Mobile International	-19	579	560	370	391	761
Consumer Mobile	158	118	276	187	41	228
Consumer Residential	23	149	172	66	120	186
Business	295	71	366	323	71	394
NetCo	226	441	667	320	412	732
Other (incl. eliminations)	-25	5	-20	-10	1	-9
Dutch Telco	677	784	1,461	886	645	1,531
IT Solutions	-21	39	18	-8	40	32
Other (incl. eliminations)	-	-	-	-	-	-
The Netherlands	656	823	1,479	878	685	1,563
iBasis	8	6	14	4	10	14
Other activities	-27	2	-25	-42	2	-40
Eliminations	-	-	-	-	-	-
KPN Group	618	1,410	2,028	1,210	1,088	2,298

KPN Group EBITDA decreased by 12% or EUR 270m y-on-y in H1 2013. EBITDA was impacted by regulation of EUR 65m (-2.8%) and restructuring costs of EUR 65m (H1 2012: EUR 70m). Furthermore, the net positive impact of incidentals on EBITDA amounted to EUR 39m, including releases of asset retirement obligations related to mobile sites (EUR 42m) in Q2 2013. Lower EBITDA for the Group was driven by lower revenues and higher commercial investments mainly in Germany supporting growth in postpaid and data. In The Netherlands EBITDA was supported by FTE reductions, and the handset lease at Consumer Mobile. This was offset by higher commercial costs at Consumer Residential and the impact of lower revenues at NetCo and Business.

Operating profit (EBIT) decreased by 49% or EUR 592m y-on-y, resulting from the EBITDA decrease (EUR 270m) and increased depreciation and amortization compared to the same period last year (EUR 322m). In Germany higher depreciation was recorded, resulting from impairments (EUR 75m) mainly related to obsolete technology as a result of network upgrades, a reclassification of assets under construction to plant and equipment in Q4 2012 and handset leases. The higher amortization in Germany was most notably related to an impairment of a mobile service platform (EUR 44m). In The Netherlands depreciation increased as a result of the handset lease model at Consumer Mobile and increased customer premises equipment related to TV and FttH activations at Consumer Residential and amortization increased due to investments in spectrum licenses in 2012.

[3] Finance income and expenses

Net finance costs decreased by EUR 29m y-on-y to EUR 353m in H1 2013, mainly as a result of fair value movements on swaps. Other financial results includes the net result of the sale of available for sale financial assets (11% stake in Compucom) for the amount of EUR 21m, realized in May 2013, partly offset by several smaller items.

[4] Income taxes

KPN benefits from an agreement with the Dutch tax authorities with regard to the application of innovation tax facilities. Innovation tax facilities are facilities under Dutch corporate income tax law whereby profits attributable to innovation are taxed at an effective rate of 5%. Due to the application of the innovation tax facilities, KPN's effective tax rate in The Netherlands is reduced from the statutory tax rate of 25% to approximately 20%.

The Q2 2013 tax expense includes a positive one-off impact of the innovation tax facilities for previous years (EUR 22m) and in addition, a EUR 22m tax benefit for a future deductible liquidation loss of a subsidiary.

The effective tax rate for the Group for Q2 2013 is -34.6% (Q2 2012: 21.3%). The decrease in effective tax rate is a consequence of one-off effects and a change of the mix of profits and losses in the various countries. Without one-off effects the effective tax rate would have been approximately 18% in Q2 2013. The effective tax rate is expected to be approximately 20%[9] in the 2013-2015 period.

[5] Cash and cash equivalents

At 30 June 2013 cash and cash equivalents amounted to EUR 4,345m, compared to EUR 1,286m at 31 December 2012. The increase in cash and cash equivalents is related to the successfully concluded capital raise consisting of EUR 2bn hybrid bonds and a EUR 3bn rights issue. Part of the EUR 2bn proceeds of the hybrid bonds were used to repay drawings under the credit facility and to finance a bond redemption in March 2013. The remaining proceeds of the capital raise have been used to strengthen KPN's capital structure and to continue to invest in KPN's operations.

Net cash and cash equivalents, including EUR 311m bank overdrafts related to cash pooling arrangements, amounted to EUR 4,034m at 30 June 2013, as shown in the cash flow statement. Cash and cash equivalents consist of highly liquid instruments, mainly deposits, interest-bearing bank accounts and money market funds. KPN's cash balances have been invested with a wide range of strong counterparties.

[6] Non-current assets, liabilities and disposal groups held for sale

On 19 March 2013, KPN reached an agreement to sell its Infrastructure Services & Projects BV business, which was part of KPN's Business segment. As per 31 March 2013 the business was classified as held for sale. On 15 April 2013, the transaction was approved by the Dutch competition authority (ACM).

As per 31 December 2012 Multiconnect and Ortel Spain were classified as held for sale. Both entities were sold in Q1 2013.

[7] Group equity

On 17 May 2013 KPN successfully concluded its EUR 4bn equity equivalent capital raise, consisting of EUR 1bn equity equivalent hybrid bonds (see note [8]) and a EUR 3bn rights issue.

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[9] Excluding effects of, amongst others, impairments, revaluations of DTA Germany and/or Reggefiber options.

On 25 April 2013 KPN set the terms of its EUR 3bn rights issue, which was announced on 20 February 2013 and approved by the Annual General Meeting on 10 April 2013. KPN announced a 2 for 1 rights issue of 2,838,732,182 new ordinary shares with a nominal value of EUR 0.24 ('Offer Shares') at an issue price of EUR 1.06 through the granting of transferable subscription entitlements to holders of ordinary shares in KPN's issued and outstanding share capital pro rata to their shareholdings. The issue price represented a discount of 35.1% to the theoretical ex-rights price ('TERP'), based on the closing price of EUR 2.78 per ordinary share on 24 April 2013.

At the end of the subscription period the take-up amounted to 97.4% of the Offer Shares. The remaining Offer Shares were placed at institutional investors through a rump placement. Payment, delivery and start of trading of the Offer Shares occurred on 17 May 2013. The net proceeds from the rights issue amounted to EUR 2,957m. Upon closing the number of KPN ordinary shares outstanding totaled 4,270,254,664.

[8] Borrowings, bond issues and redemptions

On 14 March 2013, KPN issued a EUR 1.1bn hybrid bond with a 6.125% coupon and a GBP 400m hybrid bond with a 6.875% coupon (swapped to EUR 460m and a 6.78% coupon for a period of 7 years). On 28 March 2013, KPN issued a USD 600m hybrid bond with a 7% coupon (swapped to EUR 465m and a 6.34% coupon for a period of 10 years).

The EUR 1.1bn hybrid bond is a subordinated bond with a perpetual maturity, while the GBP 400m and USD 600m hybrid bonds are subordinated bonds with a 60-year maturity. The EUR, GBP and USD hybrid bonds can, at KPN's discretion, first be redeemed in September 2018, March 2020 and March 2023 respectively. KPN may, at its discretion and subject to certain conditions, elect to defer payments of interest on these hybrid bonds. The hybrid bonds are listed on NYSE Euronext Amsterdam. The ratings for the hybrid bonds are BB by S&P, Ba1 by Moody's and BB by Fitch Ratings. The rating agencies recognize 50% of the hybrid bonds as equity following completion of the capital raise. The hybrid bonds are for 50% treated as equity and 50% as debt in KPN's gross and net debt definitions. The EUR hybrid bond is classified as equity on the balance sheet, while the GBP and USD hybrid bonds are classified as liabilities on the balance sheet.

On 18 March 2013, KPN redeemed the 4.5% coupon Eurobond 2006-2013 with an outstanding amount of EUR 540m, in accordance with the regular redemption schedule. As at the end of Q2 2013, the average maturity on the bond portfolio was 6.8 years (Q1 2013: 7.1 years). The average interest rate on the overall bond portfolio, including hybrid bonds, is 5.3%. Excluding the hybrid bonds, the average interest rate on the senior bond portfolio remained stable at 5.1%.

In June 2013, KPN used an extension option for its EUR 2bn revolving credit facility. All fourteen relationship banks agreed to a one year extension, which extends the maturity of the revolving credit facility to July 2018.

[9] Other segment information

Assets, liabilities and Capex *(in EUR m)*	As at 30 June 2013 Total assets	Total liabilities	As at 31 December 2012 Total assets	Total liabilities	For the six months ended 30 June 2013 Capex	2012 Capex
Germany	10,336	26,299	10,520	26,398	235	261
Belgium	1,959	341	1,934	335	74	41
Rest of World	39	60	108	112	-	-
Other (incl. eliminations)	-6	23	-44	-8	-	1
Mobile International	12,328	26,723	12,518	26,837	309	303
Consumer Mobile	1,287	864	1,646	1,381	166	97
Consumer Residential	1,590	1,500	1,817	1,746	158	142
Business	2,025	1,696	3,108	2,764	52	69
NetCo	7,706	7,478	9,069	9,071	371	331
Other (incl. eliminations)	-287	-252	-477	-477	6	-
Dutch Telco	12,321	11,286	15,163	14,485	753	639
IT Solutions	1,298	1,585	1,253	1,355	17	19
Other (incl. eliminations)	-301	-302	-132	-131	-	-
The Netherlands	13,318	12,569	16,284	15,709	770	658
iBasis	416	309	458	358	3	3
Other activities	421	-18,719	-6,959	-21,937	1	3
KPN Group	26,483	20,882	22,301	20,967	1,083	967

The increase in the total assets is mainly the result of the cash impact of the issued equity instruments (EUR 3.0bn) and the investments in licenses by NetCo (EUR 1.4bn). Capex was EUR 116m higher y-on-y in H1 2013 mainly due to increased customer driven investments and 4G mobile network investments in The Netherlands.

[10] Fair value disclosures

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2013.

Assets and liabilities measured at fair value *(in EUR m)*	As at 30 June 2013 Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	-	7	-	7
Derivatives (interest rate swap)	-	106	-	106
Other derivatives		1	5	6
Available for sale financial assets:				-
Listed securities	9	-	-	9
Unlisted securities	-	-	10	10
Total assets	9	114	15	138
Liabilities				
Financial liabilities at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	-	380	-	380
Derivatives (interest rate swap)	-	15	-	15
Other derivatives	-	-	278	278
Total liabilities	-	395	278	673

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2012.

Assets and liabilities measured at fair value *(in EUR m)*	As at 31 December 2012			
	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	-	42	-	42
Derivatives (interest rate swap)	-	186	-	186
Other derivatives	-	-	5	5
Available for sale financial assets:				
Listed securities	9	-	-	9
Unlisted securities	-	-	26	26
Total assets	9	228	31	268
Liabilities				
Financial liabilities at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	-	166	-	166
Derivatives (interest rate swap)	-	30	-	30
Other derivatives	-	-	278	278
Total liabilities	-	196	278	474

The fair value of financial instruments traded in active markets is based on quoted market prices. If applicable, these instruments are included in Level 1.

An instrument is included in Level 2 if the financial instrument is not traded in an active market and if the fair value is determined by using valuation techniques based on maximum use of observable market data for all significant inputs. For the derivatives used for hedging purposes, KPN uses the estimated fair value of financial instruments determined by using available market information and appropriate valuation methods, including relevant credit risks. The estimated fair value approximates the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. KPN has its derivative instruments outstanding with financial institutions that had a credit rating equivalent to A2 or higher with Moody's at 30 June 2013.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3 and their fair value is estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account market pricing information and expectations. However, such information is by its nature subject to uncertainty. Changes arising as new information becomes available, could impact income or other comprehensive income.

The valuation of available-for-sale unlisted securities is based upon a discounted cash flow model.

Other derivatives under financial liabilities at fair value through profit and loss are the call/put arrangements of Reggefiber Group B.V. These options are valued using a binominal tree approach and depend on the business performance of Reggefiber under various scenarios with different probabilities (combination of penetration rates, price structure and approval of Dutch competition authority ACM), discount rates and the conditions of the call/put arrangement itself. Based on current business performance and management's best estimate of the likelihood of possible scenarios and expected business performance, the value of the call/put arrangements was EUR 278m (liability) at 30 June 2013 and 31 December 2012 and EUR 203m (liability) at 30 June 2012 and 31 December 2011.

There was no change in the value of the call/put arrangements in the first six months of 2013 and 2012 and therefore there was no impact on the Consolidated Statement of Income. In case of a 5%-point lower expected penetration rate, ceteris paribus, the liability position related to the call/put arrangement would have been approximately EUR 62m higher as per 31 December 2012.

The decrease in the value of the unlisted securities, included in available for sale financial assets, in the first six months of 2013 was due to the sale of assets (predominantly shares in Compucom). The increase in value in the first six months of 2012 was EUR 2m and was also recognized in Other Comprehensive Income (of which EUR 1m positive as currency translation adjustment).

KPN reports its derivatives positions on the balance sheet on a gross basis. Part of the derivatives portfolio is subject to master netting agreements that allow netting under certain circumstances. If netting would be applied, the total derivatives asset position would be EUR 16m and the total derivatives liability position would be EUR 570m at 30 June 2013.

[11] Off-balance sheet commitments

At the end of Q2 2013 off-balance sheet commitments decreased to EUR 4.8bn. The off-balance sheet commitments at 31 December 2012 (EUR 6.4bn) included the commitment related to the obtained frequency licenses in the Dutch spectrum auction amounting to EUR 1,352m, which has been paid in January 2013.

[12] Related party transactions

For a description of the related parties of KPN and transactions with related parties, reference is made to Note 32 of the 2012 Annual Report, including major shareholders. In the six months ended 30 June 2013 there have been no changes in the type of related party transactions as described in the 2012 Annual Report that could have a material effect on the financial position or performance of KPN, except for the rights issue which was concluded on 17 May 2013 (see Note [7]).

Following completion of the rights issue, América Móvil, S.A.B. de C.V. (“AMX”) has notified KPN that it directly or indirectly owns 29.8% of the shares and voting rights related to KPN’s ordinary share capital.

To KPN’s knowledge, no other shareholder owned 5% or more of KPN’s outstanding shares as at 30 June 2013.

[13] Regulatory developments

The Netherlands: Update on MTA and FTA regulation

On 16 April 2013, the Dutch regulator ACM published a draft decision for new MTA and FTA rates in the Netherlands as of September 2013, for national consultation. This draft has been notified to the European Commission on 2 July 2013. ACM announced that it plans to regulate both MTA and FTA on the basis of a pure BULRIC cost model, (slightly amended after the national consultation) resulting in an MTA rate of 1.019 EUR ct/min and an FTA rate of 0.108 EUR ct/min. The current rates (MTA: 2.40 EUR ct/min and FTA: 0.37 EUR ct/min) are based on a plus BULRIC cost model, since the highest Dutch Court (CBb) ruled in 2011 that the pure BULRIC approach that OPTA used in 2010 was in violation with the Dutch Telecommunications Act. ACM may formally decide on the MTA and FTA rates after the notification to the European Commission (four weeks after 2 July 2013) have been finalized. The final decision will be open to appeal at the CBb.

[14] Subsequent events

On 23 July 2013, KPN announced it had reached an agreement with Telefónica Deutschland on the sale of E-plus. The transaction is subject to shareholders' approval as well as regulatory approval. The consideration on a cash and debt free basis consists of an amount in cash of EUR 5.0bn and a 17.6% stake in the combination of E-Plus and Telefónica Deutschland ('the combined entity'). This represents a total estimated fair value for E-Plus of EUR 8.1bn. Based on a fair value of EUR 8.1bn, KPN expects to recognize a loss of EUR 1.3bn in Q3 2013, when E-Plus is recognized as 'disposal group held for sale'. This loss relates to the deferred tax assets that in the transaction have a lower fair value than their book value under IFRS as per 30 June 2013 of EUR 1.7bn. The amount of impairment and final result from the transaction depend on the changes in the fair value of the 17.6% stake in the combined entity and the changes in the book value of E-Plus until recognition as 'disposal group held for sale'.

Responsibility statement

The Board of Management of the Company hereby declares that, to the best of their knowledge, the interim financial statements for the six months ended 30 June 2013, give a true and fair view of the assets, liabilities, financial position and income of the Company and the undertakings included in the consolidation taken as a whole, and the interim management report gives a fair review of the information required pursuant to section 5:25d, subsection 8 and, as far as applicable, subsection 9 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

The Hague, 23 July 2013

E. Blok	Chairman of the Board of Management and Chief Executive Officer
W.T.J. Hageman	Member of the Board of Management and Chief Financial Officer
T. Dirks	Member of the Board of Management and CEO Mobile International
J.F.E. Farwerck	Member of the Board of Management

Safe harbor

Non-GAAP measures and management estimates

This financial report contains a number of non-GAAP figures, such as EBITDA and free cash flow. These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures.

KPN defines ***EBITDA*** *as operating result before depreciation and impairments of PP&E and amortization and impairments of intangible assets. Note that KPN's definition of EBITDA deviates from the literal definition of earnings before interest, taxes, depreciation and amortization and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS. In the* ***net debt / EBITDA*** *ratio, KPN defines* ***Net Debt*** *as the nominal value of interest bearing financial liabilities excluding derivatives, representing the repayment obligations in Euro, taking into account 50% of the nominal value of the hybrid capital instruments, less net cash and cash equivalents (including cash classified as held for sale, net of bank overdrafts), and defines EBITDA as a 12 month rolling total excluding book gains, release of pension provisions and restructuring costs, when over EUR 20m.* ***Free cash flow*** *is defined as cash flow from operating activities plus proceeds from real estate, minus capital expenditures (Capex), being expenditures on PP&E and software and excluding tax recapture regarding E-Plus.*

Underlying revenues and other income *and* ***underlying EBITDA*** *are derived from revenues and other income and EBITDA, respectively, and are adjusted for the impact of MTA and roaming (regulation), changes in the composition of the group (acquisitions and disposals), restructuring costs and incidentals.*

The term ***service revenues*** *refers to wireless service revenues.*

All market share information in this financial report is based on management estimates based on externally available information, unless indicated otherwise. For a full overview on KPN's non-financial information, reference is made to KPN's quarterly factsheets available on www.kpn.com/ir.

Forward-looking statements

Certain statements contained in this financial report constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the impact of regulatory initiatives on KPN's operations, KPN's and its joint ventures' share of new and existing markets, general industry and macro-economic trends and KPN's performance relative thereto and statements preceded by, followed by or including the words "believes", "expects", "anticipates", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" or similar expressions.

These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside KPN's control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the Annual Report 2012.

13.4 2012 Financial Statements and Explanatory Notes of the Company

On the pages below a copy of the 2012 financial statements, including the explanatory notes of the Company thereto and the auditor's statement is included. KPN has not given its consent to include this information in this Offer Memorandum.

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FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF INCOME

Amounts in millions of EUR, unless otherwise stated	**2012**	2011
Revenues [1]	12,409	13,022
Other income [2]	299	141
Total	**12,708**	**13,163**
Own work capitalized	-113	-116
Cost of materials	901	1,005
Work contracted out and other expenses	4,545	4,503
Employee benefits [3]	1,911	1,874
Depreciation, amortization and impairments [4]	2,708	2,589
Other operating expenses [5]	936	759
Total operating expenses	**10,888**	**10,614**
Operating profit	**1,820**	**2,549**
Finance income	39	32
Finance costs	-732	-690
Other financial results	-151	-96
Financial income and expenses [6]	**-844**	**-754**
Share of the loss of associates and joint ventures [12]	-13	-24
Profit before income tax	**963**	**1,771**
Income taxes [7]	-270	-222
Profit for the year	**693**	**1,549**
Profit attributable to non-controlling Interests [20]	2	–
Profit attributable to equity holders [19]	691	1,549
Earnings per share after taxes attributable to equity holders for the year in EUR [8]		
– Basic	0.49	1.06
– Fully-diluted	0.49	1.06

[..] Bracketed numbers refer to the related notes to the Consolidated Financial Statements, which form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in millions of EUR, unless otherwise stated	2012	2011
Profit for the year	**693**	**1,549**
Other comprehensive income:		
Cash flow hedges:		
Gains or (losses) arising during the period [19]	-319	109
Income tax [19]	78	-28
	-241	**81**
Currency translation adjustments:		
Gains or (losses) arising during the period [19]	3	-14
Income tax [19]	–	–
	3	**-14**
Fair value adjustment available for sale financial assets:		
Unrealized gains or (losses) arising during the period [19]	3	-5
Impairment charge through profit and loss	–	13
	3	**8**
Other comprehensive income for the year, net of income tax	**-235**	**75**
Total comprehensive income for the year, net of income tax	**458**	**1,624**
Total comprehensive income attributable to:		
Equity holders	456	1,624
Non-controlling interests	2	–

[..] Bracketed numbers refer to the related notes to the Consolidated Financial Statements, which form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

Amounts in millions of EUR	December 31, 2012	December 31, 2011
NON-CURRENT ASSETS		
Goodwill	5,157	5,575
Licenses	2,191	2,495
Software	838	852
Other intangibles	272	290
Total intangible assets [10]	**8,458**	**9,212**
Land and buildings	671	705
Plant and equipment	6,573	5,704
Other tangible non-current assets	94	116
Assets under construction	557	1,008
Total property, plant and equipment [11]	**7,895**	**7,533**
Investments in associates and joint ventures [12]	326	261
Loans to associates and joint ventures [12]	227	127
Available-for-sale financial assets [16]	35	48
Derivative financial instruments [26]	233	169
Deferred income tax assets [7]	1,822	1,831
Trade and other receivables [13]	291	261
Total non-current assets	**19,287**	**19,442**
CURRENT ASSETS		
Inventories [14]	111	123
Trade and other receivables [15]	1,696	1,607
Income tax receivables [7]	5	1
Cash and cash equivalents [17]	1,286	990
Total current assets	**3,098**	**2,721**
Non-current assets and disposal groups classified as held for sale [18]	**28**	**224**
TOTAL ASSETS	**22,413**	**22,387**

[..] Bracketed numbers refer to the related notes to the Consolidated Financial Statements which form an integral part of these Consolidated Financial Statements.

Group Equity and Liabilities

Amounts in millions of EUR	**December 31, 2012**	December 31, 2011
GROUP EQUITY		
Share capital	344	344
Share premium	6,717	6,717
Other reserves	-361	-127
Retained earnings	-4,290	-4,004
Equity attributable to equity holders [19]	**2,410**	**2,930**
Non-controlling interests [20]	51	–
Total Group equity	**2,461**	**2,930**
NON-CURRENT LIABILITIES		
Borrowings [21]	12,369	11,641
Derivative financial instruments [26]	458	229
Deferred income tax liabilities [7]	440	793
Provisions for retirement benefit obligations [22]	314	441
Provisions for other liabilities and charges [23]	387	397
Other payables and deferred income [24]	122	155
Total non-current liabilities	**14,090**	**13,656**
CURRENT LIABILITIES		
Trade and other payables [25]	3,857	3,804
Borrowings [21]	1,527	1,458
Derivative financial instruments [26]	16	–
Income tax payables [7]	270	218
Provisions for other liabilities and charges [23]	186	129
Total current liabilities	**5,856**	**5,609**
Liabilities directly associated with non-current assets and disposal groups classified as held for sale [18]	**6**	**192**
TOTAL EQUITY AND LIABILITIES	**22,413**	**22,387**

[..] Bracketed numbers refer to the related notes to the Consolidated Financial Statements which form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in millions of EUR	2012	2011
Profit before income tax	963	1,771
Adjustments for:		
– Net finance cost [6]	844	754
– Share-based compensation [3]	-1	-15
– Share of the profit of associates and joint ventures [12]	13	24
– Depreciation, amortization and impairments [4]	2,708	2,589
– Other income	-258	-137
– Changes in provisions (excluding deferred taxes)	-127	-209
Changes in working capital relating to:		
– Inventories	19	14
– Trade receivables	5	24
– Prepayments and accrued income	37	64
– Other current assets	-15	12
– Trade payables	-66	150
– Accruals and deferred income	56	-151
– Current liabilities (excluding short-term financing)	-43	-20
Dividends received [12]	19	1
Income taxes received / paid	-486	-231
Interest received / paid	-661	-637
Net Cash flow provided by operating activities	**3,007**	**4,003**
Acquisition of subsidiaries, associates and joint ventures (net of acquired cash)	-323	-23
Disposal of subsidiaries, associates and joint ventures	8	-2
Investments in intangible assets (excluding software)	-54	-27
Investments in software	-429	-463
Investments in property, plant and equipment	-1,780	-1,584
Disposals of intangible assets (excluding software)	–	9
Disposals of software	1	1
Disposals of property, plant and equipment	529	176
Loans to associates and joint ventures	-89	-75
Other changes and disposals	4	2
Net Cash flow used in investing activities [27]	**-2,133**	**-1,986**
Share repurchases	–	-1,000
Dividends paid	-979	-1,200
Proceeds from exercised options	2	5
Proceeds from borrowings [21]	1,640	2,159
Repayments of borrowings and settlement of derivatives [21]	-1,526	-1,702
Other changes	-13	-10
Net Cash flow used in financing activities [28]	**-876**	**-1,748**
Changes in cash and cash equivalents	**-2**	**269**
Net Cash and cash equivalents at the beginning of the year [17]	950	682
Exchange rate differences	-1	-1
Changes in cash and cash equivalents	-2	269
Net Cash and cash equivalents at the end of the year [17]	**947**	**950**
Cash classified as held for sale [18]	-4	-36
Bank overdrafts	343	76
Cash and cash equivalents [17]	**1,286**	**990**

[..] Bracketed numbers refer to the related notes to the Consolidated Financial Statements which form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

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
Balance as of January 1, 2011	**1,572,609,884**	**377**	**8,184**	**-709**	**-4,352**	**3,500**	**–**	**3,500**
Share based compensation [3]	–	–	–	–	1	1	–	1
Exercise of options [3, 19]	–	–	–	7	–	7	–	7
Shares repurchased	–	–	–	-1,000	–	-1,000	–	-1,000
Dividends paid	–	–	–	–	-1,202	-1,202	–	-1,202
Shares cancelled [19]	-141,087,402	-33	-1,467	1,500	–	–	–	–
Comprehensive income for the period	–	–	–	75	1,549	1,624	–	1,624
Balance as of December 31, 2011	**1,431,522,482**	**344**	**6,717**	**-127**	**-4,004**	**2,930**	**–**	**2,930**
Share based compensation [3]	–	–	–	–	2	2	–	2
Exercise of options [3, 19]	–	–	–	1	–	1	–	1
Dividends paid	–	–	–	–	-979	-979	–	-979
Acquisitions	–	–	–	–	–	–	49	49
Comprehensive income for the period	–	–	–	-235	691	456	2	458
Balance as of December 31, 2012	**1,431,522,482**	**344**	**6,717**	**-361**	**-4,290**	**2,410**	**51**	**2,461**

[..] Bracketed numbers refer to the related notes to the Consolidated Financial Statements which form an integral part of these Consolidated Financial Statements.

The aggregate amount of current and deferred tax recorded directly in equity in 2012 was EUR 78 million positive (2011: EUR 28 million negative).

GENERAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

KPN is the leading telecommunications and ICT service provider in the Netherlands, offering wireline and wireless telephony, internet and TV to consumers and end-to-end telecom and ICT services to business customers. KPN Corporate Market operates an ICT services company with a market-leading position in the Netherlands, offering end-to-end solutions in infrastructure and network-related IT. In Germany and Belgium, KPN pursues a challenger strategy in its wireless operations and holds number three market positions through E-Plus and KPN Group Belgium. KPN provides wholesale network services to third parties and operates an efficient IP-based infrastructure with global scale in international wholesale through iBasis.

Koninklijke KPN N.V. (KPN or the Company) was incorporated in 1989 and is domiciled in the Netherlands. The address of its registered office is Maanplein 55, 2516 CK, The Hague. KPN's shares are listed on Euronext Amsterdam. Following the delisting of KPN's shares on the New York Stock Exchange (NYSE) in 2008, KPN's shares can be traded in the United States, only as American Depository Receipts on the over-the-counter market.

The Financial Statements as of and for the year ended December 31, 2012 of Koninklijke KPN N.V. were approved for issue by both the Supervisory Board and the Board of Management on February 26, 2013.

The Financial Statements are subject to adoption by the Annual General Meeting of Shareholders on April 10, 2013.

Significant accounting policies

The significant accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

KPN applies International Financial Reporting Standards ('IFRS') as adopted by the European Union.

As the corporate financial information of KPN is included in the Consolidated Financial Statements, the Corporate Income Statement is presented in abbreviated format in accordance with Section 402, Book 2 of The Netherlands Civil Code.

The Consolidated Financial Statements have been prepared under the historical cost convention, as modified for the revaluation of available-for-sale financial assets, and the accounting of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Consolidated financial information, including subsidiaries, associates and joint ventures, has been prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

Comparative figures 2011

Following changes in 2012 to KPN's internal structure and reporting to the CEO, who is the chief operating decision maker, the segment reporting has been changed, including the comparative figures as at December 31, 2011. Refer to Note 34 for further details.

Changes in accounting policies and disclosures

There are no IFRSs, IFRIC interpretations or amendments that were effective for the first time for the financial year beginning on or after January 1, 2012 that had a material impact on KPN.

Consolidation

Subsidiaries

Subsidiaries are all entities over which KPN has the power to govern the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether KPN controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to KPN and are deconsolidated from the date on which KPN's control ceases.

KPN uses the acquisition method of accounting to account for business combinations. The consideration paid is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration paid includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, KPN recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the Consolidated Statement of Income.

Intercompany transactions, balances and unrealized results on transactions with subsidiaries are eliminated.

Associates and joint ventures

Investments in entities in which KPN can exert significant influence but which KPN does not control (including joint ventures), generally accompanying a shareholding of between 20% and 50% of the voting rights, are accounted for by the equity method of accounting and are originally recognized at cost. The Group's investments in associates and joint ventures include goodwill identified upon acquisition, net of any accumulated impairment.

The Group's share of its associates' post-acquisition profits or losses is recognized in the Consolidated Statement of Income, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other receivables for which settlement is neither planned nor likely to occur in the foreseeable future, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized results on transactions with associates are eliminated to the extent of KPN's share in associates and joint ventures.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ('CEO'), which is the chief operating decision maker according to IFRS 8.

Foreign currency translation

Functional and presentation currency

Items included in the financial information of each of KPN's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial information is presented in Euro (EUR), which is the functional currency of the company and the group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Exchange differences on non-monetary assets and liabilities are reported as part of the fair value gain or loss. Accordingly, exchange differences on non-monetary assets and liabilities such as financial assets recorded at fair value through profit or loss are recognized in the Consolidated Statement of Income as part of the fair value gain or loss. Exchange differences on non-monetary assets such as investments in equity instruments classified as available for sale are included in the available-for-sale assets reserve in Group Equity in the Consolidated Statement of Financial Position.

Exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to Other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the balance sheet date.

Subsidiaries

In the Consolidated Financial Statements, the results and financial position of all the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
2) Income and expenses for each income statement are translated at average exchange rates; and
3) All resulting exchange differences are recognized as a separate component within equity (currency translation reserve, being a part of other reserves).

Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period as well as the information disclosed. For KPN's critical accounting estimates and judgments, reference is made to the notes to these Consolidated Financial Statements. The accounting estimates and judgments that are deemed critical to KPN's financial statements relate to the determination of deferred tax assets for loss carry forwards and the provision for tax contingencies (see Note 7), the determination of fair value less costs to sell and value in use of cash-generating units for goodwill impairment testing (see Note 10), the depreciation rates for the copper and fiber network (included within property, plant and equipment) (see Note 11), the assumptions used to determine the value of the call/put arrangements of Reggefiber Group (see Note 29), the assumptions used to determine the provision for retirement benefit obligations and periodic pension cost, such as discount rate, return on plan assets and benefit increases (see Note 22) and the more likely than not assessment required to determine whether or not to recognize a provision for idle cables, which are part of a public electronic communications network (Note 31). Also reference is made to Note 29 'Capital and Financial Risk Management' which discusses KPN's exposure to credit risk and financial market risks.

Actual results in the future may differ from those estimates. Estimates and judgments are being evaluated continuously and based on historic experience and other factors, including expectations of future events thought to be reasonable under the circumstances.

General notes to the Consolidated Financial Statements continued

Income Statement

Revenue recognition
Revenue comprises in the ordinary course of business the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to KPN and the amount of revenue and the associated costs can be measured reliably. Revenues are presented net of value-added tax, rebates and discounts and after eliminating sales within the Group.

Traffic fees are charged at an agreed tariff for a fixed duration of time or capacity and are recognized as revenue based upon usage of KPN's network and facilities.

Recognition of deferred revenue related to the airtime is based on the expected usage of the airtime per proposition.

Subscription fees and fees received for handset leases, generally consist of periodic charges and are recognized as revenue over the associated subscription period.

One-off connection fees and other initial fees are not a separate unit of accounting and their accounting treatment is therefore dependent on the other deliverables in the sale arrangement (see revenue arrangements with multiple deliverables).

Sales of peripheral and other equipment are recognized when all significant risks and rewards of ownership of the goods are transferred to the buyer, which is normally at the date the equipment is delivered to and accepted by the customer. Services regarding designing, building, deploying and managing ICT solutions are provided on a time and material basis or as a fixed-price contract with contract terms generally ranging from less than one year to three years. Revenue from time and material contracts is recognized at the contractual rates as labor hours are delivered and direct expenses are incurred. Revenue from contracts involving design, build and deploy services is recognized under the percentage-of-completion (POC) method unless the outcome of the contract cannot be estimated reliably. Under the POC method, revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs to fulfill the contract. Revenue from fixed-price contracts involving managed services is recognized in the period the services are provided using a straight-line basis over the term of the contract. When the outcome of the contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred.

KPN presents revenue gross of costs when the Group acts as the principal in the arrangement and net of costs when the Group acts as agent.

Revenue arrangements with multiple deliverables
Revenue arrangements with multiple deliverables are divided into separate units of accounting if the deliverables in the arrangement meet criteria in accordance with IFRS. The arrangement consideration must then be allocated among the separate units of accounting based on their relative fair values. If the fair value of the delivered item exceeds the cash received at the time of delivery, revenue is recognized up to the non-contingent cash received.

Any connection fee proceeds not allocated to the delivered equipment are deferred upon connection and recognized as service revenue over the customer contract period unless KPN has the obligation to continue providing services beyond that period in which case the expected customer service period is used.

For wireless services, any consideration allocated to the sale of peripheral and other equipment, up to the amount of non-contingent cash received, is recognized as revenue when all significant risks and rewards of ownership of the equipment are transferred to the buyer.

For multiple element arrangements that comprise only one unit of accounting and include an up-front connection fee, amounts representing connection fees are deferred and recognized pro-rata. Deferred connection fees are amortized over the customer contract period. Costs associated with these arrangements are expensed as incurred.

Other income
Other income includes gains on the sale of property, plant and equipment and gains on the disposal of subsidiaries, associates and joint ventures.

Leases
Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made by KPN as lessee under operating leases are charged to the income statement on a straight-line basis over the period of the lease (net of any incentives received from the lessor). If a sale and leaseback transaction results in an operating lease, the profit or loss is calculated at the fair value of the assets sold and recognized in the Consolidated Statement of Income immediately.

Leases where the lessee has substantially assumed all the risks and rewards of ownership are classified as finance leases. KPN as lessee under finance leases recognizes the leased assets on the balance sheet at the lower of the fair value and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables in the balance sheet. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term. If a sale and leaseback transaction results in a finance lease, any excess of sale proceeds over the carrying amount is deferred and recognized in the Consolidated Statement of Income over the lease term.

In case KPN acts as lessor in a finance lease, the transaction is accounted for as a normal sale and the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is deferred and recognized as interest over the lease term. In case KPN acts as lessor in an operating lease, the assets remain on the balance sheet of KPN and are depreciated over the asset's useful life. The lease payments received from the lessee are recognized as revenue on a straight-line basis over the lease period.

Share-based compensation

KPN operates a number of share-based compensation plans, both equity and cash settled. The fair value of options or shares granted to employees is recognized as costs over the vesting period of the options or shares. The costs are determined based on the fair value of the options and shares and the number of options or shares expected to vest. On each balance sheet date, KPN determines whether it is necessary to revise the expectation of the number of options or shares that will vest. Liabilities with respect to cash-settled share-based compensation are recognized as a liability and remeasured at each balance sheet date through the Consolidated Statement of Income.

Operating expenses

Operating expenses are determined based on the accounting principles that are applied to the related balance sheet items and are allocated to the year to which they incurred.

Subscriber acquisition and retention costs are expensed as incurred. The most common subscriber acquisition costs are handsets and dealer fees. The cost of a handset is expensed when the handset is sold. The sale could be an individual sale or a multiple-element sale with a subscription. In both cases the handset is expensed when the costs are incurred. In a case where a handset is leased out, it depends on the lease form (operating or finance) whether the costs are expensed as incurred or capitalized and depreciated over the expected lifetime (see 'leases' above).

Operating profit

Operating profit is defined as a measure of KPN's earning power from operations, equal to earnings before deduction of finance income, finance costs, other financial results, share of the profit of associates and joint ventures, and income taxes.

Taxation of profit or loss

The corporate income tax charge recognized in the Consolidated Statement of Income is based on the income for financial reporting purposes in accordance with the prevailing tax regulations and rates taking into account non-taxable income and non-deductible expenses for tax purposes as well as the valuation of deferred tax assets.

Balance Sheet

Intangible assets

Goodwill

The excess of the consideration transferred over the fair value of the identifiable net assets acquired in a business combination is recorded as goodwill. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Goodwill is tested annually for impairment and whenever there is an indication that the intangible asset may be impaired. Goodwill is carried at cost less accumulated impairment losses. Goodwill is impaired if the recoverable amount of the cash-generating unit or groups of cash-generating units to which it is allocated is lower than the book value of the cash-generating unit or groups of cash-generating units concerned. The recoverable amount is defined as the higher of the cash-generating unit's fair value less cost to sell and its value in use. Impairment losses on goodwill are not reversed.

In case of disposal of a business which was part of a cash-generating unit, goodwill is allocated to that business on a relative fair value basis and included in gain or subsequently impaired as part of the result on the sale in case of a loss.

Licenses

Licenses are valued at cost less amortization and impairment. Amortization is calculated according to the straight-line method and is incorporated as from the date that services can be offered (available for use). The amortization period for licenses equals the useful life, but is limited to the expiration date of the licenses ranging from 10 to 50 years. Licenses are reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset concerned may not be recoverable. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is defined as the higher of an asset's fair value less cost to sell and its value in use. Impairments are reversed if and to the extent that the impairment no longer exists.

Licenses not yet available for use are tested annually for impairment and whenever there is an indication that the intangible asset may be impaired. Licenses are only tested as part of a cash-generating unit as licenses do not generate independent cash flows.

Borrowing cost is capitalized on licenses if the use of the license is dependent on construction of a related network, during the construction phase of the network, and up to the time that services can first be rendered on a commercial basis.

General notes to the Consolidated Financial Statements continued

Software

Internally developed and acquired software, not being an integral part of property, plant and equipment is capitalized on the basis of the costs incurred, which include direct costs and directly attributable overhead costs incurred. Software is amortized over the estimated useful life of three to five years.

Software is reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset concerned may not be recoverable. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. Impairments are reversed if and to the extent that the impairment no longer exists. The recoverable amount is defined as the higher of an asset's fair value less cost to sell and its value in use. If software was under construction, software qualifies for interest capitalization if material.

Other intangibles

Other intangible fixed assets such as customer relationships and trade names acquired in business combinations are capitalized at fair value at acquisition date and are amortized using the straight-line method over an estimated useful life of 4 to 20 years.

Property, plant and equipment

Property, plant and equipment are valued at cost less depreciation and impairment. The cost includes direct costs (materials, direct labor and work contracted out) and directly attributable overhead costs. If property, plant & equipment were under construction, an asset qualifies for interest capitalization when an asset with a significant value is constructed and the construction period exceeds one year.

Asset retirement obligations are capitalized as part of the cost of tangible fixed assets and expensed as either depreciation over the asset's estimated useful life or as impairment charges. The estimated useful lives of the principal property, plant and equipment categories are as follows:

Land	No depreciation
Buildings	14 to 33 years
Network equipment	3 to 7 years
Network infrastructure	10 to 30 years
Vehicles	10 years
Office equipment	4 to 10 years

Property, plant and equipment is depreciated using the straight-line method, based on the estimated useful life, taking into account residual value. Land is not depreciated. Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset concerned may not be recoverable. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. Impairments are reversed if and to the extent that the impairment no longer exists. The recoverable amount is defined as the higher of an asset's fair value less cost to sell and its value in use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Financial assets

Financial assets include investments in companies other than subsidiaries and associates, financial receivables held for investment purposes and other securities. KPN classifies its financial assets in the following four categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments (not applicable in 2011 and 2012); and
- Available-for-sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition and assesses the designation at every reporting date.

Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and created by KPN by providing money, goods or services directly to a debtor, other than:

- Those KPN intends to sell immediately or in the short term, which are classified as held for trading; and
- Those for which KPN may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale.

Loans and receivables are carried at amortized cost, or cost if there is no maturity, less an allowance for uncollectibility with changes in carrying value (amortization of discount/ premium and transaction costs) recognized in the Consolidated Statement of Income under finance income or finance costs. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are included in Trade and other receivables in the Consolidated Statement of Financial Position.

Available-for-sale financial assets

Available-for-sale financial assets are carried at fair value with unrealized gains and losses (except for impairment losses) recognized in Other Comprehensive Income until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in Other Comprehensive Income is taken to the Consolidated Statement of Income for the period. Impairment losses occurred are recognized directly in the Consolidated Statement of Income for the period.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active and for unlisted securities, KPN establishes the fair value by using valuation techniques. These include the use of recent at arm's-length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized at fair value. Subsequently, KPN measures all derivative financial instruments based on fair values derived from market prices of the instruments or valuation techniques such as discounted cash flows. Gains and losses arising from changes in the fair value of the instruments are recognized in the Consolidated Statement of Income as other financial results during the period in which they arise to the extent that the derivatives have no hedging designation or they are ineffective.

In general, KPN designated derivatives related to loans as either cash flow hedges or fair value hedges. KPN applies hedge accounting as this recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item (borrowings) and/or forecasted transactions.

KPN documents at the inception of transactions the relationship between the derivative and the underlying loan, as well as the objective of the risk management and the strategy for undertaking transactions. In the documentation it is also stated whether the hedge relationship is expected to be highly effective – at inception and on an ongoing basis – and how the effectiveness is tested.

Changes in the fair value of a highly effective derivative, that is designated and qualifies as a fair value hedge, along with the loss or gain on the hedged item that is attributable to the hedged risk, are recorded in the 'other financial results' in the Consolidated Statement of Income.

Changes in the fair value of a highly effective derivative, that is designated and qualifies as a cash flow hedge, are recorded in Other Comprehensive Income for the effective part, until the profit or loss are affected by the variability in cash flows of the designated hedged item. The ineffective part of the cash flow hedge is recognized in 'other financial results' in the Consolidated Statement of Income.

If an underlying transaction has ceased to be a highly effective hedge or in case of early redemption of the hedged item, KPN discontinues hedge accounting prospectively which means that subsequent changes in the fair value are recognized in the Consolidated Statement of Income, under 'finance costs'. The cumulative amount recorded in Other Comprehensive Income is amortized over the remaining duration of the derivative in case of a cash flow hedge.

The full fair value of the derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity is less than 12 months.

Deferred income taxes

Deferred income tax assets and liabilities arising from deductible or taxable temporary differences between the value of assets and liabilities for financial reporting purposes and for tax purposes and deferred income tax assets related to carry forward losses are stated at nominal value and are calculated on the basis of corporate income tax rates enacted or substantially enacted as of the balance sheet date. Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences and tax loss carry forwards can be utilized. Deferred income tax assets and liabilities are netted if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and there is an intention to settle on a net basis.

Inventories

Inventories of resources, parts, tools and measuring instruments, and finished goods are valued at the lower of cost or net realizable value. The cost of inventories is determined using the weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Loss on the sale of handsets which are sold for less than cost is only recorded when the sale occurs if the normal resale value is higher than the cost of the handset. If the normal resale value is lower than costs, the difference is recognized as impairment immediately.

Transition expenses relating to fixed-price contracts involving managed ICT services are capitalized and subsequently recognized in the Consolidated Income Statement on a straight-line basis during the period the services are provided, taking into account the number of office seats included in the service contract during the term of the contract. Transition expenses consist primarily of the labor and other cost of personnel directly engaged in performing the transition, third-party services, products and other cost which will be charged to the customer. Transition expenses are capitalized if it is probable that they will be recovered and are classified under inventories.

General notes to the Consolidated Financial Statements continued

Trade and other receivables
Receivables are initially recognized at fair value, and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The provision is set up through the Consolidated Statement of Income (as other operating expenses). When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the Consolidated Statement of Income.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities on the Consolidated Statement of Financial Position and are not deducted from cash and cash equivalents.

Non-current assets (or disposal groups) held for sale
Non-current assets (or disposal groups) classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. If fixed assets are transferred to held for sale, depreciation and amortization ceases.

Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When a Group entity purchases own equity instruments (treasury shares), the consideration traded is deducted from other reserves at trade date until those shares are cancelled, reissued or disposed of. Upon subsequent sale or reissue of such shares, any consideration received is included in other reserves.

Group equity is divided into two categories: equity attributable to equity holders and non-controlling interests. The first category refers to the Company's owners, whereas non-controlling interests represent shares issued by a Group's subsidiary to the shareholders outside the group.

Transactions with non-controlling interests are treated as transactions with equity owners of the Group. For purchases of equity instruments from non-controlling interests, the difference between any consideration paid and the carrying amount of the non-controlling interest of the subsidiary acquired is recorded in equity. Since KPN already controls the acquired entity no additional purchase price allocation is performed. Gains or losses on disposal of a non-controlling interest in a subsidiary are also recorded in equity.

Dividends to be distributed to the equity holders are recognized as a liability in the period in which the dividends are approved by the shareholders.

Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Consolidated Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless KPN has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

When bonds are repurchased with the issue of new bonds, the expenses related to the old bonds, including tender premiums, are expensed as incurred unless the new bonds are placed with the same holders and the change in the net present value of the cash flows is less than 10%. In the latter case these expenses are capitalized and amortized over the term of the new bonds.

Provisions for retirement benefit obligations
Pension obligations
The liability recognized in the Consolidated Statement of Financial Position in respect of all pension and early retirement plans that qualify as defined benefit obligation, is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. KPN uses actuarial calculations (projected unit credit method) to measure the obligations and the costs. For the calculation, actuarial assumptions are made about demographic variables (such as employee turnover and mortality) and financial variables (such as future indexation and the discount rate). The discount rate is determined by reference to market rates. These are interest rates of high-quality corporate bonds that are denominated in the currency in which the benefit will be paid and that have terms to maturity, approximating the terms of the related liability.

A net defined benefit asset may arise where a defined benefit plan has been overfunded or where actuarial gains have arisen. KPN recognises a net defined benefit asset in such a case only when future economic benefits are available to KPN in the form of a reduction in future contributions or a cash refund. The asset ceiling is the present value of those future economic benefits and any cumulative unrecognized actuarial losses and past service costs.

Actuarial gains and losses are recognized in the Consolidated Statement of Income for the portion that these exceed the higher of 10% of the defined benefit obligation and 10% of the fair value of plan assets ('corridor approach'). The excess is recognized over the employees' expected average remaining working lives.

Past service costs are recognized immediately in the Consolidated Statement of Income, unless the entitlements to the adjusted benefits depend on the employee's future service (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period. Gains or losses on the curtailment or settlement of a defined benefit plan are recognized on the date of the curtailment or settlement.

The amount of pension cost included in operating expenses with respect to defined benefit plans consist of service cost, interest cost and amortization of actuarial losses and past service costs less expected return on plan assets, all determined at the beginning of the year, as well as curtailments and settlements.

For pension plans that qualify as a defined contribution plan, KPN recognizes contributions as an expense when an employee has rendered service in exchange for those contributions.

Recent accounting pronouncement Pension obligations

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

- Elimination of the corridor approach and recognition of all actuarial gains and losses in Other Comprehensive Income as they occur;
- Immediate recognition of all past service costs; and
- Replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

In addition, KPN has decided to present net interest cost as other financial results as of January 1, 2013, because this will give a better view of the operating expenses related to KPN's pension plans.

IAS 19R will be applied in the financial statements 2013 with restatement of comparative 2012 numbers. At January 1, 2013, all unrecognized cumulative actuarial losses and past service costs will be recognized at once which will reduce equity attributable to equity holders by EUR 1,127 million (net of tax), the net pension provision in the balance sheet will increase by EUR 1,380 million and the deferred tax assets will increase by EUR 253 million. Under IAS 19R, the pension provision in the balance sheet is equal to the defined benefit obligation less the fair value of plan assets of the defined benefit pension plans. The impact of IAS 19R on equity at January 1, 2012 is a reduction of EUR 657 million (net of tax).

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

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

The effect on Other Comprehensive Income and Total Comprehensive Income in 2012 would have been a decrease of EUR 470 million.

The impact of IAS 19R on equity attributable to equity holders can be summarized as follows (in millions of EUR):

	December 31, 2012	December 31, 2011
Equity attributable to equity holders as per Consolidated Financial Statements	**2,410**	**2,930**
IAS 19R impact	-1,127	-657
Adjusted equity attributable to equity holders	**1,283**	**2,273**

The movement in the IAS 19R impact in 2012 can be summarized as follows (in millions of EUR):

	Unrecognized actuarial losses/past service cost	Tax	Net
Balance as at December 31, 2011	**783**	**-126**	**657**
Reversal amortization	-91	–	-91
Adjustment expected return plan assets	16	–	16
Higher tax expense	–	3	3
Actuarial losses in 2012	672	-130	542
Balance as at December 31, 2012	**1,380**	**-253**	**1,127**

IAS 19R specifically addresses the incorporation in the valuation of the defined benefit obligation of risk sharing and shared funding between employer and employees (e.g. employee contributions) which are typical for Dutch pension arrangements and which would reduce the defined benefit obligation. From the current wording in IAS 19R, it is unclear how these elements should be included in the valuation of the defined benefit obligation. Therefore, the IFRS Interpretations Committee (IFRIC) has been requested to provide additional guidance. The impact of risk sharing and shared funding on the defined benefit obligation under IAS 19R for KPN's Dutch pension plans is expected to be limited but will be further determined when additional guidance from the IFRIC becomes available. In the numbers mentioned above, the possible impact of risk sharing and shared funding is not included.

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

General notes to the Consolidated Financial Statements continued

Provisions for retirement benefit obligations

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. KPN recognizes termination benefits when KPN is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

Other long-term employee obligations

These employee benefits include jubilee or other long-service benefits, long-term disability benefits and, if they are not fully payable within 12 months after the end of the period, bonuses and deferred compensation. The expected costs of these benefits are accrued over the period of employment using an accounting method similar to that for defined benefit pension plans, except that actuarial gains and losses and past-service costs are recognized immediately.

Provisions for other liabilities and charges

Provisions such as asset retirement obligations, restructuring costs and legal claims are recognized when KPN has a present legal or constructive obligation as a result of past events; and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Statement of Cash Flows

The Statement of Cash Flows is prepared using the indirect method. Cash flows denominated in currencies other than the euro are translated at average exchange rates. Cash flows relating to interest and taxes on profits are included in the cash flow from operating activities. The cost of newly acquired Group companies and associated companies, insofar as paid for in cash, is included in the cash flow from investing activities. Cash flows resulting from Group companies acquired or disposed of are disclosed separately. Investments in property, plant and equipment, which are financed by financial leases, are not included in the Consolidated Cash Flow Statement.

Recent accounting pronouncements

The International Accounting Standards Board (IASB) has issued a number of new standards and interpretations, and amendments to existing standards many of which will become effective on or after January 1, 2013. These have not been applied in preparing these 2012 Consolidated Financial Statements. Interpretations and amendments of the standards will not have material impact on KPN's Consolidated Financial Statements, except for IAS 19R. The new standards, which may have an effect on the information to be disclosed in KPN's Consolidated Financial Statements of 2013 are listed below:

- IAS 19, 'Employee benefits' was amended in June 2011 (IAS 19R). For the impact on KPN's Financial statement refer to the accounting policies for provisions for retirement benefit obligations.
- IFRS 9, 'Financial instruments' This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. Since the standard has not yet been endorsed by the European Union, it is uncertain when it needs to be applied by KPN. The remaining uncertainty with respect to subsequent phases of the project makes it impossible to quantify the impact of the new standard on KPN's financial statements.
- IFRS 10, 'Consolidated financial statement', establishes a single control model that applies to all entities including special purpose entities. The introduction of this new standard will not change KPN's financial position.
- IFRS 11, 'Joint arrangements', is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. The introduction of this new standard will not change KPN's financial position.
- IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. It is the complement of the two new standards discussed in preceding paragraphs and will become effective at the same time.
- IFRS 13, 'Fair value measurement', becomes the single source of guidance on IFRS for all fair value measurements. The impact of this standard on KPN's financial statements is being assessed but it is not expected to be material because the standard further clarifies existing requirements.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

[1] Revenues

Amounts in millions of EUR	2012	2011
Rendering of services	11,848	12,388
Sale of goods	438	488
Royalties and other revenues	123	146
Total revenues	**12,409**	**13,022**

Rendering of services included traffic and subscription fees for the usage of KPN's networks, handset leasing fees, one-off connection and other initial fees and revenues from designing, building, deploying and managing ICT solutions which are provided on a time and material basis or as a fixed-price contract. The sale of goods included peripheral and other equipment.

Reference is made to the Note 34 'Segment Reporting' for more information about revenues.

[2] Other income

Amounts in millions of EUR	2012	2011
Gains on the sale of property, plant and equipment	208	123
Other gains	91	18
Total other income	**299**	**141**

Gains on the sale of property, plant and equipment mainly related to sale and lease back transactions of mobile towers in the Netherlands and Germany. These lease transactions were reported as operating lease and contain annual rental guarantees of EUR 20 million for 15 years. For more details on lease and rental obligations reference is made to the Note 31 'Commitments, contingencies and legal proceedings'.

In 2012 other gains included the result on the sale of Getronics International EUR 8 million, the sale of SNT Inkasso EUR 16 million, the sale of KPN Spain EUR 36 million and obtained other services fee amounting EUR 27 million.

In prior year other gains included gains from the sale of KPN France EUR 10 million and Pharma Partners EUR 5 million.

[3] Employee benefits

Amounts in millions of EUR	2012	2011
Salaries and wages	1,478	1,558
Pension charges (incl. Social Plan 2001) [22]	226	125
Social security contributions	207	191
Total employee benefits	**1,911**	**1,874**

Reference is made to Note 34 'Segment Reporting' for further information on the number of employees and to Note 23 'Provisions for other liabilities and charges' for further information on employee redundancy costs. In the other operating expenses an amount of EUR 123 million is recorded related to restructuring of the personnel (2011: EUR 127 million).

Board of Management and Supervisory Board

The Remuneration and Organizational Development Report included in this Annual Report contains required information comprising 'D: Details of actual pay-out for 2012' and 'E: Supervisory Board Pay 2012', which are deemed part of these financial statements.

Share option plans

KPN has granted stock options on its shares to members of the Board of Management, Senior Management and employees in the Netherlands with a collective labor agreement. As all remaining share option plans vested in 2010 no cost are recorded in 2012 and 2011.

All options granted are granted with an exercise price equal to market share price at grant date, are equity-settled and are forfeited when employees leave KPN for reasons other than retirement, disability or death (except for some personnel plans). The other main features of the option plans are:

	Share capital	Exercise price (in EUR)	Maximum term	Exercisable (years after grant date)	Vesting period	Profits in escrow if exercised within 3 years[1]	Performance related[2]
2004	Management	6.45	8 years	3 years	3 years	–	yes
	Management	6.45	8 years	3 years	3 years	–	no
	Management Belgium	6.45	8 years	3.7 years	3 years	–	no
2005	Management	6.73-7.18	8 years	3 years	3 years	–	yes
	Management	6.73	8 years	3 years	3 years	–	no
	Management Belgium	6.73	8 years	3.7 years	3 years	–	no
2007	CEO (former)	12.09	5 years	immediate	3 years	yes	no

1) If options are exercisable immediately, the profits from any exercise prior to the third anniversary of the date of issue will be held in escrow until the third anniversary of the issue, at which time such profits will be released to the relevant option holder, provided that the option holder remains employed by KPN.

2) The number of options that vested after the three-year vesting period and were performance related, depended on KPN's Total Shareholder Return (stock appreciation plus dividend pay-out; TSR) relative to a peer group of European telecommunication companies.

Notes to the Consolidated Statement of Income continued

Summary of options outstanding as of December 31, 2012

Granted in:	Number outstanding December 31, 2012	Exercise price per option	Weighted average remaining contractual life (years)	Weighted average fair value at the date of grant
2005	405,282	6.73-7.18	0.3	2.73
Total	**405,282**			

Summary of the changes in outstanding options

	2012		2011	
	Number of options	**Weighted average exercise price per option in EUR**	Number of options	Weighted average exercise price per option in EUR
Outstanding at the beginning of the year	**908,226**	**7.62**	**1,673,041**	**7.50**
Options granted	–	–	–	–
Options exercised	-243,433	6.48	-764,815	7.36
Options expired	-259,511	10,04	–	–
Options forfeited	–	–	–	–
Outstanding at the end of the year	**405,282**	**6.75**	**908,226**	**7.62**
– of which: exercisable	405,282	6.75	908,226	7.62

The actual number of options is adjusted for the actual vesting percentages after the performance period. The average KPN stock price in 2012 was EUR 6.83. The fair value of each option is estimated at the date of grant using a binomial model.

Share plans

Since 2006, KPN has granted shares and share-based awards on its shares to members of the Board of Management, and Senior Management: The Performance Share Plan ('PSP'). The conditionally granted PSP award will vest after three years if the employee is still employed with KPN. The number of share-based awards which vest depends on KPN's TSR position ranking relative to its peer group of European telecommunications companies (including KPN). Since 2011 vesting is based for 75% on relative TSR and for 25% on non-financial performance measures i.e. energy reduction targets and a reputation dashboard. The list of companies included in the peer group and the vesting schedule can be found under 'Long-term incentives' in the 'Remuneration and Organizational Development Report' section.

In May 2012 an additional equity settled plan was issued for Senior Management: the KPN Restricted Share Plan. Shares under this plan will vest on January 1, 2015 if the employee is still employed with KPN. For this plan no other performance measures are applicable.

The main features of the awards granted under the PSP and Restricted Share Plan plan to KPN management are summarized below:

		Maximum term	Settlement type[1]	Vesting period	Holding period after vesting of/until
2006	Board of Management (excl. CEO), Senior Management	5 years	Equity	3 years	2 years
2007	Board of Management, Senior Management	3 years	Cash	3 years	–
2008	CEO	Until July 2011	Equity	1 year	Until July 2011
	Board of Management (excl. CEO)	5 years	Equity	3 years	2 years
	Senior Management	3 years	Cash	3 years	–
2009	CEO	Until July 2011	Equity	1 year	Until July 2011
	Board of Management (excl. CEO)	5 years	Equity	3 years	2 years
	Senior Management	3 years	Cash	3 years	–
2010	CEO	Until July 2011	Equity	1 year	Until July 2011
	Board of Management (excl. CEO)	5 years	Equity	3 years	2 years
	Senior Management	3 years	Cash	3 years	–
2011	Board of Management	5 years	Equity[2]	3 years	2 years
	Senior Management	3 years	Cash	3 years	–
2012	Board of Management and Senior Management	5 years	Equity[2]	3 years	2 years
	Senior Management	3 years	Cash	3 years	–
	Senior Management Restricted Share Plan	2.7 years	Equity	2.7 years	–

1) The cash-based share awards will be settled in cash and no holding restrictions apply. An exception to the holding period for equity-settled plans is made with respect to shares that were sold upon vesting to cover the tax obligation on the vested shares. After vesting, the holder is able to sell a number of unconditional granted shares only up to the amount necessary to settle the wage taxes liability relating to the profit made on the stock compensation plan.

2) Including deferred dividend.

The total compensation expense associated with the share plans was EUR 3 million negative in 2012 (2011: EUR 2 million) and the related liability (for cash-settled shares) at December 31, 2012, was EUR 105,000 (2011: EUR 6 million). This liability is included under Other payables and deferred income. During 2012 KPN granted 2,240,959 shares and share-based awards (2011: 1,857,502) to members of the Board of Management and Senior Management.

The following table presents the number of shares and share-based awards under the share plans for the year ended December 31, 2012.

Number of shares and share based awards	Total at December 31, 2010[3]	Granted/ additional vesting[2]	Exercised/ Vested	Forfeited	Total at December 31, 2011	Granted/ additional vesting[2]	Exercised/ Vested	Forfeited	**Total at December 31, 2012[3-5]**	– of which: Non-Vested
2006 Shares	**772,818**	–	-772,818	–	**–**	–	–	–	**–**	–
2008 Share-based awards Senior Management	**1,536,475**	717,244	-2,140,829	-112,890	**–**	–	–	–	**–**	–
2008 Shares Board of Management	**472,963**	59,361	-444,748	–	**87,576**	–	–	–	**87,576**	–
2009 Share-based awards Senior Management	**1,977,999**	68,471	–	-2,046,470[4]	**–**	–	–	–	**–**	–
2009 Shares Board of Management	**482,153**	–	-323,276	-158,877[4]	**–**	–	–	–	**–**	–
2010 Share-based awards Senior Management	**1,733,264**	49,310	–	-115,432	**1,667,142**	–	–	-1,667,142[4]	**–**	–
2010 Shares Board of Management	**375,754**	–	–	-180,941	**194,813**	–	–	-194,813[4]	**–**	–
2011 Share-based awards Senior Management	**–**	1,630,502[1]	–	-27,100	**1,603,402**	–	–	-208,187	**1,395,215**	1,395,215
2011 Shares Board of Management	**–**	227,000[1]	–	–	**227,000**	–	–	-91,666	**135,334**	135,334
2012 Share-based awards Senior Management	**–**	–	–	–	**–**	1,166,459[1]	–	-49,901	**1,116,558**	1,116,558
2012 Shares Board of Management/Senior Management	**–**	–	–	–	**–**	459,500[1]	–	-20,833	**438,667**	438,667
2012 Restricted Shares Senior Management	**–**	–	–	–	**–**	615,000	–	-7,500	**607,500**	607,500

1) On the basis of 100% grant. The equity-settled share numbers do not include any deferred dividend during the vesting period. The deferred dividend during the vesting period will be granted in additional shares.
2) At grant date the fair value is calculated using a Monte Carlo Simulation model. At April 23, 2012, the fair value was EUR 2,84 for the 2012 share based award and EUR 2,84 for the 2012 equity settled share grant for Members of the Board of Management and Senior Management (excluding deferred dividend). At May 1, 2012, the fair value was EUR 5,12 for the 2012 Restricted share award for Senior Management.
3) At December 31, 2012, the fair value of each cash-settled share-based award was measured based on the most recent available share price of KPN and its performance compared to peer companies at the moment of valuation (i.e. closing share prices as at December 31, 2012). At December 31, 2012, the fair value was EUR 0 for the 2010 share based award, EUR 0,06 for the 2011 share based award and EUR 0,22 for the 2012 share based award.
4) At the end of 2012, KPN held the 13th position with respect to the 2010 share grant and at the end of 2011, KPN held the 8th position with respect to the 2009 share grant. Neither position led to vesting of the shares.
5) In the figures the uplift to the LTI entitlements is not included. The uplift could result in a LTI value determination of 125% (instead of 75%) of base salary for the members of the Board of Management. The uplift in LTI was not granted as the financial targets in 2009 and 2010 were not met and KPN did not reach a number 1,2 or 3 position in the TSR peer-group ranking. Please refer to the Remuneration and Organizational Development Report for further explanation on the uplift to the LTI entitlement.

The fair value of each share at the grant date is determined using the following assumptions:

	2012 PSP	**2012 Restricted Shares**	2011 PSP
Risk-free interest rate based on euro governments bonds for remaining time to maturity of 2.7 years	1.2%	1.1%	2.6%
Expected dividend for KPN (based on one year's historical daily data preceding the date of award)	10.2%	10.2%	6.4%
Expected volatility (2011 grant based on 2.7–years' daily historical daily data	20.0%	20.1%	24.8%
Share price at date of award (closing at grant date)	EUR 6.66	EUR 6.78	EUR 12.24

Notes to the Consolidated Statement of Income continued

[4] Depreciation, amortization and impairments

Amounts in millions of EUR	2012	2011
Impairment of goodwill	314	154
Amortization of other intangible assets [10]	863	859
Impairment of other intangible assets [10]	12	35
Total amortization and impairments of goodwill and other intangible assets	**1,189**	**1,048**
Depreciation of property, plant and equipment [11]	1,472	1,400
Impairments and retirements of property, plant and equipment [11]	47	140
Total depreciation and impairments of property, plant and equipment	**1,519**	**1,540**
Impairment of assets held for sale [18]	–	**1**
Total	**2,708**	**2,589**

[..] Bracketed numbers refer to the related notes.

Impairment Corporate Market 2012

During 2012, continued adverse market trends and price pressure negatively impacted the performance and outlook of Corporate Market. As a result the annual impairment testing led to an impairment of goodwill of Corporate Market of EUR 314 million. Reference is made to Note 10.

Impairment Corporate Market 2011

During 2011, the triggering event analysis and regular annual impairment testing resulted in an impairment of both non-current assets and goodwill of Corporate Market. As part of the new strategy implemented as of May 2011, the international businesses of Getronics were considered non-core. Taking into account the fact that these businesses could be sold separately and were able to generate cash flows independently the following CGUs were defined for impairment testing as at December 31, 2011 of the non-current assets other than goodwill:

1) Netherlands;
2) Belgium, Luxemburg, United Kingdom and the rest of the world;
3) Latin America.

In a first step, the non-current assets (excluding goodwill) were tested at the level of the lowest cash generating unit for which specific triggering events were identified. The recoverable amount of these assets is its fair value less costs to sell, which is based on the future cash flows. For Getronics International the selling price of these businesses on the active market has been used. The impairment tests resulted in an impairment of EUR 28 million on other intangible assets and an impairment EUR 116 million on property, plant and equipment.

In a second step, following the impairment of the individual assets, the goodwill allocated to Corporate Market has been tested for impairment which resulted in an impairment of EUR 154 million. Reference is made to Note 10.

Other impairments and depreciation

Depreciation and impairments on property, plant and equipment are detailed as follows:

Amounts in millions of EUR	2012	2011
By classification:		
Land and buildings	81	162
Plant and equipment	1,365	1,297
Other tangible fixed assets	58	74
Assets under construction	15	7
Total	**1,519**	**1,540**

In 2012 assets under construction in relation to the mobile network in Germany were reclassified to plant and equipment for EUR 451 million. As a result, a one-off additional depreciation charge of EUR 74 million was recorded, of which EUR 61 million related to prior years.

[5] Other operating expenses

In 2012, Other operating expenses comprised an addition to the restructuring provision EUR 173 million (2011: EUR 130 million). For more details, reference is made to Note 23.

Auditor's fees

The fees listed below relate to the procedures applied to the Company and its consolidated group entities by PricewaterhouseCoopers Accountants N.V., the Netherlands, the external auditor as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta), as well as by other Dutch and foreign-based PricewaterhouseCoopers individual partnerships and legal entities, including their tax services and advisory groups:

Amounts in millions of EUR	2012	2011
Financial statements audit fees	7.9	9.0
Other assurance fees	3.5	2.3
Tax fees	1.2	1.3
All other fees	0.5	0.5
Total	**13.1**	**13.1**

The total fees of PricewaterhouseCoopers Accountants N.V., the Netherlands, charged to the Company and its consolidated group entities amounted to EUR 10.1 million in 2012 (2011: EUR 10.2 million).

The financial statements audit fees include the aggregate fees billed in each of 2012 and 2011 for professional services rendered for the audit of KPN's annual financial statements and annual statutory financial statements of subsidiaries or services that are normally provided by the auditor in connection with the audits.

The other assurance fees include the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of KPN's financial statements and are not reported under audit services. This includes revenue, IT related assurance services and regulatory related assurance services.

Other fees relate to permitted services not included in the above categories.

[6] Financial income and expenses

Amounts in millions of EUR	2012	2011
Finance income	**39**	**32**
Interest on borrowings	-693	-662
Interest on provisions	-7	-9
Other	-32	-19
Finance costs	**-732**	**-690**
Amortizable part of hedge reserve [19]	-6	-6
Ineffective portion of fair value hedges	–	-36
Financial instruments not qualified for hedge accounting	-40	11
Exchange rate differences	-5	-4
Other	-100	-61
Other financial results	**-151**	**-96**
Total	**-844**	**-754**

[..] Bracketed numbers refer to the related notes.

In 2012, interest on borrowings included a non-cash amount of EUR 21 million (2011: EUR 26 million) relating to previously capitalized debt issue costs and similar costs which are amortized over the remaining life of the respective bonds.

With regards to the changes in the carrying value of Reggefiber call/put arrangements to acquire 100% of the shares over time, KPN has recorded EUR 100 million in line item 'Other' in Other financial results (2011: EUR 55 million). Refer to Note 12 and Note 29 for further information on the call/put arrangements.

In 2012, a loss of EUR 16 million (2011: loss of 14 million) was recognized in the Consolidated Statement of Income (line item 'Other' in Other financial results) related to available-for-sale financial assets. The 2012 amount includes a EUR 13 million impairment loss on the investment in Compucom, in which KPN has an approximately 10% equity stake, as a result of a dividend payment of EUR 18 million by Compucom. This dividend is included in finance income in 2012 (see also Note 16).

Notes to the Consolidated Statement of Income continued

[7] Taxation

For Dutch tax purposes, KPN Mobile and Koninklijke KPN are separate tax unities. The German activities (E-Plus) of KPN form a German partnership transparent for German tax purposes and a permanent establishment for Dutch tax purposes held by KPN Mobile.

KPN Mobile tax unity

An agreement in 2004 with the Dutch tax authorities allowed KPN Mobile to offset in 2002 a EUR 11.5 billion tax loss related to E-Plus against its Dutch taxable result. This loss had to be recaptured in later years by adding EBITDA of E-Plus to the taxable income of KPN Mobile. For the tax payments on this recapture a deferred tax liability has been recognized. This deferred tax liability is reduced by the taxes payable over EBITDA of E-Plus which were EUR 314 million in 2012 (2011: EUR 332 million). As per December 31, 2012, the deferred tax liability for the recapture amounted to EUR 205 million. Full recapture is expected to be realized during 2013.

Koninklijke KPN tax unity

In 2006, KPN signed a compliance covenant ('Handhavingsconvenant') with the Dutch tax authorities to self-assess and transparently discuss KPN's current and potential future tax issues. A few issues were outstanding at December 31, 2012, of which the deductibility of the loss of EUR 119 million relating to the liquidation of a foreign entity and the timing of the deductibility of cost regarding the tender of outstanding bonds of approximately EUR 90 million are the most significant. KPN regards the liquidation loss as tax deductible, which has not been accepted by the tax authorities. KPN has recorded the cost of the tender at once whereas the tax authorities are of the opinion that the cost should be spread over the lifetime of the new bonds.

In 2011, KPN reached an agreement with the Dutch tax authorities with regard to the application of the so called innovation tax facilities. Innovation tax facilities are facilities under Dutch corporate income tax law whereby profits attributable to innovation are taxed at an effective rate of 5%. The agreement has retroactive effect from 1 January 2007. The application of the innovation tax facilities resulted in a one-off benefit of EUR 118 million in 2011 mainly reflecting the period 2007 to 2010. KPN's effective tax rate in The Netherlands was reduced from the statutory tax rate of 25% to approximately 20% as a result of the application of the innovation tax facilities.

E-Plus

In Germany, the income tax consists of trade tax ('Gewerbesteuer') and corporate tax ('Körperschaftssteuer'). E-Plus has considerable loss carry forwards for both trade tax and corporate tax. For tax purposes, certain past impairments of goodwill and licenses were not recognized and therefore are amortized over the remaining useful lives (deductible temporary differences). In Germany, taxable income in a certain year, exceeding EUR 1 million, can only be offset for 60% against tax loss carry forwards. Trade tax and corporate tax is payable over the remaining 40% of taxable income. Information about the available tax loss carry forwards is given on page 109.

At December 31, 2012, a deferred tax asset (DTA) of EUR 1,736 million (2011: EUR 1,710 million) was recognized of which EUR 1,020 million (2011: EUR 801 million) relates to estimated future tax savings due to available tax loss carry forwards and EUR 716 million (2011: EUR 909 million) for estimated future tax savings due to the realization of temporary differences. E-Plus determines the DTA by estimating future taxable income taking into account various uncertainties in future cashflows which are also used in impairment testing. Under German tax law, E-Plus recorded a reduction of tax losses carried forward amounting to 27,5% as a result of the change in control by America Movil, as shareholder in KPN, and thus exceeding the 25% threshold as defined in German tax law. The deferred tax asset related to these losses increased following an assessment of potential tax planning opportunities to accelerate the use of these losses.

Other entities

There are several other entities in the Netherlands which are separately liable for income taxes. In most other countries in which KPN operates, tax loss carry forwards are available and therefore no income tax is payable except when minimum taxation rules are applicable.

Income tax expense

Amounts in millions of EUR	2012	2011
Current tax	-207	-94
Changes in deferred taxes	-63	-128
Income tax benefit/(charge)	**-270**	**-222**

The reconciliation from the Dutch statutory tax to the effective tax rate is explained in the table below.

Amounts in millions of EUR	2012	2011
Profit before income tax[1]	**976**	**1,795**
Taxes at Dutch statutory tax rates[2]	-244	-449
Tax rate differences of foreign operations[3]	-47	-51
Non-taxable income and non-deductible expenses[4]	-81	-80
Innovation tax facilities[6]	26	197
(De)recognition of deferred tax positions[5]:		
– related to prior years	126	203
– related to the current year	-34	-5
Other	-16	-37
Income tax benefit/(charge)	**-270**	**-222**
Effective tax rate	**27.6%**	**12.4%**

1) Excluding the share in profits or losses of associates and joint ventures.
2) Taxes at Dutch statutory tax rates are calculated on the basis of profit before income tax (excluding the share of profits of associates and joint ventures) and the applicable Dutch corporate income tax rate of 25% in 2012 and 2011.
3) Tax rate differences of foreign operations reflect the impact of different tax rates in the fiscal jurisdictions in which KPN operates. In 2012 and 2011, the corporate tax rates amounted to 15.8% in Germany, 34% in Belgium and 40% in the United States. The German trade tax rate was 15.6%.
4) Non-taxable income and non-deductible expenses represent adjustments for income not subject to taxation.
5) (De)recognition of deferred tax positions reflects the effects of valuation or non-valuation of tax loss carry forwards and deductible temporary differences. The amount related to prior years is mainly attributable to E-Plus.
6) In 2011, KPN reached an agreement with the Dutch tax authorities with regard to the application of the so called innovation tax facilities. The agreement has retroactive effect to January 1, 2007 resulting in a one-off benefit of EUR 118 million in 2011 mainly reflecting the period 2007 to 2010. In 2012 the amount includes a downward adjustment of EUR 14 million relating to 2011.

Deferred tax assets and liabilities

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Deferred tax assets	**1,822**	**1,831**
– of which: to be recovered after 12 months	1,787	1,805
– of which: to be recovered within 12 months	35	26
Deferred tax liabilities	**440**	**793**
– of which: to be realized after 12 months	129	412
– of which: to be realized within 12 months	311	381
Deferred tax assets and liabilities	**1,382**	**1,038**

Depending on future taxable results, a part of deferred tax assets relating to tax loss carry forwards now considered to be recoverable after 12 months may be recoverable in the short term, whereas, tax loss carry forwards now considered to be recoverable within 12 months may be recoverable in the long term.

Notes to the Consolidated Statement of Income continued

Deferred tax assets

	Deductible temporary differences						
	Tax loss carry forwards	Goodwill	Other intangibles[3]	Pension provisions	Other[2]	Offset against deferred tax liabilities	Total
Balance as of January 1, 2011	**1,061**	**209**	**479**	**106**	**499**	**-436**	**1,918**
Exchange differences	1	–	–	–	-1	–	–
Income statement benefit/(charge)[4]	-144	45	-33	-15	114	–	-33
Change in tax rates	–	–	–	–	–	–	–
Tax charged to equity	–	–	–	–	-27	–	-27
Reclassification	6	–	–	–	-2	-26	-22
Transferred to held for sale	–	–	–	-3	-4	2	-5
Balance as of December 31, 2011[1]	**924**	**254**	**446**	**88**	**579**	**–460**	**1,831**
Exchange differences	–	–	–	–	–	–	–
Income statement benefit/(charge)[5]	181	-56	-8	-8	-154	–	-45
Change in tax rates	–	–	–	–	–	–	–
Tax charged to equity	–	–	–	–	78	–	78
Reclassification	–	–	–	–	12	-58	-46
Changes in consolidation	4	–	–	–	–	–	4
Transferred to held for sale	–	–	–	8	-8	–	–
Balance as of December 31, 2012[1]	**1,109**	**198**	**438**	**88**	**507**	**-518**	**1,822**

1) At December 31, 2012, deferred tax assets of EUR 873 million and EUR 511 million were not recognized for loss carry forwards and deductible temporary differences respectively.
2) Other deductible temporary differences at December 31, 2012 include property, plant and equipment of EUR 272 million (2011: EUR 327 million), cash flow hedge reserves of EUR 77 million (charged to equity, 2011: EUR -1 million), revenue recognition of EUR 22 million (2011: EUR 16 million), software of EUR 28 million (2011: EUR 52 million) and deferral of expenses for fiscal purposes of EUR 21 million (2011: EUR 33 million).
3) Mainly relates to UMTS licenses in Germany.
4) In the course of 2011 a restructuring of the Dutch operations of Getronics took place as a result of which these loss carry forwards were utilized and higher amortizable assets (goodwill) were recognized.
5) Mainly relates to the revaluation of the DTA in Germany.

Deferred tax charged to equity relates mainly to movements in the hedge reserve.

Deferred tax liabilities

	Taxable temporary differences					
	Deferred liability due to losses German permanent establishment	Software development	Accelerated depreciation[1]	Other[2]	Offset against deferred tax assets	Total
Balance as of January 1, 2011	**851**	**67**	**213**	**261**	**-436**	**956**
Income statement charge	–	22	118	-44	–	96
Tax payable due to E-Plus loss recapture	-332	–	–	–	–	-332
Change in tax rate	–	–2	2	–	–	–
Changes in consolidation	–	–	–	3	–	3
Reclassification	–	–	–	–	-26	-26
Transfer to current tax	–	166	-48	-22	–	96
Transferred to held for sale	–	–	–	-2	2	–
Balance as of December 31, 2011	**519**	**253**	**285**	**196**	**–460**	**793**
Income statement charge	–	-15	19	14	–	18
Tax payable due to E-Plus loss recapture	-314	–	–	–	–	-314
Changes in consolidation	–	–	–	7	–	7
Reclassification	–	–	–	12	-58	-46
Transfer to current tax	–	-10	1	-10	–	-19
Transferred to held for sale	–	–	–	1	–	1
Balance as of December 31, 2012	**205**	**228**	**305**	**220**	**–518**	**440**

1) Relates to Property, plant and equipment in the Netherlands.
2) Other taxable temporary differences at December 31, 2012, include intangible fixed assets of EUR 80 million (2011: EUR 76 million), property plant and equipment of EUR 58 million (2011: EUR 35 million) and provisions for early retirement and pension benefits of EUR 60 million (2011: EUR 64 million).

Tax loss carry forwards

	December 31, 2012		December 31, 2011	
	Tax loss carry forwards	**Recognized deferred tax assets**	Tax loss carry forwards	Recognized deferred tax assets
Koninklijke KPN – corporate tax[1]	133	11	117	9
KPN Group Belgium – corporate tax	179	67	228	83
E-Plus – trade tax[2]	1,428	202	2,021	139
E-Plus – corporate tax[2]	10,167	818	14,375	662
Other	215	11	202	31
Total	**12,122**	**1,109**	**16,943**	**924**

1) The tax loss carry forwards are pre-consolidation losses ('voorvoegingsverliezen') limited in their use as such losses may only be compensated by taxable income generated by the specific company itself.

2) The loss carry forwards of trade tax and corporate tax can be used to offset future taxable income without any time limit. However, taxable income exceeding EUR 1 million in a certain year can only be offset for 60% against tax loss carry forwards. Trade tax and corporate tax have to be paid over the remaining 40% of taxable income. Under German tax law, E-Plus recorded a reduction of tax losses carried forward amounting to 27,5% or EUR 5 billion as a result of the change in control by America Movil, as stockholder in KPN, and thus exceeding the 25% threshold as defined in German tax law. The deferred tax asset related to these losses increased following an assessment of potential tax planning opportunities to accelerate the use of these losses amounting to EUR 382 million.

Recognized deferred tax assets reflect management's estimate of realizable amounts. The amounts of tax loss carry forwards are subject to assessment by local tax authorities.

The expiration of the available tax loss carry forwards and recognized tax assets at December 31, 2012 is as follows:

	Tax loss carry forwards	Maximum deferred tax asset	Recognized deferred tax asset[1]
2013	20	5	1
2014	5	1	–
2015	10	3	–
2016	18	4	2
2017	18	5	4
Later	121	33	8
Total limited	**192**	**51**	**15**
Unlimited	**11,930**	**1,931**	**1,094**
Total	**12,122**	**1,982**	**1,109**

1) Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the tax loss carry forwards can be utilized.

The expiration of the available tax loss carry forwards and recognized tax assets at December 31, 2011 was as follows:

	Tax loss carry forwards	Maximum deferred tax asset	Recognized deferred tax asset[1]
2012	19	5	1
2013	14	3	1
2014	102	40	28
2015	14	4	2
2016	19	5	5
Later	118	29	–
Total limited	**286**	**86**	**37**
Unlimited[1]	**16,657**	**2,672**	**887**
Total	**16,943**	**2,758**	**924**

1) Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the tax loss carry forwards can be utilized.

Notes to the Consolidated Statement of Income continued

[8] Earnings per share

The following table shows the calculation of the basic and fully-diluted earnings per share attributable to equity holders based on the profit attributable to equity holders, the average number of subscribed ordinary shares and the calculated weighted average number of subscribed ordinary shares/weighted average number of subscribed ordinary shares taking into account the dilution effects:

	2012	2011
Profit (loss) for the year in millions of EUR	**693**	**1,549**
Profit (loss) attributable to non controlling Interests [20]	2	–
Profit attributable to equity holders [19]	691	1,549
Weighted average number of subscribed ordinary shares outstanding	**1,418,808,437**	**1,460,869,236**
Dilution effects:		
– options and non-vested shares	2,590,494	1,098,829
Weighted average number of subscribed ordinary shares outstanding including dilution effects	**1,421,398,931**	**1,461,968,065**
Earnings per share after taxes attributable to equity holders for the year in EUR		
– basic	0.49	1.06
– fully-diluted	0.49	1.06

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options and non-vested shares are regarded to have potential dilutive effects on the ordinary shares. For the share options and share plans, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price over 2012, being EUR 6.83) based on the monetary value of the subscription rights attached to outstanding share options.

The profit attributable to equity holders used for calculations on a diluted basis is equal to the profit attributable to equity holders used for calculations on a non-diluted basis.

[9] Dividend per share

During 2012 KPN paid an interim dividend of EUR 0.12 per share. On 14 December 2012, KPN announced an adjustment to its dividend outlook. KPN will not pay a final dividend over 2012.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[10] Intangible fixed assets

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Goodwill	5,157	5,575
Licenses	2,191	2,495
Software	838	852
Other intangibles	272	290
Total intangible assets	**8,458**	**9,212**

Statement of changes in goodwill

Amounts in millions of EUR	2012	2011
Cost	6,020	6,022
Accumulated impairments	-445	-289
Balance as of January 1	**5,575**	**5,733**
Investments	93	6
Impairment	-314	-154
Disposals	-202	-6
Exchange rate differences	-1	1
Transferred to/from held for sale	6	-5
Closing book value	**5,157**	**5,575**
Cost	**5,914**	**6,020**
Accumulated impairments	-757	-445
Balance as of December 31	**5,157**	**5,575**

For impairment testing on goodwill the cash-generating units are determined on the operating segment level. The allocation of goodwill is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The allocation of goodwill to cash-generating units is made in accordance with a new internal structure, refer also to the Note 34 'Segment reporting', and is shown below:

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Consumer Mobile	262	262
Consumer Residential[1]	162	132
Business[2]	272	230
NetCo[1]	211	192
Corporate Market	73	388
Germany[3]	3,956	4,149
Belgium[4]	96	72
iBasis	83	84
Rest of World[4]	42	66
Total	**5,157**	**5,575**

1) KPN acquired 100 % of shares in Lijbrandt Telecom Holding B.V., Glashart Media B.V., Reggifiber Wholesale B.V. and FttH service providers from Reggeborgh.
2) KPN acquired 12.5% of shares in RoutIT B.V.
3) KPN sold and leased back the mobile towers and Germany and consequently goodwill was allocated to this part of the business and disposed.
4) Ortel Belgium was sold to KPN Group Belgium and consequently the goodwill allocated to this business has been transferred to Belgium Segment.

In 2012, the investments related to the acquisition of Lijbrandt Telecom Holding B.V., Glashart Media B.V. and Reggefiber Wholesale B.V. for which EUR 23 million goodwill has been recorded on a provisional basis. Furthermore the investments related to the acquisition of strategic partner GroupIT B.V. (RoutIT) for which EUR 42 million goodwill has been recorded on a provisional basis. At last, the investments related to the acquisition of Edutel, XMS, KickXL and Concepts ICT from Reggeborgh for which EUR 28 million goodwill has been recorded on a provisional basis. Refer to Note 30 for further information on business combinations.

In 2011, the investments related to the acquisition of Content Network B.V. for which EUR 6 million goodwill has been recorded on a provisional basis. Refer to Note 30 for further information on business combinations.

In 2012, the disposals of goodwill related to the EUR 202 million goodwill allocated to the sold and leased back mobile towers and related business in Germany and at NetCo based on the relative fair value of the disposed business versus the total operating segment.

In 2012, goodwill impairment charges amounted to EUR 314 million and related to impaired goodwill allocated to Corporate Market.

In 2011, goodwill impairment charges amounted to EUR 154 million and related to impaired goodwill allocated to Corporate Market.

Notes to the Consolidated Statement of Financial Position continued

Goodwill impairment test

Goodwill is impaired if the recoverable amount of the cash-generating unit to which it is allocated is lower than the book value of the cash-generating unit concerned including goodwill.

A detailed review has been performed of the recoverable amount of each cash-generating unit. The recoverable amount of Germany and Corporate Market has been determined based on the fair value less cost to sell. For other cash-generating units the recoverable amount is based on their value-in-use.

A third-party valuation specialist (Duff & Phelps) supported KPN in the impairment testing of Germany and Corporate Market in 2012 and 2011, which we consider the significant CGU's based upon the size of goodwill as per December 31, 2011. This involves, among others, determining the reasonableness of the fair value less cost to sell, including key assumptions used, by analyzing comparable companies and transactions.

In the impairment testing the recoverable amount has been determined using the discounted cash flow method. The key assumptions used in the cash flow projections are sales growth and estimated capital expenditures, the EBITDA margin and the weighted average cost of capital (WACC) used for discounting the cash flow projections. The cash flow projections for the first three to six years (depending on the cash-generating unit) are management's best estimate based on the most recent business plans and historical growth rates and EBITDA margins. KPN believes the period used in the projections to be a suitable timescale for reviewing and considering the annual performance before applying a fixed terminal value multiple to the final year cash flows of the detailed projection. For those cash-generating units of which the recoverable amount is based on fair value less cost to sell the reasonableness of assumptions used has been verified using market information and comparisons to (expected) developments of peer companies and adjusted if applicable to incorporate a market view vis-a-vis management's view.

Germany

For Germany, the recoverable amount is based on its fair value less cost to sell. The fair value was determined based on the present value of the future cash flows expected to be derived from this cash-generating unit and incorporates assumptions that market participants would use in estimating the fair value such as synergies (strategic premium), tax benefits and restructuring. The future expected cash flows are discounted at the weighted average cost of capital commensurate with the cash-generating unit's inherent risk.

In 2012, the margin between the recoverable amount and the carrying amount decreased significantly as a result of increased competition in the German mobile market , leaving a margin less than EUR 100 million. An increase in discount rate by 0.5%-point (ceteris paribus) or a decrease in long-term growth rate by 1%-point (ceteris paribus) would lead to an impairment of goodwill of Germany.

Key assumptions

The key long-term assumptions used in the impairment test of Germany are summarized in the table below:

	Sales growth	Capex intensity	EBITDA margin	Discount rate
2012	0%-0.5%	14%-16%	33%-35%	7.0%-7.5%
2011	1%-1.5%	14%-16%	34%-36%	7.5%-8.0%

Corporate Market

For Corporate Market, the recoverable amount is based on its fair value less cost to sell. The fair value is calculated as the present value of the future cash flows expected to be derived from this cash-generating unit and incorporates assumptions that market participants would use in estimating the fair value such as synergies. The discount rate used is the pre-tax weighted average cost of capital commensurate with the cash-generating unit's inherent risk.

The impairment testing in 2012 resulted in a further impairment of the goodwill related to KPN Corporate Market. The impairment was primarily driven by the worsened outlook on the future profitability and cashflows resulting from persistent negative market developments in the Dutch landscape for IT related services only partly offset by expected synergies and lower related capital expenditure levels.

Due to the impairment, the recoverable amount for Corporate Market equals its reported carrying amount as at December 31, 2012 and consequently, any adverse change in a key assumption underpinning the fair value less cost to sell calculation would cause further impairment losses to be recognized. The total amount of goodwill reported after the impairment in 2012 is EUR 73 million (2011: EUR 388 million).

Key assumptions

The key long-term assumptions used in the impairment test of Corporate Market are summarized in the table below:

	Sales growth	Capex intensity	EBITDA margin	Discount rate
2012	0%-0.5%	5%-7%	9.5%-10.5%	9.0%-10.0%
2011	1%-1.5%	5%-7%	12.5%-13.5%	9.0%-10.0%

Other significant cash-generating units

For other significant cash-generating units the recoverable amount is based on their value-in-use. The future expected cash flows are discounted at the pre-tax weighted average cost of capital. The key long-term assumptions used in the impairment test are summarized in the table below:

	Sales growth	Capex intensity	EBITDA margin	Discount rate
2012	0%	20%-22%	40%-45%	6.5%-7.0%
2011	0%	20%-22%	45%-50%	7.3%-7.8%

Sensitivity to changes in key assumptions

The expected future cash flows used in the impairment analysis are based on management's estimates. Events amongst others in technology and telecommunications markets as well as the financial markets and the overall economy may have an adverse impact on the estimated future cash flows of KPN's businesses.

The following table gives an indication of value change of Germany and Corporate Market as per year end 2012, if key assumptions had changed adversely and would have been used in the impairment testing of Germany and Corporate Market.

	Sales growth		Capex intensity		EBITDA margin		Discount rate	
	-0.5pps	+0.5pps	-1pps	+1pps	-1pps	+1pps	-0.5pps	+0.5pps
Value change Germany	-335	375	280	-280	-280	280	525	-475
Value change Corporate Market	-10	11	60	-60	-60	60	25	-22

Considering the relatively small margin between the recoverable and carrying amount of Germany, the negative sensitivities above would have resulted in an impairment. Any adverse change in a key assumption underpinning the fair value less cost to sell calculation of Corporate market would cause further impairment losses to be recognized.

The outcome of sensitivity analysis for the other cash-generating units would not have resulted in a different outcome of the impairment test.

Statement of changes in intangible fixed assets with finite lives

Amounts in millions of EUR	Licenses	Computer software	Software in development	Customer relationships	Trade names	Other	Total
Balance as of January 1, 2011	**2,818**	**698**	**121**	**219**	**83**	**83**	**4,022**
Investments	16	463	-1	4	–	12	494
Disposals	–	-1	–	–	–	–	-1
Exchange rate difference	–	–	–	–	1	-1	–
Changes in consolidation	–	–	–	7	2	–	9
Reclassification	–	–	7	–	–	–	7
Amortization	-339	-429	–	-64	-11	-16	-859
Impairment	–	-3	-3	-10	-19	–	-35
Closing net book value	**2,495**	**728**	**124**	**156**	**56**	**78**	**3,637**
Cost	9,378	2,110	124	412	116	161	12,301
Accumulated amortization/ impairments	-6,883	-1,382	–	-256	-60	-83	-8,664
Balance as of December 31, 2011	**2,495**	**728**	**124**	**156**	**56**	**78**	**3,637**
Investments	15	388	41	–	–	8	452
Disposals	–	-2	–	–	–	–	-2
Changes in consolidation	28	4	–	48	8	–	88
Reclassification	–	3	-1	–	–	–	2
Amortization	-346	-437	–	-56	-9	-15	-863
Impairment	–	-3	-4	–	–	-2	-9
Transfer to held for sale (net)	-1	-2	-1	–	–	–	-4
Closing net book value	**2,191**	**679**	**159**	**148**	**55**	**69**	**3,301**
Cost	9,425	2,190	159	476	118	149	12,517
Accumulated amortization/ impairments	-7,234	-1,511	–	-328	-63	-80	-9,216
Balance as of December 31, 2012	**2,191**	**679**	**159**	**148**	**55**	**69**	**3,301**

Notes to the Consolidated Statement of Financial Position continued

Licenses

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Germany	1,853	2,066
NetCo	250	335
Belgium	87	94
Other	1	–
Total	**2,191**	**2,495**

In December 2012, KPN was assigned a combination of spectrum licenses in the Netherlands which was reported as off balance sheet obligation as at December 31, 2012. Refer to the Note 31 'Commitments, contingencies and legal proceedings'.

As at the end of 2012, the book value of Computer software and Software in development comprised internally generated software for EUR 360 million (2011: EUR 260 million).

[11] Property, plant and equipment

Statement of changes in property, plant and equipment

Amounts in millions of EUR	Land and buildings	Plant and equipment	Other tangible non-current assets	Assets under construction	Total
Balance as of January 1, 2011	**875**	**5,619**	**130**	**890**	**7,514**
Investments	78	1,348	57	128	1,611
Disposals	-15	-19	-1	–	-35
Depreciation	-89	-1,242	-65	-4	-1,400
Impairments and retirements	-73	-55	-9	-3	-140
Exchange rate differences	–	1	–	-1	–
Reclassifications	-65	55	5	-2	-7
Change in consolidation	–	3	-1	–	2
Other changes	–	-6	–	–	-6
Transfer to held for sale (net)	-6	–	–	–	-6
Closing net book value	**705**	**5,704**	**116**	**1,008**	**7,533**
Cost	1,954	15,519	334	1,022	18,829
Accumulated depreciation/ impairments	-1,249	-9,815	-218	-14	-11,296
Balance as of December 31, 2011	**705**	**5,704**	**116**	**1,008**	**7,533**
Investments	57	2,254	49	-432	1,928
Disposals	-16	-105	-1	-2	-124
Depreciation	-80	-1,336	-56	–	-1,472
Impairments and retirements	-1	-29	-2	-15	-47
Reclassifications	2	12	-15	-1	-2
Change in consolidation	–	76	4	1	81
Transfer to held for sale (net)	4	-3	-1	–2	–2
Closing net book value	**671**	**6,573**	**94**	**557**	**7,895**
Cost	1,972	16,822	327	582	19,703
Accumulated depreciation/ impairments	-1,301	-10,249	-233	-25	-11,808
Balance as of December 31, 2012	**671**	**6,573**	**94**	**557**	**7,895**

As of January 1, 2012 KPN extended the economic life of fiber from 20 to 30 years. This resulted in EUR 40 million lower depreciation charges in 2012. Furthermore, in 2012 assets under construction in relation to the mobile network in Germany were reclassified to plant and equipment for EUR 451 million. As a result, a one-off additional depreciation charge of EUR 74 million was recorded, of which EUR 61 million related to prior years.

Property, plant and equipment primarily concerns assets located in the Netherlands (2012: approximately 61%; 2011: approximately 61%) and Germany (2012: approximately 33%; 2011: approximately 33%). Assets under construction mainly relate to the construction of mobile networks.

The book value of property, plant and equipment of which KPN as the lessee is the beneficial owner under financial lease programs amounted EUR 256 million (2011: EUR 205 million).

The book value of property, plant and equipment of which KPN is the lessor under operating lease programs amounted to EUR 454 million (2011: EUR 151 million). The increase in the book value of property, plant and equipment of which KPN is the lessor under operating lease programs is caused by introduction of mobile handsets leasing propositions in the Netherlands and Germany. The future minimum lease payments receivable related to these operating leases is EUR 148 million (2011: EUR 102 million) in total of which EUR 94 million (2011: EUR 64 million) matures within one year and the remaining EUR 54 million (2011: EUR 38 million) matures within one to five years.

Sensitivity analysis

At the end of 2012 the book value for Copper and Fiber cables is EUR 2,124 million, which is included in plant and equipment. The current depreciation rates for these investments are based on estimates and judgment about the useful lives of these assets. For Copper cables KPN estimates that the current useful life ends in year 2023, if the useful life was set at 20 years, the depreciation charge for 2013 would be EUR 57 million lower. For the Fiber cables KPN estimates that the current useful life is 30 years. If the useful life was set at 40 years, the depreciation charge for 2013 would be EUR 11 million lower.

[12] Investments in associates and joint ventures

Amounts in millions of EUR	**2012**	2011
Balance as of January 1	**261**	**284**
Additions	88	3
Income from associates and joint ventures	-13	-24
Dividend received	-1	-1
Other changes	-9	-1
Total changes	**65**	**-23**
Balance as of December 31	**326**	**261**

Reggefiber

KPN has a stake of 51% in Reggefiber Group B.V. ('Reggefiber'), a strategic partnership with Reggeborgh B.V. for the rollout of the Fiber- to- the-Home network. Reggeborgh owns 49% of Reggefiber. Under the arrangements in the joint venture agreement with Reggeborgh, KPN will only obtain control over Reggefiber as from 60% ownership of the shares in the company.

In October 2012, the first call/put option under the amended arrangements vested upon reaching the milestone of 1.0 million Homes Connected. As a result of the exercise of this option, KPN acquired an additional 10% of the shares in Reggefiber, increasing its share to 51%, for an amount of EUR 99 million on November 8, 2012.

The details of the remaining call/put arrangement between KPN and Reggeborgh as at December 31, 2012, are as follows:

	Ownership stake	Option trigger	Exercise price	Conditions for exercise
Option 2	Additional 9% Leading to 60% ownership	Call/put vest earliest of: • 1.5 million Homes Connected • January 1, 2014	EUR 116 – 161 million, depending on Capex efficiency at Reggefiber	i) Exercise of option 1 required ii) NMa approval required

Furthermore, Reggeborgh holds an option to sell the remaining 40% of its shares to KPN. This option can be exercised three and a half years after the second option has been exercised over a period of one and a half years, for an amount of EUR 647 million. Alternatively, this option can also be exercised at fair value for a period of seven years after the second option has been exercised.

Notes to the Consolidated Statement of Financial Position continued

Book value

The book value of KPN's 51% share in Reggefiber as at December 31, 2012 amounted to EUR 293 million (2011: EUR 234 million), including EUR 131 million of goodwill. The movement of the book value of the investment in Reggefiber is presented in the table below:

Amounts in millions of EUR	
Cash contribution	174
Contribution in assets	16
Call/put arrangements valuation in the purchase price allocation	58
Total initial investment by KPN for 41%	**248**
Share in the 2009 results	-11
Balance as of December 31, 2009	**237**
Capital contribution	44
Share in the 2010 results	-26
Balance as of December 31, 2010	**255**
Share in the 2011 results	-20
Other changes	-1
Balance as of December 31, 2011	**234**
Acquisition	74
Share in the 2012 results	-7
Other changes	-8
Balance as of December 31, 2012	**293**

In addition to the 51% share in Reggefiber, KPN provided shareholder loans to Reggefiber. These shareholder loans are recorded under loans to associates and joint ventures for EUR 227 million (2011: EUR 127 million). The shareholder loans bear interest of 6.00% – 6.75% and have a final maturity date of January 1, 2019. Reggeborgh provided similar shareholder loans to Reggefiber on a pro-rata basis for its share in the partnership.

The call/put arrangements are valued at fair value and recorded as a derivative financial instrument of EUR 278 million (2011: EUR 203 million), which is recorded as a liability. The change in the fair value of the call/put arrangements during the year of EUR 100 million (2011: EUR 55 million) is recorded in the consolidated statement of income as a loss under other financial results. Refer to Note 29 for further details on the call/put arrangements.

At the end of 2012, Reggefiber had capital commitments (100%) for EUR 285 million (2013: EUR 261 million and 2014: EUR 24 million). The total capital commitments as at December 31, 2011 amounted to EUR 223 million. For rental and operational lease contracts Reggefiber had commitments for EUR 15 million as at December 31, 2012 (less than 1 year: EUR 3 million, 1 to 5 years EUR 5 million, more than 5 years: EUR 7 million). At the end of 2011, Reggefiber's commitments under rental and operational lease contracts were EUR 15 million.

Other

As of December 31, 2012, investments in associates and joint ventures also include NTT Data Getronics (30%) for an amount of EUR 16 million (2011: EUR 16 million).

In the table below, the amounts of certain financial data with respect to Reggefiber and the other joint ventures and associates are summarized, based on KPN's share.

Amounts in millions of EUR	Reggefiber	Other	December 31, 2012	December 31, 2011
Current assets	57	84	141	56
Non-current assets[1]	708	17	725	464
Current liabilities	63	75	138	68
Non-current liabilities	453	45	498	256
Total revenues	37	127	164	71
Total operating expenses	-10	-127	-137	-59
Profit or loss after taxes	-7	-6	-13	-24

1) Including EUR 47 million goodwill at Reggefiber.

The difference in value between the assets and liabilities of the table above and the investment value is the goodwill paid by KPN which is included in the book value of the associates and joint ventures.

[13] Trade and other receivables (non-current)

Amounts in millions of EUR	2012	2011
Balance as of January 1	**261**	**242**
Current portion of non-current receivables	4	-6
Gross	**265**	**236**
Additions	127	44
Redemptions	-16	-15
Impairment	-1	–
Total gross at December 31	**375**	**265**
Current portion of non-current receivables	-84	-4
Balance as of December 31	**291**	**261**

Additions comprised among others EUR 80 million of accrued income previously reported as deferred income, mainly classified as current portion of non-current receivables.

The balance as of December 31 included the following:

Amounts in millions of EUR	2012	2011
Accrued income and prepayments	130	107
Receivables from financial leases	2	3
Pension assets [22]	137	134
Other loans	22	17
Total	**291**	**261**

[..] Bracketed numbers refer to the related notes.

Accrued income and prepayments mainly consist of prepaid rent recognized at net present value. The gross amount with respect to receivables from financial leases amounts to EUR 3 million (2011: EUR 5 million), which fully matures within five years. The short-term portion of the financial leases amounting to EUR 1 million (2011: EUR 2 million) is classified as current trade and other receivables.

In 2012, an amount of EUR 137 million (2011: EUR 134 million) relates to a surplus of plan assets in excess of benefit obligations in pension plans. Reference is made to Note 22.

[14] Inventories

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Resources, parts, tools and measuring instruments	65	68
Finished goods	70	81
Total inventories, gross	**135**	**149**
Provision for obsolescence	-24	-26
Total inventories, net	**111**	**123**

The fair value of the inventories does not materially differ from the amount as recorded as at December 31, 2012.

During the year 2012 a net amount of EUR 6 million (2011: EUR 13 million) was added to the provision for obsolete stock through ‘cost of materials’ in the Consolidated Statement of Income.

The transition expenses relating to fixed-price contracts involving managed ICT services are included under finished goods and amount to EUR 10 million at the end of 2012 (2011: EUR 14 million).

Notes to the Consolidated Statement of Financial Position continued

[15] Trade and other receivables

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Trade receivables	1,045	1,022
Social security and other taxes	36	35
Other receivables	157	51
Accrued income	318	391
Prepayments	140	108
Total	**1,696**	**1,607**

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Trade receivables – gross	1,195	1,183
Provision for doubtful trade receivables	-150	-161
Total	**1,045**	**1,022**

The carrying amounts of trade and other receivables approximate their fair value. Trade and other receivables are non-interest bearing.

The movements in the provision for doubtful trade receivables are as follows:

Amounts in millions of EUR	2012	2011
Balance as of January 1	**161**	**148**
Addition through income statement	48	20
Usage	-49	-14
Other movements	-3	9
Transfer to assets held for sale	-7	-2
Balance as of December 31	**150**	**161**

The maximum exposure to credit risk on trade receivables is limited to their gross amount. The concentration of KPN's trade receivables over the different segments as at December 31 can be summarized as follows:

	December 31, 2012		December 31, 2011	
Amounts in millions of EUR	Gross	Provision	Gross	Provision
Consumer Mobile	47	11	54	8
Consumer Residential	49	11	27	8
Business Segment	183	12	140	8
Corporate Market	175	8	194	7
NetCo Segment	123	18	119	44
iBasis Segment	212	4	193	4
Germany Segment	285	64	325	57
Belgium Segment	101	16	100	21
Other	20	6	31	4
Total	**1,195**	**150**	**1,183**	**161**

For a discussion of KPN's policies to reduce credit risk on trade receivables as well as concentration of the credit risk, reference is made to Note 29 'Capital and Financial Risk Management'. Postpaid mobile services are considered to have the highest credit risks within the business of KPN (Germany, Belgium, part of Business and Consumer Mobile Segment). Overall, concentrations of credit risk with respect to trade receivables are limited due to the Group's large and unrelated customer base. The provision for doubtful trade receivables is predominantly collectively determined based on ageing and is reviewed periodically. The concentration of credit risk in the integrated, outsourced and managed ICT solutions businesses is somewhat larger. The gross amount due from trade receivables in these businesses at December 31, 2012, was EUR 175 million (2011: EUR 194 million) for which a provision of EUR 8 million (2011: EUR 7 million) was recorded. The provision for doubtful receivables in these businesses has been determined on an individual basis.

The ageing of the gross trade receivables at the reporting date was as follows:

	December 31, 2012		December 31, 2011	
Amounts in millions of EUR	Gross	Provision	Gross	Provision
Amounts undue	646	2	595	1
Past due 0-30 days	161	5	184	13
Past due 31-60 days	48	6	39	4
Past due 61-90 days	33	3	42	3
Past due 91-180 days	138	13	119	15
Past due 181-270 days	21	13	23	10
Past due 271-360 days	18	10	15	7
More than one year	130	98	166	108
Total	**1,195**	**150**	**1,183**	**161**

[16] Available-for-sale financial assets

Amounts in millions of EUR	2012	2011
Balance as of January 1	**48**	**53**
– of which: current	–	–
Impairment recorded in the Income Statement	-16	-3
Fair value adjustment recorded in other comprehensive income	3	-2
Balance as of December 31	**35**	**48**
– of which: current	–	–

In 2012 and 2011, no significant transactions took place.

KPN holds a 5% equity share in Jasper Wireless amounting to EUR 10 million (2011: EUR 7 million), a privately held company that provides a global Machine-to-Machine platform.

In addition, KPN holds an equity stake of approximately 11% in Tecnocom, a listed Spanish ICT services company, and a stake of approximately 11% in CompuCom, a privately held IT outsourcing company in North America, in total amounting to EUR 25 million (2011: 41 million). The equity stake in CompuCom consists of ordinary shares and preferred shares. KPN cannot sell its shares in CompuCom without the consent of the other investors.

In 2012 a dividend payment of EUR 18 million took place which caused a decline of the fair value of Compucom of EUR 13 million.

In 2011, an amount of EUR 10 million was removed from equity and recognized as an impairment loss.

[17] Cash and cash equivalents

Cash and cash equivalents as at December 31, 2012, were for more than 98% (2011: 97%) denominated in the functional currency of the related entities. The effective interest rate on the outstanding bank deposits as at December 31, 2012 was approximately 0.01%.

On December 31, 2012, KPN's total outstanding bank guarantees amounted to EUR 161 million (2011: EUR 71 million), which were issued in the ordinary course of business. The increase in 2012 was mainly related to a bank guarantee for the Dutch State for the Dutch spectrum auction. This bank guarantee ended following the payment of the frequency licences on January 9, 2013.

All cash and cash equivalents are at free disposal to KPN within three months.

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Cash	883	644
Short-term bank deposits	403	346
Total cash and cash equivalents	**1,286**	**990**

Net cash and cash equivalents

As of December 31, 2012, KPN's net cash and cash equivalents position amounted to EUR 947 million (including EUR 343 million of bank overdrafts) as presented in the Cash Flow Statement:

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Cash and cash equivalents	1,286	990
Cash classified as held for sale [18]	4	36
Bank overdraft	-343	-76
Net cash and cash equivalents	**947**	**950**

Notes to the Consolidated Statement of Financial Position continued

[18] Non-current assets, liabilities and disposal groups held for sale

Amounts in millions of EUR	Non-current assets and disposal groups classified as held for sale	Liabilities directly associated with non-current assets and disposal groups classified as held for sale
Balance as of January 1, 2011	**57**	**16**
Additions	218	192
Impairments	-1	–
Disposal	-50	-16
Balance as of December 31, 2011	**224**	**192**
Additions	13	5
Exchange rate difference	4	3
Disposal	-188	-168
Transfer	-25	-26
Balance as of December 31, 2012	**28**	**6**

The assets and the related liabilities of the above-mentioned businesses classified as held for sale at December 31 are specified as follows:

Amounts in millions of EUR	2012	2011
Intangible assets (including goodwill)	4	–
Property, plant and equipment	9	10
Current assets	15	214
Total assets held for sale	**28**	**224**
Provisions	–	20
Current liabilities	6	172
Total liabilities held for sale	**6**	**192**

In September 2012, KPN classified its investment in the Multiconnect business in Germany with a net book value of EUR 9 million as held for sale.

In November 2011, KPN classified a part of the business in Germany with a net book value of EUR 18 million as held for sale. The disposal group remained held for sale as at December 31, 2011 and was subsequently sold in June 2012, refer to Note 2.

In December 2011, KPN classified an international part of Corporate Market business with a net book value of EUR 4 million as held for sale. The measurement of the assets and liabilities, at the lower of carrying amount and fair value less cost to sell, resulted in a loss of EUR 30 million. The disposal group remained held for sale as at December 31, 2011 and was subsequently sold in May 2012, refer to Note 2.

In December 2011, KPN sold and leased back a number of mobile towers. The first tranche had been completed in December 2011. The second tranche contained the mobile towers with a book value of EUR 5 million was classified as held for sale. The disposal group remained held for sale as at December 31, 2011 and was subsequently sold in January 2012, refer to Note 2.

[19] Equity attributable to equity holders

For a breakdown of Equity attributable to equity holders, reference is made to the Consolidated Statement of Changes in Group Equity. Total distributable reserves at December 31, 2012, amount to EUR 1,762 million (2011: EUR 2,228 million). For further details of the non-distributable reserves, reference is made to the Corporate Financial Statements.

Share capital
KPN's 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, 2012, a total of 1,431,522,482 ordinary shares were outstanding and fully paid-in. Dutch laws prohibit KPN to cast a vote on shares KPN holds. The ordinary shares and Class B preferred shares carry the right to cast one vote each. For a description of the preferred shares, please see 'The Foundation Preference Shares B KPN' hereafter. 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.

Share premium
The additional paid-in capital is exempt from Dutch tax up to an amount of EUR 7,416 million (2011: EUR 7,416 million).

Other reserves
On page 121 is a detailed overview of the movements in the number of treasury shares and other reserves:

Amounts in millions of EUR, unless indicated otherwise	Number of treasury shares[1]	Treasury shares reserve	Hedge reserve	Fair value reserve available for sale financial assets	Currency translation reserve	Total other reserves
Balance as of January 1, 2011	**57,719,272**	**-646**	**-79**	**-8**	**24**	**-709**
Sold (exercise options/shares) [3]	-959,658	7	–	–	–	7
Purchased	96,728,927	-1,000	–	–	–	-1,000
Cancelled	-141,087,402	1,500	–	–	–	1,500
Addition (net)	–	–	77	8	–	85
Transfer to Statement of Income [6]	–	–	4	–	–	4
Exchange differences	–	–	–	–	-14	-14
Balance as of December 31, 2011	**12,401,139**	**-139**	**2**	**–**	**10**	**-127**
Sold (exercise options/shares) [3]	-244,748	1	–	–	–	1
Purchased	–	–	–	–	–	–
Cancelled	–	–	–	–	–	–
Addition (net)	–	–	-246	3	–	-238
Transfer to Statement of Income [6]	–	–	5	–	–	–
Exchange differences	–	–	–	–	3	3
Balance as of December 31, 2012	**12,156,391**	**-138**	**-239**	**3**	**13**	**-361**
– of which: to be cancelled	–					
Total treasury shares	12,156,391					

1) Adjusted numbers due to elimination of shares in lock-up period related to share based compensation.
[..] Bracketed numbers refer to the related notes.

Hedge reserve

Amounts in millions of EUR	**December 31, 2012**	December 31, 2011
Effective portion cash flow hedges	-253	73
Amortizable part [6]	-63	-69
Hedge reserve	**-316**	**4**
Tax effect	77	-2
Hedge reserve, net of tax	**-239**	**2**

Treasury shares and treasury shares reserve

Until 2011 KPN purchased shares in its own capital under a share repurchase program and also for delivery upon exercise of share options by management and personnel under the share option and performance share plans (see Note 3).] Votes on purchased shares may not be cast and they do not count towards determining the number of votes required at a General Meeting of Shareholders.

In 2012, no shares were purchased under the share repurchase program. During the year, 244,748 shares were sold.

Treasury shares are accounted for at cost, representing the market price on the acquisition date. The proceeds at delivery of the treasury shares are recognized directly in the other reserves. In the event that more options are exercised than available as treasury shares for option plans, KPN anticipates providing shares for equity-settled plans through the purchase of shares in the market. All rights with respect to repurchased treasury shares are suspended until those shares are delivered.

Foundation Preference Shares B KPN

KPN had renewed option arrangements regarding the issuance of Class B preference shares to the Foundation Preference Shares B KPN ('the Foundation').

KPN has a put option to sell to the Foundation a number of its Class B preference shares, which have the same voting rights as ordinary shares, not exceeding the total issued share capital before such issue, or, subject to prior approval by the General Meeting of Shareholders, such larger number as the parties may agree. In addition, 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. Since October 12, 2006, the authority of the Board of Management to issue Class B preference shares under the put option expired. This expiration does not affect the obligation to issue Class B preference shares upon exercise of the call option by 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. KPN's Board of Management can decide to request the Foundation to pay the remainder. Such decision is subject to the approval of the Supervisory Board.

KPN is of the opinion that neither the put option nor the call option represent a significant value as meant in IAS 1, paragraph 31 due to the fact that the put option can no longer be exercised by KPN and the fact that the likelihood that the call option will be exercised is very remote. In the remote event that the call option will be exercised, the preference shares B will be cancelled relatively shortly after issuance. The options are therefore not accounted for in the annual accounts nor is any additional information as meant in IFRS 7.

[20] Non-controlling interests

In 2012, KPN acquired a stake in GroupIT B.V. of 12.5 % at fair value with a right to acquire the remaining stake and thus obtained the control over GroupIT B.V..

Notes to the Consolidated Statement of Financial Position continued

[21] Borrowings

The carrying amounts and fair value of the borrowings at December 31 are as follows:

	December 31, 2012		December 31, 2011	
Amounts in millions of EUR	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Eurobonds EUR	10,007	10,742	9,252	10,065
Eurobonds GBP	2,151	2,407	2,100	2,308
Global Bonds USD	1,089	996	1,122	1,000
Financial lease obligations	256	233	149	117
Bank overdraft	343	343	76	76
Credit facility	–	–	400	400
Other loans	50	52	–	–
Total borrowings	**13,896**	**14,773**	**13,099**	**13,966**
– of which: current	*1,527*	*1,553*	*1,458*	*1,488*
– of which: non-current	*12,369*	*13,220*	*11,641*	*12,478*

The fair value for Euro and Global Bonds is based on the listed price of the bonds.

KPN's weighted average interest yield on the borrowings outstanding before swaps at December 31, 2012, was 5.3% (2011: 5.5%). The weighted average interest yield on borrowings outstanding after swap was 5.1% (2011: 5.3%).

For further details on borrowings, including a redemption schedule, reference is made to Note 29 'Financing Risk Management – Liquidity Risk'.

Bonds

On November 13, 2012, KPN redeemed EUR 957 million of the Eurobond 2007-2012, in accordance with the regular redemption schedule.

On August 1, 2012, KPN issued a EUR 750 million Eurobond with a 8.5-year maturity and a fixed coupon of 3.25%.

On March 1, 2012, KPN issued a EUR 750 million Eurobond with a ten-year maturity and a fixed coupon of 4.25%.

On November 18, 2011, KPN issued a GBP 400 million Eurobond with a fifteen-year maturity and a coupon of 5.00%.
The Sterling bond has been swapped into EUR 467 million with a Euro-equivalent coupon of 5.02%.

On September 15, 2011, KPN issued a EUR 500 million Eurobond with a ten-year maturity and a coupon of 4.50%.

On July 21, 2011, KPN redeemed EUR 986 million of the Eurobond 2004-2011, in accordance with the regular redemption schedule.

All new bonds in 2012 and 2011 have been issued under KPN's Global Medium Term Note program and have been listed on Euronext Amsterdam.

Financial lease obligations and other loans

As of December 31, 2012, the financial lease obligations amounted to EUR 256 million. Refer to Note 29 for more information.

On September 13, 2012, KPN issued an EUR 50 million private placement (EUR Fixed Registered Note) with a maturity of 20 years.

Credit rating

KPN maintains credit ratings from Standard & Poors, Moody's and Fitch. Per December 31, 2012, KPN has a credit rating of Baa2 with rating under review for downgrade by Moody's, BBB with a credit watch negative by Standard & Poor's and BBB- with a stable outlook by Fitch. The table below shows the adjustments to the credit ratings during 2012 and 2011.

Credit rating agency	Rating as at 31.12.2012	Current outlook	Adjustments 2012	Adjustments 2011
Standard & Poor's	BBB	Credit watch negative	• December 18: rating on credit watch negative • November 21: outlook changed to negative from stable • February 21: rating changed from BBB+ with stable outlook to BBB with stable outlook	None
Moody's	Baa2	Rating under review for downgrade	• December 18: rating under review for downgrade • January 26: outlook on Baa2 rating changed to negative from stable	None
Fitch	BBB-	Stable	• December 17: rating changed from BBB with negative outlook to BBB- with stable outlook • January 31: rating changed from BBB+ with stable outlook to BBB with negative outlook	None

[22] Provisions for retirement benefit obligations

Provisions for retirement benefit obligation consist of pension provisions and the provision for the Social Plan 2001.

Amounts in millions of EUR	**December 31, 2012**	December 31, 2011
Pension provisions	312	426
Provision for Social Plan 2001	2	15
Total	**314**	**441**

Pensions

The majority of KPN's employees in the Netherlands is covered by defined benefit plans. The majority of the employees outside the Netherlands is covered by defined contribution plans. The measurement date for all defined benefit plans is December 31. KPN makes contributions to provide sufficient assets to fund the benefits payable to participants of most defined benefit plans.

The following table gives an overview of KPN's main defined benefit plans based on size and risk profile as at December 31, 2012:

Pension Plan	Characteristics	Funding	Minimum funding requirement
KPN PF (main plan)	KPN's main Dutch pension plan covers employees who are subject to KPN's collective labor agreement. The benefits provided are based on the employee's years of service and compensation level and consist of a defined benefit average pay plan for the salary up to EUR 45,378 per annum and a defined contribution part for the salary exceeding EUR 45,378 per annum. Furthermore, employees can opt to participate in an individual pension saving scheme. The retirement age is 65.	This plan is funded externally with 'Stichting Pensioenfonds KPN'. Premiums are paid to this fund based on a long-term horizon regarding the desired coverage ratio. The employee contribution is fixed and based on KPN's collective labor agreement. For the defined contribution part, KPN guarantees the contributions made. For the individual pension saving scheme, all contributions are made entirely by the employees.	These plans are mandated by Dutch law ('Pensioenwet') which requires minimum coverage ratios. The coverage ratio is calculated based on this law and differs from the defined pension obligation as calculated under IFRS, among others due to different discount rates. When the coverage ratio is below approximately 105%, the Dutch funds are required to recover to this ratio by additional contributions and reduction of indexation (short-term recovery plan). Next to that, the Dutch funds are required to recover to a coverage ratio of approximately 115% over a 15-year period either by additional contributions or a decrease in indexation (long-term recovery plan). For KPN PF and KPN OPF the additional contributions in the short term recovery plan is limited to EUR 390 million (subject to indexation since 2009) within this recovery period. The current short-term recovery period runs from 2009 to 2013 with quarterly additional contributions of EUR 19 million and EUR 1.5 million for KPN PF and KPN OPF respectively when the coverage ratio is below approximately 105%.
KPN OPF	KPN's OPF plan covers Senior Management with an individual labor agreement in the Netherlands. The benefits provided are based on the employee's years of service and compensation level and consist of a defined benefit average pay plan for the salary up to EUR 45,378 per annum and a defined contribution plan for the salary exceeding EUR 45,378 per annum. Furthermore, employees can opt to participate in an individual pension saving scheme. The retirement age is 65.	This plan is funded externally with 'Stichting Ondernemingspensioenfonds KPN'. Premiums are paid to this fund based on the expected accrual of pension benefits for the year. The employee contribution is fixed. For the individual pension saving scheme, all contributions are made entirely by the employees.	
Corporate Market NL SVG	Plan participants accrue retirement benefits by means of an individual savings account. The retirement age is 67.	The individual savings accounts are externally funded in 'Stichting Voorzieningsfonds Getronics' (SVG). For this scheme, contributions are made both by KPN and employees. The annual accrual of the individual savings account is based on a defined contribution scheme.	SVG has agreed with KPN that during the period 2010 to 2013, KPN can be required to provide additional lump sum payments of in total up to EUR 50 million for additional reserves, financing of guaranteed return on investments or to prevent a cut of benefits.
KPN early retirement	This comprises a number of transitional early retirement plans for retirement before the age of 65. These plans are closed to new entrants.	These plans are unfunded. The benefits are paid directly by KPN when due.	Not applicable.

Notes to the Consolidated Statement of Financial Position continued

Pension Plan	Characteristics	Funding	Minimum funding requirement
Getronics UK	The Getronics UK operations were divested in 2012. The closed and frozen defined benefit plan remained with KPN.	This defined benefit plan is funded externally in a trust.	In line with the requirements of the UK pension regulator, any deficit in the defined benefit plan must be recovered by means of monthly contributions determined every 3 years. As at December 31, 2012 the defined benefit plan was in deficit.
Getronics US	The Getronics US operations were divested in 2008. The closed and frozen defined benefit plans remained with KPN.	These defined benefit plans are funded externally in a trust.	Until the plans are fully funded to 100% of liabilities, US funding rules require quarterly contributions to recover to a fully funded position over a seven year period based on a roll-over system. As at December 31, 2012 the defined benefit plan was in deficit.

The balance sheet position of the defined benefit plans can be broken down as follows:

Amounts in millions of EUR	2012	2011
Defined benefit obligation – balance as of January 1	**8,299**	**7,348**
Service costs	99	93
Interest costs	312	341
Benefits paid	-251	-232
Employees' contribution	37	29
Past-service costs	–	-9
Transferred to held for sale	–	-40
Actuarial (gains)/losses	1,275	754
Exchange rate differences	–	15
Defined benefit obligation – balance as of December 31	**9,771**	**8,299**
– of which: funded plans	*9,724*	*8,206*
– of which: unfunded plans	*47*	*93*
Fair value of plan assets – balance as of January 1	**7,224**	**6,632**
Actual return on plan assets	877	562
Employer's contribution	329	243
Employees' contribution	37	29
Transferred to held for sale	–	-20
Benefits paid	-251	-232
Exchange rate differences	–	10
Fair value of plan assets – balance as of December 31	**8,216**	**7,224**
Benefit obligation in excess of plan assets	**1,555**	**1,075**
Unrecognized past service cost	-3	-4
Unrecognized gains/(losses)	-1,377	-779
Pension provisions (net)	**175**	**292**
– of which: funded plans	*150*	*229*
– of which: unfunded plans	*25*	*63*
– of which: classified as non-current liabilities [22]	*312*	*426*
– of which: classified as non-current assets [13]	*137*	*134*

Breakdown of non-current liabilities

Amounts in millions of EUR	2012	2011
KPN PF	124	222
KPN early retirement	17	55
Corporate Market NL SVG (main plan)	2	38
Getronics UK	66	32
Getronics US	57	37
Other	46	42
Total	**312**	**426**

Breakdown of non-current assets

Amounts in millions of EUR	2012	2011
KPN OPF	109	101
Other	28	33
Total	**137**	**134**

The total pension costs recognized for the years 2012 and 2011 were as follows:

Amounts in millions of EUR	2012	2011
Service costs	-99	-93
Interest costs	-312	-341
Expected return on assets	293	326
Other costs	-5	-6
Recognized actuarial losses/gains	-90	-12
Past service costs	-1	9
Curtailments/settlements	–	–
Total defined benefit plans	**-214**	**-117**
Defined contribution plans	**-14**	**-13**
Total pension costs	**-228**	**-130**

The key actuarial assumptions of KPN PF and the weighted average of the key actuarial assumptions of the other plans used in the calculation of the defined benefit obligations and pension cost for the subsequent year are as follows:

	December 31, 2012		December 31, 2011	
As a %	KPN PF	Other	KPN PF	Other
Discount rate	2.8	3.0	3.8	3.8
Expected salary increases	2.0	1.6	2.0	1.6
Expected return on assets	2.8	3.0	3.9	4.4
Expected benefit increases	1.3	0.8	1.5	1.0

The discount rate is based on yield curves of AA zero-coupon corporate bonds, with maturities equal to the duration of the benefit obligations and in the applicable currency. For the obligations in EUR, the yield curve is based on around 250 corporate bonds in different industries.

For the year 2012, the expected return on assets was determined per asset category (i.e. equities, fixed-interest securities, real estate, hedge funds and commodities). The expected return on fixed-interest was derived from the actual interest rate on balance sheet date for similar interest bearing securities. The return on the other asset categories was derived from historic returns. As of January 1, 2013, under IAS 19R the expected return on plan assets is equal to the discount rate. The mortality assumptions in the Netherlands are based on the most recent GBM/GBV (2012–2062) prospective mortality table. For the other countries the most recent generally accepted mortality tables are applied.

Notes to the Consolidated Statement of Financial Position continued

Sensitivity analysis

In 2013, service costs will amount to approximately EUR 119 million for all defined benefit plans. The table below shows the approximate impact on service costs in 2013 if the key actuarial assumptions change by one percentage point:

Amounts in millions of EUR	Increase by 1%	Decrease by 1%
Discount rate	-32	44
Expected salary increases	4	-5
Expected return on assets	not applicable	not applicable
Expected benefit increases	37	-29

The table below shows the approximate impact on the defined benefit obligation as at December 31, 2012, if the key actuarial assumptions change by one percentage point:

Amounts in millions of EUR	Increase by 1%	Decrease by 1%
Discount rate	-1,596	1,984
Expected salary increases	145	-148
Expected return on assets	not applicable	not applicable
Expected benefit increases	1,835	-1,487

If more than one of the assumptions changes, the impact of each change would not necessarily be the same as if only one assumption changed in isolation.

Plan assets: investment policies/strategies

The pension funds actively manage their investment portfolio. In most cases, the investment strategy is determined based on an asset-liability study in consultation with investment advisers and within the boundaries given by regulatory bodies for pension funds (in the Netherlands the regulatory body is 'De Nederlandsche Bank'). The pension funds mainly invest in the global equity and debt markets. As the pension fund invests in market indices like MSCI, a minor part of these investments is related to KPN equities.

KPN PF

KPN PF is the largest plan (assets of EUR 5,891 million and benefit obligations of EUR 6,981 million at December 31, 2012). The Board of KPN PF determines the investment policies on the basis of the long-term goals of the fund. The investment policies apply in principle for the long-term but are evaluated annually.

The weighted average investment portfolio of KPN PF is as follows:

	Strategy as from 2013	**Actual as per December 2012**	Actual as per December 2011
Equities	39%	40%	35%
Fixed income	37%	39%	38%
Real estate	10%	8%	11%
Other	14%	13%	16%
Total	**100%**	**100%**	**100%**

The risk of a decrease in value of equity investments is partially hedged with put options on equities in developed markets. Currency risks on equities are in principle hedged. The interest rate risk is hedged for 50% with interest sensitive fixed income instruments and interest rate swaps. Also options on interest swaps are used to mitigate the interest rate risk. To mitigate the effects of rising inflation on the value of the fund's investments, part of the fixed income porfolio is invested in inflation linked bonds.

The investments of KPN's Dutch funds are reviewed daily by investment managers and on a monthly basis by the board of the pension funds.

Other plans

KPN's weighted average actual investment portfolio in other plans and countries at December 31, 2012, and 2011 is as follows:

	As per December 2012	As per December 2011
Equities	41%	38%
Fixed income	43%	43%
Real estate	5%	6%
Other	11%	13%
Total	**100%**	**100%**

Expected contributions and benefits

On the basis of the short term recovery plans for the period 2009 to 2013, KPN is required to contribute, besides the regular annual premium, EUR 19 million quarterly into KPN PF and EUR 1.5 million quarterly into KPN OPF plan if the coverage ratio of these plans is below approximately 105% as required by the Dutch pension regulator. These recovery payments are due on the first day of the second following quarter. The actual coverage ratios at December 31, 2012 were 103.5% for the KPN PF and 108.7% for KPN OPF.

In 2012, the total employer contributions and all benefit payments for unfunded plans amounted to EUR 343 million, consisting of EUR 182 million for defined benefit premiums (including a prepayment of EUR 27 million for 2013), EUR 100 million for recovery payments for KPN PF and KPN OPF (including a prepayment of EUR 19 million which was due in Q1 2013), EUR 14 million for defined contribution plans and EUR 47 million benefit payments for unfunded plans.

For 2013, total employer contributions of EUR 190 million are expected, excluding recovery payments. Based on the coverage ratio at December 31, 2012, a recovery payment of EUR 19 million is required in Q2 2013. Whether or not further recovery payments for KPN PF and KPN OPF or guarantee payments for the Corporate Market NL SVG plan are required in 2013 depends on the development of the coverage ratios.

Experience adjustments

Actuarial gains and losses are defined in IAS 19 as experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. They include changes in the fair value of plan assets other than the expected returns. Actuarial gains and losses can be large and volatile. A five-year record shows the defined benefit obligation, the fair value of plan assets and the resulting surplus or deficit, and the 'experience adjustments' in each year on the assets and liabilities.

Amounts in millions of EUR	**2012**	2011	2010	2009	2008
DBO	9,771	8,299	7,348	6,534	5,851
Plan assets	8,216	7,224	6,632	6,076	5,234
Deficit	1,555	1,075	716	458	617
Experience gains/(losses) arising on liabilities	10	34	29	-75	210
Experience gains/(losses) arising on plan assets	589	242	241	466	-1,306

Provision for Social Plan 2001

Amounts in millions of EUR	**2012**	2011
Balance as of January 1	**15**	**48**
Withdrawals	-11	-28
Recognized actuarial (gains)/losses through the Income Statement	-2	-5
Balance as of December 31	**2**	**15**

This provision relates to the costs for KPN employees who voluntarily left under the Social Plan agreed upon with the trade unions and Works Council in 2001. This Plan provides for the reduction of KPN's workforce in the Netherlands by at most 5,280 employees. Approximately 2,300 employees of age 55 and older were offered an early retirement scheme under conditions similar to the KPN early retirement plan.

Notes to the Consolidated Statement of Financial Position continued

[23] Provisions for other liabilities and charges

Amounts in millions of EUR	**December 31, 2012**	December 31, 2011
Restructuring provision	162	102
Asset retirement obligations	303	352
Other provisions	108	72
Balance	**573**	**526**
– of which: non-current	*387*	*397*
– of which: current	*186*	*129*

Restructuring provision

The restructuring provision consists of the following components:

Amounts in millions of EUR	**2012**	2011
Personnel (redundancy obligations)	111	98
Contractual obligations	51	4
Restructuring provision	162	102

Of the restructuring provision an amount of EUR 131 million has a term of less than one year (2011: EUR 100 million), EUR 31 million of provisions has a term of between one and five years (2011: EUR 2 million).

The movements in the restructuring provision are as follows:

	Personnel	Contractual obligations	Total
Balance as of January 1, 2011	**54**	**6**	**60**
– of which: current portion	*53*	*4*	*57*
Additions / Releases	127	3	130
Usage	-83	-5	-88
Balance as of December 31, 2011	**98**	**4**	**102**
– of which: current portion	*98*	*2*	*100*
Additions / Releases	123	50	173
Usage	-110	-3	-113
Balance as of December 31, 2012	**111**	**51**	**162**
– of which: current portion	*111*	*20*	*131*

Personnel (redundancy obligations)

During 2012 and 2011, KPN continued to substantially reduce its staff. In 2012 the restructuring provision relates to the continued restructuring based on the current strategy and amounted EUR 111 million as at December 31, 2012.

The total amount of additions and releases of personnel provision comprised a release of EUR 70 million related to redundancy program at Corporate Market in 2011 and an additional charge to this program of EUR 76 million in 2012.

Asset retirement obligations

Amounts in millions of EUR	2012	2011
Balance as of January 1	**352**	**340**
Additions	1	9
Usage	-23	-2
Changes in assumptions	-17	–
Release	-13	-4
Interest	6	9
Transferred to held for sale	–	-1
Other movements	-3	1
Balance as of December 31	**303**	**352**
– of which: current	*3*	*4*

The asset retirement obligations at December 31, 2012, amounted to EUR 303 million (2011: EUR 352 million), of which EUR 53 million (2011: EUR 22 million) has a term of less than five years. The main assumptions of calculation for the asset retirement obligations relate to the estimated costs of removal, discount rate and estimated period of removal which vary per type of asset. The changes in assumptions for 2012 mainly relate to a change in discount rate and estimated cost of removal. The discount rate for 2012 is 2.1% (2011: 2.8%).

As defined in the Telecommunications Act the obligation for landlords to tolerate cables which are part of a public electronic communications network terminates as soon as those cables have been idle for a continuous period of 10 years. In that situation, a public electronic communications network supplier is required to remove cables on request of a landlord. Due to the fact that the date when the cables will become idle is uncertain and KPN is not able to predict whether and when a landlord will place a request for removal, KPN is not able to make a reliable estimate of the impact and no provision was recognized at December 31, 2012.

Other provisions

The movements in other provisions are as follows:

Amounts in millions of EUR	2012	2011
Balance as of January 1	**72**	**110**
Additions	53	-7
Usage	-17	-30
Transferred to held for sale	–	-3
Other movements	–	2
Balance as of December 31	**108**	**72**
– of which: current	*52*	*25*

Other provisions relates to various risks and commitments, claims and litigations and onerous contracts, refer to Note 31. Of the Other provisions, approximately EUR 52 million had a term of less than one year (2011: EUR 25 million), EUR 27 million a term of between one and five years (2011: EUR 17 million) and EUR 29 million had a term of more than five years (2011: EUR 30 million).

[24] Other payables and deferred income (non-current)

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Non-interest bearing accruals	32	37
Deferred income	60	74
Phantom stock liability	–	6
Other payables	30	38
Total	**122**	**155**

Deferred income concerns amounts received in advance for deferred connections fees and other revenues that will be recognized in the future.

[25] Trade and other payables (current)

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Trade payables	1,402	1,423
Deferred income	598	601
Accrued interest	380	353
Accrued expenses	1,151	1,042
Social security and other taxes payable	286	294
Other payables	40	91
Total	**3,857**	**3,804**

Notes to the Consolidated Statement of Financial Position continued

[26] Derivative financial instruments

Derivative financial instruments (valued at fair value) can be broken down as follows:

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Assets	**233**	**172**
Non-current	233	169
Current	–	3
Liabilities	**-474**	**-229**
Non-current	-458	-229
Current	-16	–
Total derivative financial instruments	**-241**	**-57**
– of which: designated in a hedge relationship	*62*	*132*
– of which:: call option GroupIT B.V.	*5*	*–*
– of which: not designated in a hedge relationship	*-30*	*11*
– of which: forward exchange contracts	*–*	*3*
– of which: call/put arrangements Reggefiber Group B.V. (net)	*-278*	*-203*

In 2012 and 2011, no gains or losses from ineffectiveness of the cash flow hedges were recognized in the Consolidated Statement of Income. The ineffective portion of the fair value hedges during 2012 recognized in the Consolidated Statement of Income was nil (2011: EUR 36 million loss).

In 2012, the call/put arrangements regarding Reggefiber Group B.V. are included in derivative financial instruments for a net liability of EUR 278 million (2011: EUR 203 million net liability). Refer to Note 12 for more information.

Bonds denominated in foreign currency

All bonds denominated in foreign currencies are hedged with cross-currency swaps. The swaps are used to mitigate the exposure on currency risk and interest rate risk. For these hedge relations, KPN meets the criteria of, and also applies, hedge accounting.

KPN determines the effectiveness of the hedges at inception and on a quarterly basis. KPN uses the dollar offset method for its cash flow hedges and a regression method for its fair value hedges.

An overview of the cross-currency swaps at December 31, 2012 and December 31, 2011 is presented below (in millions):

Nominal	Currency	Maturity date	Pay	Receive	Hedge accounting	Fair value in Euro[1]
2012						
275	GBP	March 18, 2016	Fixed	Fixed	Cash Flow	13
250	GBP	May 29, 2019	Fixed	Fixed	Cash Flow	29
400	GBP	November 11, 2026	Fixed	Fixed	Cash Flow	-1
850	GBP	September 17, 2029	Fixed	Fixed	Cash Flow	-19
1,000	USD	October 1, 2030	Fixed	Fixed	Cash Flow	-146
					Total	**-124**
2011						
275	GBP	March 18, 2016	Fixed	Fixed	Cash Flow	15
250	GBP	May 29, 2019	Fixed	Fixed	Cash Flow	35
400	GBP	November 11, 2026	Fixed	Fixed	Cash Flow	18
850	GBP	September 17, 2029	Fixed	Fixed	Cash Flow	34
1,000	USD	October 1, 2030	Fixed	Fixed	Cash Flow	56
					Total	**158**

1) Negative amounts are liabilities.

For the GBP 275 million bond, maturing in March 2016 with annual interest payments, KPN hedged the currency exposure by effectively fixing the counter value in GBP to EUR 328 million. KPN also hedged the interest rate exposure by swapping the interest rates from GBP fixed to Euro fixed on an annual basis (approximately 4.89% per annum).

For the GBP 250 million bond, maturing in May 2019 with annual interest payments, KPN hedged the currency exposure by effectively fixing the counter value in GBP to EUR 290 million. KPN also hedged the interest rate exposure by swapping the interest rate from GBP fixed to Euro fixed on an annual basis (approximately 5.12% per annum).

For the GBP 400 million bond, maturing in November 2026 with annual interest payments, KPN hedged the currency exposure by effectively fixing the counter value in GBP to EUR 467 million. KPN also hedged the interest rate exposure by swapping the interest rate from GBP fixed to Euro fixed on an annual basis (approximately 5.02% per annum).

For the GBP 850 million bond, maturing in September 2029 with annual interest payments, KPN hedged the currency exposure by effectively fixing the counter value in GBP to EUR 971 million. KPN also hedged the interest rate exposure by swapping the interest rate from GBP fixed to Euro fixed on an annual basis (approximately 5.98% per annum).

For the USD 1,000 million bond, maturing in October 2030 with semi-annual interest payments, KPN hedged the currency exposure by effectively fixing the counter value in USD to EUR 756 million. KPN also hedged the interest rate exposure by swapping the interest rate from USD fixed to Euro fixed on a semi-annual basis (approximately 8.56% per annum).

Some of these hedges contain reset clauses at pre-agreed dates, in order to mitigate counterparty exposure during the life of the swap. These reset clauses may result in early Euro settlement obligations with the swap counterparty for part of the outstanding notional. This could lead to additional cash inflows or outflows before maturity.

Bonds denominated in EURO

In September and December 2011, KPN changed its interest rate profile by swapping the fixed coupons on three Eurobonds. This initiative was announced at KPN's Investor Day in May 2011. The bonds have been swapped to a 2-year duration, which is expected to result in lower interest costs, while maintaining visibility on interest paid for the next two years.

The Eurobonds with maturities on September 21, 2020 (notional EUR 1.0 billion), October 4, 2021 (notional EUR 500 million) and September 30, 2024 (notional EUR 700 million) have been swapped to a floating rate based on 3-month Euribor using fixed-to-floating interest swaps. At inception, the first two years have been fixed with a floating-to-fixed interest rate swap. In subsequent quarters, KPN entered into additional forward starting swaps to maintain a 2-year horizon of fixed interest rates.

For the fixed-to-floating interest rate swaps, KPN meets the criteria of, and also applies, hedge accounting. KPN determines the effectiveness of these fair value hedges at inception and on a quarterly basis, based on a regression method.

Based on the current hedge accounting rules, KPN is not allowed to apply hedge accounting for above mentioned floating-to-fixed swaps. These swaps are held at fair value through profit and loss, designated upon initial recognition. Until 31 December 2012, KPN booked a loss in the income statement of EUR 40 million (2011: EUR 11 million gain).

Notes to the Consolidated Statement of Financial Position continued

An overview of the interest-rate swaps at December 31, 2012 and December 31, 2011 is presented below (in millions unless stated otherwise).

Nominal	Currency	Maturity date	Pay	Receive	Hedge accounting	Fair value in EUR
2012						
1,000	EUR	September 21, 2020	Floating	Fixed	Fair Value	79
500	EUR	October 4, 2021	Floating	Fixed	Fair Value	47
700	EUR	September 30, 2024	Floating	Fixed	Fair Value	60
					Total	**186**

Nominal	Currency	Maturity date	Pay	Receive	Hedge accounting	Fair value in EUR
2011						
1,000	EUR	September 21, 2020	Floating	Fixed	Fair Value	-12
500	EUR	October 4, 2021	Floating	Fixed	Fair Value	-1
700	EUR	September 30, 2024	Floating	Fixed	Fair Value	-13
					Total	**-26**

Nominal	Currency	Maturity date	Pay	Receive	Hedge accounting	Fair value in EUR
2012						
1,000	EUR	September 21, 2015	Fixed	Floating	None	-14
700	EUR	September 30, 2015	Fixed	Floating	None	-9
500	EUR	October 4, 2015	Fixed	Floating	None	-7
					Total	**-30**

Nominal	Currency	Maturity date	Pay	Receive	Hedge accounting	Fair value in EUR
2011						
1,000	EUR	September 21, 2013	Fixed	Floating	None	5
700	EUR	September 30, 2013	Fixed	Floating	None	4
500	EUR	October 4, 2013	Fixed	Floating	None	2
					Total	**11**

Foreign exchange contracts

The fair value of foreign exchange exposure hedge contracts is determined using market forward exchange rates at the balance sheet date.

Amounts in millions of EUR	**Contract volume 2012**	**Fair value 2012**	Contract volume 2011	Fair value 2011
Term shorter than 1 year	72	–	60	3
Term longer than 1 year	–	–	2	–
Total	**72**	**–**	**62**	**3**

In 2012, the cash flow hedge reserve decreased by EUR 310 million before tax (2011: increase of EUR 109 million) resulting from changes in the valuation of the USD and GBP cross currency swaps. As KPN applies hedge accounting, any change in swap value will result in an opposite movement in the cash flow hedge reserve, such that there is no income impact. The change in 2012 is caused by the significant drop of the Euro interest rates compared to GBP and USD interest rates.

For further details on derivative financial instruments, reference is made to Note 29 'Capital and Financial Risk Management – Exposure to Foreign Currency Risk'.

NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

[27] Net Cash flow used in investing activities

In 2012, the amount of acquisitions of subsidiaries, associates and joint ventures in the Consolidated Statement of Cash Flows mainly consisted of the acquisition of an additional 10% of the shares in Reggefiber for EUR 99 million (see also Note 12), the acquisition of Reggefiber Wholesale and various ISPs from Reggefiber and Reggeborgh for EUR 166 million and earn out payments for EUR 37 million (see also Note 30).

In 2011, the amount of acquisitions of subsidiaries, associates and joint ventures in the Consolidated Statement of Cash Flows mainly consisted of earn out payments for EUR 9 million and the acquisition of the shares of new subsidiaries for EUR 14 million, net of acquired cash (see also Note 30).

In 2012, disposals of subsidiaries, associates and joint ventures mainly relate to the net proceeds from the sale of part of the business of SNT Inkasso in Germany (EUR 22 million) and the sale of KPN Spain (EUR 24 million) less the net negative proceeds from the sale of Getronics International (EUR 26 million) and various other disposals (EUR 12 million).

In 2012, investments in intangible assets (excluding software) mainly related to the acquisition of licenses for additional spectrum.

Loans to associates and joint ventures in 2012 and 2011 mainly concerned shareholder loans provided to Reggefiber (see also Note 12).

[28] Net Cash flow used in financing activities

On November 13, 2012, KPN redeemed EUR 957 million of the Eurobond 2007-2012, in accordance with the regular redemption schedule.

On September 13, 2012, KPN issued a EUR 50 million private placement (EUR Fixed Registered Note) with a maturity of 20 years.

On August 1, 2012, KPN issued a EUR 750 million Eurobond with a 8.5-year maturity and a fixed coupon of 3.25%.

On March 1, 2012, KPN issued a EUR 750 million Eurobond with a ten-year maturity and a fixed coupon of 4.25%.

On November 18, 2011, KPN issued a GBP 400 million Eurobond with a fifteen-year maturity and a coupon of 5.00%. The Sterling bond has been swapped into EUR 467 million with a Euro-equivalent coupon of 5.02%.

On September 15, 2011, KPN issued a EUR 500 million Eurobond with a ten-year maturity and a coupon of 4.50%.

On July 21, 2011, KPN redeemed EUR 986 million of the Eurobond 2004-2011, in accordance with the regular redemption schedule.

KPN had no drawings on the Credit Facility as of December 31, 2012 (December 31, 2011: drawings of EUR 400 million).

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[29] Capital and Financial Risk Management

Capital management

Financing policy

KPN is committed to strive for the right balance between a prudent financing policy, investments in the business and shareholder remuneration. KPN seeks to ensure a sustainable and prudent financial framework and is committed to an investment grade credit profile.

On February 5, 2013, KPN announced a EUR 4 billion rights issue, in order to align its financial position with its strategy. The transaction will strengthen KPN's balance sheet and is intended to provide a stable financial position in the coming years. The proceeds will increase KPN's financial and strategic flexibility and will be used to continue to invest in KPN's operations and reduce KPN's net debt level. The capital raise would lower KPN's reported net debt / EBITDA at the end of 2012 by approximately 0.9x. The rights issue is subject to shareholder approval.

On February 20, 2013, KPN announced that América Móvil committed, subject to certain conditions, to vote in favour of certain resolutions to be put before the general meeting of shareholders. The capital raise to be supported by América Móvil will consist of a EUR 3 billion rights issue and, in addition, issuance of hybrid capital instruments which are expected to receive partial equity recognition. Through this combination KPN intends to achieve the targeted EUR 4 billion equity equivalent capital.

Amounts in millions of EUR	**2012**	2011
Total borrowings (carrying values, excluding derivatives)	13,896	13,099
Difference between carrying value and nominal value	-573	-345
Total borrowings (nominal values, see breakdown below)	**13,323**	**12,754**
Cash and cash equivalents (including held for sale)	1,290	1,026
Net Debt	**12,033**	**11,728**
EBITDA (definition for Net Debt / EBITDA calculation)	4,403	5,132
Net Debt / EBITDA	**2.7x**	**2.3x**

Breakdown of total borrowings (nominal values)	**2012**	2011
Bonds	12,672	12,129
Financial lease obligations	256	149
Bank overdraft	343	76
Credit Facility	0	400
Other	52	–
Total borrowings	**13,323**	**12,754**

KPN defines EBITDA as operating result before depreciation and impairments of PP&E and amortization and impairments of intangible assets. Note that KPN's definition of EBITDA deviates from the literal definition of earnings before interest, taxes, depreciation and amortization and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS. In the Net Debt/EBITDA ratio, KPN defines EBITDA as a 12 month rolling total excluding book gains, release of pension provisions and restructuring costs, when over EUR 20 million.

Shareholder remuneration policy

KPN is committed to strive for the right balance between a prudent financing policy, investments in the business and shareholder remuneration. Following an adjustment to its dividend outlook in July and December 2012, KPN paid a total dividend of EUR 0.12 per share over 2012 and the dividend for 2013 and 2014 has been adjusted to EUR 0.03 per share. Dividend per share is expected to grow after 2014, subject to operational performance and financial position. During 2012, KPN did not execute a share repurchase program, nor did it return excess cash to shareholders in another way.

This policy may change and is based on a number of assumptions concerning future events and is subject to uncertainties and risks that are outside KPN's control.

Financial risk management

KPN is exposed to a variety of financial risks. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on KPN's financial position and performance. KPN uses derivative financial instruments to hedge certain risk exposures.

The financial risks are managed by KPN's Treasury department under policies approved by the Board of Management. These policies are established to identify and analyze financial risks faced by KPN, to set appropriate risk limits and controls, and to monitor adherence to those limits. Treasury manages these risks in close co-operation with the Group companies, business operations and other corporate departments. During 2011 and 2012, various Treasury policies have been reviewed and approved by the Board of Management, including the following key policies:

- Credit risk and counterparty risk;
- Liquidity risk;
- Market risk (currency risk and interest rate risk).

In addition, KPN's Treasury department provides cash management and funding services to the Group companies and business operations.

This note presents information about the Group's exposure to each of the above-mentioned risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

The table below summarizes the Group's financial assets and liabilities:

	December 31, 2012		December 31, 2011	
Amounts in millions of EUR	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets				
Fair value through profit and loss:				
Derivatives – non-current [26]	233	233	169	169
Derivatives – current [26]	–	–	3	3
Loans and receivables:				
Non-current receivables from financial leases [13]	2	2	3	3
Loans to associates and joint ventures [12]	227	227	127	127
Trade receivable [15]	1,045	1,045	1,022	1,022
Other receivables [15]	157	157	51	51
Cash and cash equivalents [17]	1,286	1,286	990	990
Subtotal	**2,950**	**2,950**	**2,365**	**2,365**
Available for sale financial assets [16]	35	35	48	48
Total	**2,985**	**2,985**	**2,413**	**2,413**
Financial liabilities				
Fair value through profit and loss:				
Derivatives – non-current [26]	458	458	229	229
Derivatives – current [26]	16	16	–	–
Subtotal	**474**	**474**	**229**	**229**
Financial liabilities measured at amortized costs:				
Borrowings [21]	13,896	14,773	13,099	13,966
Trade payables [25]	1,402	1,402	1,423	1,423
Other payables and accrued expenses and interest [25]	1,571	1,571	1,486	1,486
Subtotal	**16,869**	**17,746**	**16,008**	**16,875**
Total	**17,343**	**18,220**	**16,237**	**17,104**

[..] Bracketed numbers refer to the related notes.

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2012.

Amounts in million of EUR	Level 1	Level 2	Level 3	Total Balance
Assets				
Financial assets at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	–	42	–	42
Derivatives (interest rate swap)	–	186	–	186
Other derivatives	–	–	5	5
Available-for-sale financial assets:				
Listed securities	9	–	–	9
Unlisted securities	–	–	26	26
Total assets	**9**	**228**	**31**	**268**
Liabilities				
Financial liabilities at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	–	166	–	166
Derivatives (interest rate swap)	–	30	–	30
Other derivatives [12]	–	–	278	278
Total liabilities	**–**	**196**	**278**	**474**

[..] Bracketed numbers refer to the related notes.

Other Notes to the Consolidated Financial Statements continued

The following table presents the Group's financial assets and liabilities that were measured at fair value at December 31, 2011.

Amounts in million of EUR	Level 1	Level 2	Level 3	Total Balance
Assets				
Financial assets at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	–	158	–	158
Derivatives (interest rate swap)	–	11	–	11
Other derivatives [12]	–	3	–	3
Available-for-sale financial assets:				
Listed securities	12	–	–	12
Unlisted securities	–	–	36	36
Total assets	**12**	**172**	**36**	**220**
Liabilities				
Financial liabilities at fair value through profit and loss:				
Derivatives (cross currency interest rate swap)	–	26	–	26
Other derivatives [12]	–	–	203	203
Total liabilities	**–**	**26**	**203**	**229**

[..] Bracketed numbers refer to the related notes.

The fair value of financial instruments traded in active markets is based on quoted market prices. If applicable, these instruments are included in Level 1.

An instrument is included in Level 2 if the financial instrument is not traded in an active market and if the fair value is determined by using valuation techniques based on maximum use of observable market data for all significant inputs. For the derivatives used for hedging purposes, KPN uses the estimated fair value of financial instruments determined by using available market information and appropriate valuation methods. The estimated fair value approximates the value at which the instruments could be exchanged in an arm's length transaction between knowledgeable, willing parties, other than in a forced liquidation or sale. KPN has its derivative instruments outstanding with financial institutions that had a credit rating of A3 or higher with Moody's at December 31, 2012.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3 and their fair value is estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account market pricing information and expectations. However, such information is by its nature subject to uncertainty. Changes arising as new information becomes available could impact income or other comprehensive income.

The valuation of available-for-sale unlisted securities is based upon a discounted cash flow model.

Other derivatives mainly relate to the call/put arrangements of Reggefiber Group B.V. These options are valued using a binominal tree approach and depend on the business performance of Reggefiber under various scenarios with different probabilities (combination of penetration rates, price structure and approval of Dutch competition authority NMa), discount rates and the conditions of the call/put arrangement itself. Based on current business performance and management's best estimate of the likelihood of possible scenarios and expected business performance, the value of the call/put arrangements was EUR 278 million (liability) as at December 31, 2012 (2011: 203 million). The change in value during the year of EUR 100 million is recorded in the consolidated statement of income as a loss under 'other financial results'. In November 2012, the first option was exercised, resulting in a redemption of the recorded liability of EUR 25 million. In case of a 5%-point lower expected penetration rate, ceteris paribus, the value of the call/put arrangement would have been approximately EUR 62 million higher as per December 31, 2012. For more information on the call/put arrangements of Reggefiber Group B.V. reference is made to Note 12.

The following table presents the net changes in 'other derivatives' in Level 3:

Amounts in million of EUR	**2012**	2011
Balance as of January 1	**203**	**148**
Losses recognized in profit or loss [12]	100	55
Redemption	-25	–
Balance as of December 31	**278**	**203**

[..] Bracketed numbers refer to the related notes.

For other financial assets and liabilities the following methods and assumptions were used to determine fair value:

- Borrowings: based on the listed price of the bonds
- Cash, cash equivalents, accounts receivable and payable: as the maturity of these financial instruments is short, the carrying value approximates the fair value.

Credit and counterparty risk

KPN's financial assets are subject to credit risk and counterparty risk. Credit risk arises from the possibility of asset impairment occurring when counterparties are unable to meet their obligations in transactions involving financial instruments.

KPN sets limits for the maximum exposure per counterparty and investment periods, which are primarily based on minimum credit ratings. These policies have been reviewed and updated in 2012, following a large number of counterparty downgrades mid-2012. It is KPN's policy to invest cash balances with counterparties with a minimum credit rating equivalent to A2 at Moody's. Cash balances used for working capital purposes can also reside at (local) banks with lower credit ratings. It is KPN's policy to only engage into derivative transactions with counterparties with a minimum credit rating equivalent to A2 at Moody's.

Based on the revised counterparty policy, KPN spreads its cash and cash equivalents balances and derivatives over several counterparties. Separate limits are set for some strong counterparties without credit ratings and limited credit risk such as the Dutch State. Furthermore, KPN only invests in liquid securities and deposits with short maturities. A substantial part of the cash balances at year end 2012 were invested at institutions with a credit rating of A3 at Moody's or stronger. In addition, KPN invested its cash balances in instruments with high liquidity.

During 2012 and 2011, KPN monitored counterparty risk on a regular basis, based on the counterparty's credit ratings and other metrics. These other metrics include Credit Default Swap (CDS) levels of the counterparties, levels of government ownership and the level of systemic importance to the banking system.

Credit risk on trade receivables is controlled based on restrictive policies for customer acceptance. Credit management is focused on mobile services as the credit risk is considered to be the highest within this part of KPN's business. Before accepting certain new customer in this segment, KPN requests credit watchers to provide credit management reports. In addition, KPN keeps track of the payment performance of customers. In case customers fail to meet set criteria, payment issues have to be solved before a new transaction with this customer will be entered into.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large and unrelated customer base. The Board of Management believes there is no additional credit risk provision required in excess of the allowance for doubtful receivables (see Note 15). Receivables relating to integrated, outsourced and managed ICT solutions are monitored on an individual basis. Reference is made to 'Significant Accounting Policies – trade and other receivables'.

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. As per December 31, 2012, KPN has parent guarantees (based on BW 2: Article 403 statements) and bank guarantees outstanding to third parties for its Dutch wholly-owned subsidiaries.

Maximum exposure to credit risk

As KPN does not provide financial guarantees other than to wholly-owned subsidiaries, the carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date amounts to the total of the financial assets including cash (EUR 2,985 million at December 31, 2012, and EUR 2,413 million at December 31, 2011).

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. The Group's approach to managing liquidity is to ensure sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. This means that KPN secures its bond redemptions well ahead. KPN has a EUR 2 billion syndicated Facility, maturing in 2017 with more than 14 banks, all of which have a rating of Baa2 or higher with Moody's as at December 31, 2012.

Other Notes to the Consolidated Financial Statements continued

The table below provides a maturity analysis of the financial liabilities based on the remaining contractual maturities as of December 31, 2012.

	Borrowings				Derivatives[1]			
Amounts in millions of EUR	Bonds and Loan[1]	Interest on Bonds and Loans	Financial lease obligations	Other Debt[1]	Derivatives inflow (including interest)	Derivatives outflow (including interest)	Trade and other payables and accrued expenses	Total
2013	1,085	671	99	345	-240	207	2,593	4,760
2014	1,400	625	65	161	-240	200	–	2,211
2015	1,000	547	12	–	-237	184	–	1,506
2016	1,262	507	11	–	-573	510	–	1,717
2017	1,000	428	9	–	-217	165	–	1,385
2018 and subsequent years	7,096	2,677	60	647	-4,628	4,281	–	10,133
Contractual cashflows	**12,843**	**5,455**	**256**	**1,153**	**-6,135**	**5,547**	**2,593**	**21,712**

1) Including the redemptions on the bank overdraft facilities and the Reggefiber call/put arrangements for the maximum cash out. The timing of the cash out regarding the Reggefiber call/put options as shown above is an indicative as the timing of the exercise of these options is uncertain. See Note 12 for an explanation of the Reggefiber option triggers and the related cash flows. At December 31, 2012 the Reggefiber call/put arrangements were valued at a negative amount of EUR 278 million and included in the balance sheet under derivative financial instruments (see Note 26).

The present value of the financial lease obligations amount to EUR 256 million at December 31, 2012 (2011: EUR 149 million). The financial lease obligations primarily include lease obligations for buildings leased back by KPN (see also Note 11) and handsets in Germany. In some of these lease arrangements for buildings, an option is included to extend the lease term.

The table below provides a maturity analysis of the financial liabilities based on the remaining contractual maturities as of December 31, 2011.

	Borrowings				Derivatives			
Amounts in millions of EUR	Bonds and Loans	Interest on Bonds and Loans	Financial lease obligations	Other Debt[1]	Derivatives inflow (including interest)	Derivatives outflow (including interest)	Trade and other payables and accrued expenses	Total
2012	957	671	28	175	-267	234	2,556	4,354
2013	1,085	623	16	–	-261	234	–	1,697
2014	1,400	565	12	161	-235	209	–	2,112
2015	1,000	487	12	–	-235	209	–	1,473
2016	1,254	447	12	400	-564	538	–	2,087
2017 and subsequent years	6,519	2,754	69	647	-4,810	4,593	–	9,772
Contractual cashflows	**12,215**	**5,547**	**149**	**1,383**	**-6,372**	**6,017**	**2,556**	**21,495**

1) Including redemptions on the Credit Facility in 2016 and the Reggefiber call/put arrangements for the maximum cash out and bank overdraft. The timing of the cash out regarding the Reggefiber call/put options as shown above is an indicative as the timing of the exercise of these options is uncertain. See Note 12 for an explanation of the Reggefiber option triggers and the related cash flows. At December 31, 2011 the Reggefiber call/put arrangements were valued at a negative amount of EUR 203 million and included in the balance sheet under derivative financial instruments (see Note 26).

Part of KPN's swap portfolio contains reset clauses at pre-agreed dates, in order to mitigate counterparty exposure during the life of the swap. These reset clauses may result in early Euro settlement obligations with the swap counterparty for part of the outstanding notional. This could lead to additional cash inflows or outflows before maturity.

With regard to other purchase commitments, capital commitments reference is made to Note 31 'Commitments, contingencies and legal commitments'.

Available financing sources 2012

As of December 31, 2012, KPN's net cash and cash equivalents position amounted to EUR 947 million (including EUR 4 million of cash classified as held for sale and EUR 343 million in non-netted notional cash pools). Due to German capital maintenance rules, KPN is committed to keep certain funds available at E-Plus. In principle, net cash and cash equivalents are at disposal to KPN on a group level, except for limited amounts of cash held at local subsidiaries.

In addition to the available cash and cash equivalents, cash flows from operations and cash flows from any further sales of non-core assets, KPN has the following financing resources available:

EUR 2.0 billion multi-currency revolving credit facility

In July 2011, KPN signed a new EUR 2.0 billion Revolving Credit Facility with a tenor of five years with two one-year extension options. The facility replaced the previous EUR 1.5 billion revolving credit facility, thereby extending the maturity profile from August 2013 to July 2016 while obtaining competitive conditions. The credit facility does not contain any financial covenants. The size of the credit facility has been increased to EUR 2.0 billion in line with the Treasury optimization initiatives announced during KPN's Investor Day in May 2011.

In June 2012, KPN used an extension option for its EUR 2 billion revolving credit facility. All 14 relationship banks agreed to a one year extension, which brings the maturity of the revolving credit facility to July 2017. The facility contains another one-year extension option in May 2013, which could extend the maturity to July 2018.

As of December 31, 2012, KPN had no drawings on its credit facility (December 31, 2011: EUR 400 million).

In December 2012, KPN signed a EUR 500 million standby credit facility, which is available for drawdown until March 31, 2013 and which has a final maturity date 364 days after drawdown. This facility was undrawn at December 31, 2012.

Overdraft facilities

During 2012, KPN had four uncommitted overdraft facilities with four banks of EUR 50 million each. The overdraft facilities may be cancelled at any time and do not have a specified maturity date. In 2012 and 2011, KPN drew on these facilities from time to time. As of December 31, 2012, and 2011, there were no amounts drawn under any of the overdraft facilities, except for bank overdrafts under cash pool agreements.

Global Medium Term Note Program

KPN updated its GMTN program in April 2012. The program contains no commitment from investors to provide funding to KPN. Funding will be available subject to market conditions and other factors at the relevant time.

Capital Resources Covenants

KPN's existing capital resources contain the following covenants as at December 31, 2012, which could trigger additional financial obligations or early redemption of the outstanding indebtedness.

All of KPN's bonds issued after January 1, 2006, adding up to EUR 10.9 billion at December 31, 2012, contain a change of control clause by means of which KPN may be required to redeem such outstanding bonds early, in the event that (i) certain changes of control occur and (ii) within the change of control period a rating downgrade to sub investment grade occurs in respect of that change of control. The change of control period ends 90 days after the change of control event occurs.

In addition, many of KPN's capital resources contain a covenant prohibiting KPN from entering into any amalgamation, demerger, merger, corporate restructuring or reorganization, unless prior written consent has been given by a majority of the lenders or bondholders or the resulting company assumes all of the rights and obligations with respect to the loans or bonds.

Market risk

KPN is exposed to various kinds of market risks in the ordinary course of business. These risks include:
- Foreign currency exchange rate risks
- Interest rate risks
- Other market price risk

KPN has established policies that deal with the use of derivative financial instruments in order to reduce foreign currency exposure and to manage the interest rate profile. KPN's centralized Treasury department matches and manages intercompany and external foreign currency exposures reported by the various business operations and Group companies. Hedges are applied on a full coverage basis, if economically feasible.

In line with these policies, derivative financial instruments are used solely for the purpose of hedging underlying exposures to foreign currency exchange rate risk and interest rate risk. KPN does not enter into derivative financial instruments for speculative purposes. Contracts related to derivative financial instruments are entered into for periods consistent with the underlying exposures (if economically feasible) and do not constitute positions independent of these exposures. None of these financial instruments are used for trading purposes or taken as speculative positions.

KPN's policy is to apply hedge accounting to the extent possible for derivative financial instruments related to interest-bearing debt and foreign exchange risk for bonds that are not denominated in Euro. Management has set up a policy to apply hedge accounting only when certain criteria are met regarding formal designation and documentation of the hedge relationship, the risk management objective, the strategy for undertaking the hedge and the effectiveness of the hedge. As a consequence, KPN tests effectiveness of the hedge relationship at inception and every quarter. Reference is made to Note 26.

Foreign currency exchange rate risks

The group's primary activities are denominated in Euro. Accordingly, the Euro is the company's functional currency, which is also the Group's presentation currency. Items included in the financial information of individual entities in the group are measured using the individual entity's functional currency, which is the currency of the primary economic environment in which the entity operates.

Currency exchange risk is the risk that the future cash flows will fluctuate because of changes in foreign exchange rates. The risk mainly results from settlement of international telecommunications traffic, purchase of goods and equipment and primarily consist of pound sterling and US dollar exposure. Foreign currency exchange rate risks related to bonds that are not denominated in Euro are hedged into Euro in line with KPN's hedging policies.

As a result of currency fluctuations, the value of subsidiaries operating outside the Eurozone markets could fluctuate and affect KPN's balance sheet and equity positions from year to year. These translation exposures are not hedged.

Group companies and business operations are obliged to hedge their firm commitments and highly predictable anticipated transactions in non-functional currencies by forward contracts transacted with KPN's Treasury department. Accordingly, Treasury matches and manages the intercompany and external exposures using forward exchange contracts. KPN does not apply hedge accounting for these hedge instruments.

Other Notes to the Consolidated Financial Statements continued

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

As of December 31, 2012, more than 98% of cash and cash equivalents was denominated in the functional currency of the related entities. At December 31, 2012, more than 93% of the net amount of trade receivables and more than 94% of the amount of trade payables was outstanding in the functional currency of the related entities.

Reference is made to Note 6 for the recognized exchange rate differences in the Consolidated Statement of Income.

Interest rate risk and interest rate profile

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. Borrowings, derivatives, cash and cash equivalents are subject to interest rate risk. As KPN has a mix of financial instruments bearing a floating or a fixed interest rate, KPN is subject to risk from movements in interest rates. An unfavorable interest rate movement would result in additional financial expenses.

In September 2011, KPN changed its interest rate profile by swapping the fixed coupons on three Eurobonds. This initiative was announced at KPN's Investor Day in May 2011. The bonds have been swapped to a 2-year duration, which is expected to result in lower interest costs, while maintaining visibility on interest paid for the next two years. The Eurobonds with maturities on September 21, 2020 (notional EUR 1.0 billion), October 4, 2021 (notional EUR 500 million) and September 30, 2024 (notional EUR 700 million) have been swapped to a floating rate based on 3-month Euribor using fixed-to-floating interest swaps. The first two years have been fixed with a floating-to-fixed interest rate swap. In subsequent quarters, KPN entered into additional forward starting swaps to maintain a 2-year horizon of fixed interest rates.

With regard to interest rate risk exposure, KPN periodically evaluates the desired mix of fixed and floating interest rate liabilities. Any interest exposure longer than one year is considered to be fixed. As of December 31, 2012, approximately all of KPN's interest-bearing gross debt including the credit facility and excluding Bank overdraft was at fixed interest rates (2011: 96%). With a view to existing and forecasted debt structure, KPN's Treasury department can enter into additional future derivative instruments to adjust the mix of fixed and floating interest rate liabilities. For all these hedges, KPN will apply hedge accounting to the extent possible under IAS 39.

Other market price risk

KPN does not enter into commodity contracts other than for its own use to meet the Group's expected usage. KPN has entered into energy contracts for own use with a nominal amount of approximately EUR 58 million at December 31, 2012 (2011: EUR 74 million) (see Note 31 'Commitments, Contingencies and legal proceedings' section purchase commitments').

Sensitivity analysis

As of December 31, 2012, KPN carried out a sensitivity analysis with regard to interest rate risk on interest-bearing assets and liabilities. With all other variables held constant, each adverse change of 100 basis points in 6 month Euribor would hypothetically on balance not result in higher interest costs per annum (2011: none) because of the outstanding cash and cash equivalents which also carry a floating interest.

Cash flow hedges

As of December 31, 2012, KPN carried out a sensitivity analysis with regard to interest rate risk and currency on the cash flow hedges. KPN applies cash flow hedges on all bonds not denominated in Euro. With all other variables held constant, KPN calculated the hypothetical impact of changes in interest rates based on various scenarios. This would hypothetically result in a higher or lower value on the balance of the hedge reserve, which is included in equity attributable to equity holders. In a similar way, KPN calculated the hypothetical impact of changes in the EUR/USD rate and the EUR/GBP rate, holding all other variables constant. The results of the analyses are shown in the table below, indicating the hypothetical impact on the balance of the hedge reserve as at December 31, 2012:

Impact hedge reserve amounts in millions of EUR	Change	**2012**	2011
Cash flow hedges			
Changes in EUR, GBP and USD interest rates	+2%-point	-5	-9
	+1%-point	-3	-5
	-1%-point	6	7
Changes in EUR/USD currency rate and EUR/GBP currency rate	+20%	254	260
	+10%	138	142
	-10%	-169	-173
	-20%	-380	-390

Prospective effectiveness testing indicates that all cash flow hedges are expected to be highly effective. As a consequence, the expected impact on the income statement is immaterial.

Fair value hedges

As of December 31, 2012, KPN carried out a sensitivity analysis with regard to interest rate risk on the fair value hedges. KPN applies fair value hedge accounting on Euro-denominated bonds that are swapped from fixed rate to a floating rate. With all other variables held constant, KPN calculated the hypothetical impact of changes in interest rates based on various scenarios. The expected impact on the cash flow statement and the income statement is immaterial, since the hedges are expected to be highly effective. This results in minimal hedge ineffectiveness and P&L volatility.

Derivatives held at fair value

As of December 31, 2012, KPN carried out a sensitivity analysis with regard to the interest rate swaps for which no hedge accounting is applied. All changes in interest rates and resulting sensitivities have only profit & loss impact and no cash flow impact.

Impact Profit & loss amounts in millions of EUR	Change	**2012**	2011
Interest rate swaps (2-year floating-fixed)			
Changes in EUR interest rates	+2%-point	81	71
	+1%-point	41	36
	-1%-point	-35	-34

For a sensitivity analysis on interest rate risk with regard to pensions, reference is made to Note 22.

[30] Business combinations and other changes in consolidation

Significant changes in consolidation 2012

In April 2012, KPN acquired 100% of the shares of Lijbrandt Telecom Holding B.V., Glashart Media B.V., ISP Fabriek and Reggefiber Wholesale from Reggefiber for EUR 123 million. The acquisitions strengthen KPN's commitment to a national roll-out of a fibre to the home ("FttH") network and allow Reggefiber to focus solely on the roll-out of FttH and to operate an open access passive FttH network.

The following table summarizes the consideration paid for aforementioned entities, the fair value of assets acquired and liabilities assumed at acquisition date.

Recognised amounts of identifiable assets acquired and liabilities assumed	
Tangible fixed assets [11]	73
Customer relationships (included in intangibles) [10]	18
Trade name (included in intangibles) [10]	3
Net tangible non-operating assets	4
Net working capital	2
Deferred tax liabilities [7]	-4
Total identifiable net assets	**96**
Goodwill	23
Consideration paid	**119**
Net cash and cash equivalents acquired	**4**
Net cash outflow	123

Reggefiber is a passive operator that implements a national roll-out of a fiber to the home ("FttH") network. In the past it also started active operations, in the areas that could not yet be serviced by KPN's ISPs. Management of KPN indicated that the main reasons for acquiring the Reggefiber Wholesale were to increase its homes activated base and to expand its service area.

Other changes in consolidation 2012

In September 2012 KPN entered into a strategic partnership with GroupIT B.V. (RoutIT) and acquired a stake of 12.5% with a right to the remaining stake. The acquisition did not have a significant impact on the financial position, income and cash flows of KPN.

In October 2012, KPN acquired 100% of the shares of FttH service providers Edutel, XMS, KickXL and Concepts ICT from Reggeborgh. The acquisition did not have a significant impact on the financial position, income and cash flows of KPN.

The purchase price and the allocated fair values of all acquisitions in 2012 have been determined on a provisional basis.

If the acquisitions had occurred on January 1, 2012, KPN's estimated consolidated revenues would have been approximately EUR 45 million higher. Profit for the year would have been approximately EUR 5 million lower.

Changes in consolidation 2011

On March 1, 2011 KPN acquired 100% of the Content Network B.V. The acquisition did not have a significant impact on the financial position, income and cash flows of KPN. No other business combinations occurred in 2011.

Other Notes to the Consolidated Financial Statements continued

[31] Commitments, contingencies and legal proceedings

Commitments

Amounts in millions of EUR					Amounts due by period
	Less than 1 year	1-5 years	More than 5 years	**Total December 31, 2012**	Total December 31, 2011
Capital and purchase commitments	3,287	239	31	3,557	1,972
Rental and operational lease contracts	527	1,029	928	2,484	2,222
Guarantees	88	199	64	351	251
Other	12	1	1	14	15
Total commitments	**3,914**	**1,468**	**1,024**	**6,406**	**4,460**

Capital and purchase commitments
Capital and purchase commitments contain among others acquired licenses of spectrum 4G LTE, 3G and 2G in the amount of EUR 1,352 million which is considered a contingent commitment since delivery and payment will have taken place in January 2013.

Rental and operational lease contracts
For buildings, the majority of contracts included 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 included 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 136 million (2011: EUR 185 million), which relate to subleases of buildings, site sharing arrangements and lease handsets in Germany.

The total net costs of operating leases and rental contracts totalled EUR 549 million in 2012 (2011: EUR 484 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 15 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 72 other projects. However, an additional condition regarding the repayment compared to the other 15 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 2012 the prepaid fees and accrued interest amounted to EUR 31 million (2011: EUR 20 million).

Contingent assets
In 2003, KPN Group Belgium (BASE) launched a damages claim against Belgacom Mobile (Proximus), claiming that the latter had abused its dominant position by applying very low on-net-rates. In 2004, Mobistar launched a similar claim. In 2007, the Commercial Court determined Belgacom Mobile's dominant position on the retail market until the end of 2004, and ordered an expertise. In a preliminary report of October 2, 2009, the court experts concluded that Proximus had indeed abused its dominance and that, for the period 1999-2004, this abuse had resulted in damages of EUR 824m for KPN Group Belgium (BASE) and of EUR 357m for Mobistar. In a second preliminary report of December 9, 2010, the damages for KPN Group Belgium (BASE) were increased to EUR 1,329m and for Mobistar to EUR 510m. These amounts were exclusive of interest. Following the publication of the 2nd preliminary report, Proximus requested the court to remove the experts from the case arguing that the experts are biased and/or incompetent In first instance, the court denied said request, but in appeal it decided to remove the experts from the case. As a result hereof, a new expertise will have to be started. On January 2, 2012, Proximus has also appealed the original decision of the Commercial Court of 2007.

Contingent liabilities
In KPN's Articles of Association and in a further decision by the Board of Management, which was approved by the Supervisory Board, KPN has indemnified the members and former members of KPN's Board of Management and Supervisory management, as well as a number of KPN's officers and directors and former officers and directors against liabilities, claims, judgments, fines and penalties incurred by such officer or director as a result of any threatened, pending or completed action, investigation or proceeding (whether civil, criminal or administrative) brought by a third party in relation to acts or omissions in or related to his capacity as officer or director. The indemnification does not apply to claims and expenses reimbursed by insurers, nor to an officer or a director that is adjudged to be liable for wilful misconduct ('opzet') or intentional recklessness ('bewuste roekeloosheid').

As defined in the Telecommunications Act the obligation for landlords to tolerate cables which are part of a public electronic communications network terminates as soon as those cables have been idle for a continuous period of 10 years. In that situation, a public electronic communications network supplier is required to remove cables at request of a landlord. Although KPN currently records a provision for its future obligations to dismantle and remove certain other elements of its network, such as technical buildings, towers, and rooftop equipment, KPN has determined no such provision is appropriate for installed fiber cables, given that the date when such cables may be deemed idle is uncertain.

In KPN's judgment, it has not been able to make a reliable estimate of the impact of such obligations, and no provisions have been made.

Legal proceedings
KPN is involved in a number of legal proceedings that have arisen in the ordinary course of its business. Save as discussed below, there are no governmental, legal or arbitration proceedings which may have a significant effect on the financial position or profitability of KPN. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and KPN can offer no assurances in this regard. Below is a description of legal proceedings that KPN considers material.

KPNQwest
KPN is involved in several legal proceedings related to the bankruptcy of KPNQwest. On September 13, 2006, Citibank N.A. (Citibank) and Cargill Financial Markets Plc. (Cargill) served a writ of summons on KPN, seeking EUR 218.9 million, excluding interest and costs, from various former officers and former shareholders of KPNQwest, including KPN. Citibank and Cargill claim compensation for damages in relation to a EUR 525 million syndicated loan provided to KPNQwest in 2002 on the basis of alleged misrepresentation and concealment by former management and former shareholders when the loan was provided to KPNQwest. Citibank acted as agent of the syndicate and as a 14.7% principal lender of the syndicated loan. Cargill claims that it acquired 85.3% of the claim by assignments of their part in the syndicated loan by other original lenders. The District Court of Amsterdam dismissed all the claims of Citibank and Cargill on April 25, 2012. Citibank and Cargill have appealed the decision, which remains pending.

On September 28, 2010, the bankruptcy trustees for KPNQwest served a writ of summons against multiple parties, including Qwest, KPN, the former CEO of KPNQwest and nearly all former members of the Supervisory Board of KPNQwest. The basis of the claim is that KPNQwest allegedly entered into transactions (among others with KPN) which did not serve a business purpose, incorrectly recorded turnover in relation to these and other transactions and thereby misled investors in and creditors of KPNQwest. According to the trustees, this constitutes mismanagement. The bankruptcy trustees are seeking to hold each of the defendants, including KPN as one of the shareholders of KPNQwest, severally liable for the damages that resulted from this alleged mismanagement. The bankruptcy trustees claim that the defendants, including KPN, shall be severally ordered to pay for the deficit in the estate. The bankruptcy trustees estimated that the deficit in the estate amounts to approximately EUR 4.2 billion. However, this amount includes intra-group creditors, as well as creditor claims that are disputed by the bankruptcy trustees. According to the bankruptcy trustees' latest bankruptcy report, the consolidated amount of the deficit in the estate amounts to EUR 2.1 billion. KPN is currently preparing its statement of defense.

Other Notes to the Consolidated Financial Statements continued

Reggefiber
In 2009, cable operators, Ziggo and UPC, as well as other telecommunications providers in the Netherlands, filed suit in the administrative District Court of Rotterdam (the Court), seeking to challenge the NMa's 2008 approval of KPN's entry into the Reggefiber joint venture. Plaintiffs claimed that by allowing the joint venture, competition in various fixed-line services, including fiber, cable and copper, would be restricted. In an interim ruling on November 18, 2010, the Court held that the NMa had provided insufficient evidence for part of its competition analyses. In particular, the NMa had not adequately demonstrated the potential effects on competition regarding non-price effects (such as the quality and roll-out of fiber) in its assessment or remedies. The Court then allowed the NMa to submit additional evidence and, after further consideration, it held on May 10, 2012 that the Reggefiber joint venture could continue despite its annulment of the NMa decision.

On June 15, 2012, Ziggo appealed the Court's decision to the Trade and Industry Appeals Tribunal (College van Beroep voor het bedrijfsleven (CBb)), claiming, among other things, that the Reggefiber joint venture should have been assessed in a second phase enquiry by the NMa to take into account the effects on the market as well as the effectiveness of the remedies. If the appeal is successful, the CBb could annul the NMa or Court decision or remand the matter to the Court or the NMa for further consideration which in turn could lead to the confirmation, dissolution or amendment of the Reggifiber joint venture. A decision by the CBb is expected sometime in 2013.

[32] Related-party transactions

In the normal course of business activities, KPN enters into agreements and transactions with shareholders, joint ventures and associated undertakings, for various business purposes, including the furnishing of services or financing of operating activities. KPN also enters into such transactions in the ordinary course of business with certain companies or organizations over which KPN, members of the Supervisory Board or Board of Management, may have a significant influence. The related-party transactions are described below. KPN considers none of these transactions to be material on an individual basis. Transactions within the KPN Group are not included in the description as these are eliminated in the Consolidated Financial Statements.

Transactions with shareholders
On June 28, 2012, América Móvil, S.A.B. de C.V. notified that they held 27.47% of the shares and voting rights related to KPN's ordinary share capital. To KPN's knowledge, no other shareholder owned 5% or more of KPN's outstanding shares as at December 31, 2012.

KPN did not enter into agreements with América Móvil which could have a material impact on KPN's Financial Statements.

Transactions with joint ventures and associated companies
Associated, non-consolidated companies and joint ventures of KPN sell goods and provide services to consolidated KPN companies. In addition, consolidated KPN companies sell goods or provide services to these associated companies and joint-ventures (see Note 12 and 16).

The total value of sales transactions by KPN in 2012 with joint ventures and associated companies amounted to approximately EUR 66 million (2011: EUR 47 million) and the total value of purchase transactions amounted to approximately EUR 77 million (2011: EUR 37 million). In addition, KPN acquired 100% of the shares in Lijbrandt Telecom Holding B.V., Glashart Media B.V. and Reggefiber Wholesale B.V. from Reggefiber Group B.V., in which KPN holds 41% of the shares. Furthermore, in 2012 KPN acquired a further 10% share in Reggefiber Group B.V.

Transactions with directors and related parties
For details of the relation between directors and the Company, reference is made to the 'Remuneration and Organizational Development Report' on pages 72 to 83 of this annual report.

The Company has not been, and is not now, a party to any material transactions, or proposed transactions, in which members of the Supervisory Board or Board of Management or close members of their families had a direct or indirect material interest in 2012.

The total value of sales transactions by KPN in 2012 with parties in which members of the Supervisory Board or Board of Management or close members of their families had a direct or indirect material interest amounted to approximately EUR 5 million (2011: EUR 32 million) and the total value of purchase transactions amounted to approximately EUR 15 million (2011: EUR 43 million), all in the ordinary course of business.

[33] Subsequent events

On January 9, 2013, KPN made a payment of EUR 1,352m in relation to the frequency licences obtained in the Dutch spectrum auction that ended in December 2012. The purchase price was financed from existing cash balances and drawings under KPN's EUR 2 billion revolving credit facility.

Following the announcement of KPN's Q4 2012 results, Moody's confirmed KPN's Baa2 credit rating on February 6, 2013, with a negative outlook.

On February 8, 2013, S&P downgraded KPN's credit rating to BBB- from BBB, with a stable outlook.

On February 20, 2013 KPN announced that agreement has been reached with its largest shareholder to support KPN in its intention to raise EUR 4bn equity capital. The capital raise to be supported by AMX will consist of a EUR 3bn rights issue and, in addition, issuance of hybrid capital instruments which are expected to receive partial equity recognition from the credit rating agencies. KPN and América Móvil ("AMX") have also signed an agreement setting out the long-term relationship between the two parties. A vote in favour of KPN's capital raise is subject, among other things, to the appointment of two individuals, designated by AMX, to KPN's Supervisory Board. The Annual General Meeting ("AGM") has been scheduled to take place on April 10, 2013.

[34] Segment reporting

Based on KPN's internal structure and internal reporting to the CEO the reportable segments are summarized below.

As from January 1, 2012, KPN adopted a new internal structure and changed the internal reporting accordingly. The following organizational changes were made:
- Consumer segment split into Consumer Mobile and Consumer Residential;
- NetCo ("W&O") and Dutch IT operations ("ITNL") merged into NetCo;
- Telfort activities (previously included in Consumer) were allocated to Consumer Mobile, Consumer Residential, Business and NetCo.

Other relevant changes
- Customer Operations moved from W&O to Consumer Residential
- iBasis no longer included in The Netherlands
- Business segment revenues, as part of integrated contracts provided by KPN Corporate Market, are recognized as external revenues in the Business segment.

The comparative operational segment information changed in accordance with the new reporting structure.

The Netherlands
The Netherlands consists of the following:
- Consumer Mobile Segment – providing mobile telephony and mobile data. KPN offers retail customers a broad package of services in the areas of communication, information, entertainment and commercial services;
- Consumer Residential Segment – providing internet and TV, fixed telephony. KPN offers retail customers a broad package of services in the areas of communication, information, entertainment and commercial services;
- Business Segment – KPN offers its business customers (small, medium size) a complete portfolio of service from fixed and mobile telephony and internet to a range of data network services, workspace management and data center services;
- Corporate Market Segment operates an ICT services company with a market-leading position in the Netherlands, offering end-to-end solutions in infrastructure and network-related IT to KPN's largest, corporate customers;
- NetCo Segment is responsible for KPN's operational activities for the Dutch networks (both fixed and mobile), IT services and for KPN's wholesale customers; and
- The Netherlands' Other Segment.

Mobile International
Mobile International comprises:
- Germany Segment, including E-Plus, Blau Mobilfunk and Magnum – is a challenger network operator with own brands and partners in Germany;
- Belgium Segment, including KPN Group Belgium and Ortel Belgium (as from July 1, 2012) – is a challenger network operator with own brands and partners in Belgium; and
- Rest of World Segement, including Ortel Mobile – virtual network operator offering mobile services though its own brand and partners.

Other Notes to the Consolidated Financial Statements continued

iBasis Group
Through iBasis, KPN is a top player in the international wholesale voice market. iBasis carries international phone calls worldwide.

Other activities Segment
Other activities comprise the results of KPN's Corporate Center (support) and the call center activities of SNT Germany.

Due to the fact that KPN neither allocates interest expenses to all segments nor accounts for taxes in the segments, the disclosure is limited to operating profit for the year.

The basis for inter-segment pricing for wireless services is as follows:

1) KPN's mobile terminating services are regulated in some aspects. The price level of the mobile terminating services to external wholesale operators has been set in consultation with and approved by the Dutch competition and telecommunications regulators. The mobile terminating tariffs are applied on a non-discriminatory basis within the segment Consumer, Business and NetCo and to other (external) operators; and
2) Roaming tariffs between KPN's Mobile operators are based on bilateral agreements and contain generally similar terms as bilateral agreements with third parties.
3) The basis for inter-segment pricing within the Netherlands, other than mentioned in category 1) and 2) above can be described as follows:
   - For identical products which are also sold to external parties, KPN uses wholesale prices;
   - For non-regulated retail products which do not fall within the scope of category 3, KPN uses cost-based prices; and
   - For regulated retail products which do not fall within the scope of category 3, KPN uses external purchase costs and an additional charge which is equal to a pre-determined percentage of the difference between the gross external retail revenues and external purchase costs; this method is also referred to as 'retail-minus'.

The Netherlands

Amounts in millions of EUR, unless otherwise stated	Mobile Consumer		Residential		Business		Netco		Corporate Market		Other (including eliminations)		Total The Netherlands	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Statement of Income														
External revenues[1]	1,611	1,770	1,730	1,774	2,253	2,321	582	577	1,185	1,606	–	-1	7,361	8,047
Other income	–	–	–	–	–	4	102	121	10	5	–	-1	112	129
Inter-division revenues	96	130	122	129	99	108	1,937	2,082	210	200	-2,405	-2,566	59	83
Total revenues	**1,707**	**1,900**	**1,852**	**1,903**	**2,352**	**2,433**	**2,621**	**2,780**	**1,405**	**1,811**	**-2,405**	**-2,568**	**7,532**	**8,259**
Total operating expenses excluding depreciation, amortization and impairments	-1,197	-1,350	-1,485	-1,406	-1,594	-1,647	-1,160	-1,075	-1,348	-1,805	2,387	2,552	-4,397	-4,731
EBITDA[2]	**510**	**550**	**367**	**497**	**758**	**786**	**1,461**	**1,705**	**57**	**6**	**-18**	**-16**	**3,135**	**3,528**
Depreciation, amortization and impairments	-120	-78	-256	-222	-122	-114	-835	-887	-422	-451	-1	-1	-1,756	-1,753
Operating profit	**390**	**472**	**111**	**275**	**636**	**672**	**626**	**818**	**-365**	**-445**	**-19**	**-17**	**1,379**	**1,775**
Total assets	1,646	2,571	1,817	1,135	2,697	2,680	9,069	8,867	1,808	2,410	-747	-1,362	16,290	16,301
Total liabilities	1,381	2,367	1,746	1,070	2,656	2,688	9,071	8,868	1,603	1,830	-747	-1,346	15,710	15,477
Other														
Investments in intangible assets	64	118	116	3	102	78	82	123	15	36	–	–	379	358
Investments in property, plant and equipment	199	29	223	172	48	35	603	666	59	91	–	–	1,132	993
Investments in associates and joint ventures	–	–	–	–	–	–	293	234	21	20	–	–	314	254
Results associates and joint ventures	–	–	–	–	–	–	-7	-20	-1	–	–	–	-8	-20
Employees end of period (FTEs)	1,344	1,412	3,517	3,346	2,120	2,254	3,010	3,515	6,661	11,483	413	936	17,065	22,249
Employees average (FTEs)	1,378	1,576	3,432	3,317	2,205	2,344	3,036	3,594	9,141	11,707	467	762	19,657	22,393

1) External revenues mainly consist of rendering of services.
2) Earnings before interest, tax and depreciation, amortization and impairments.

Mobile International

Amounts in millions of EUR, unless otherwise stated	Germany		Belgium		Rest of World (incl. eliminations)		Total Mobile International		iBasis	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Statement of Income										
External revenues[1]	3,173	3,144	768	722	214	292	4,155	4,161	820	750
Other income	149	4	–	1	36	9	185	14	–	–
Inter-division revenues	82	88	36	58	-87	-117	31	33	215	227
Total revenues	**3,404**	**3,236**	**804**	**781**	**163**	**184**	**4,371**	**4,208**	**1,035**	**977**
Total operating expenses excluding depreciation, amortization and impairments	-2,114	-1,883	-532	-508	-189	-175	-2,835	-2,572	-1,005	-946
EBITDA[2]	**1,290**	**1,353**	**272**	**273**	**-26**	**9**	**1,536**	**1,636**	**30**	**31**
Depreciation, amortization and impairments	-757	-650	-161	-140	-9	-14	-927	-810	-18	-20
Operating profit	**533**	**703**	**111**	**133**	**-35**	**-5**	**609**	**826**	**12**	**11**
Statement of Financial Position										
Total assets	10,520	10,430	1,934	1,882	64	158	12,518	12,470	458	448
Total liabilities	26,398	26,741	335	316	104	143	26,837	27,200	358	365
Other										
Investments in intangible assets	125	107	42	29	-2	3	165	139	–	–
Investments in property, plant and equipment	674	517	110	88	–	–	784	605	9	9
Investments in associates and joint ventures	6	1	3	1	–	–	9	2	–	–
Results associates and joint ventures	-2	–	-1	–	–	–	-3	–	–	–
Employees end of period (FTEs)	4,688	4,690	895	810	147	246	5,730	5,746	329	357
Employees average (FTEs)	4,691	3,634	853	792	195	248	5,738	4,674	346	361

1) External revenues mainly consist of rendering of services.
2) Earnings before interest, tax and depreciation, amortization and impairments.

KPN Total

Amounts in millions of EUR, unless otherwise stated	Other activities Segment		Total segments		Eliminations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Statement of Income								
External revenues[1]	73	64	12,409	13,022	–	–	12,409	13,022
Other income	2	-2	299	141	–	–	299	141
Inter-division revenues	1	–	306	195	-306	-195	–	–
Total revenues	**76**	**62**	**13,014**	**13,358**	**-306**	**-195**	**12,708**	**13,163**
Total operating expenses excluding depreciation, amortization and impairments	-249	-118	-8,486	-8,220	306	195	-8,180	-8,025
EBITDA[2]	**-173**	**-56**	**4,528**	**5,138**	**–**	**–**	**4,528**	**5,138**
Depreciation, amortization and impairments	-7	-7	-2,708	-2,589	–	–	-2,708	-2,589
Operating profit	**-180**	**-63**	**1,820**	**2,549**	**–**	**–**	**1,820**	**2,549**
Balance sheet								
Total assets	25,533	25,045	54,799	53,953	-32,386	-31,566	22,413	22,387
Total liabilities	23,956	23,005	66,861	65,728	-46,909	-46,271	19,952	19,457
Other								
Investments in intangible assets	1	1	545	498	–	–	545	498
Investments in property, plant and equipment	3	4	1,928	1,611	–	–	1,928	1,611
Investments in associates and joint ventures	3	5	326	261	–	–	326	261
Result associates and joint ventures	-2	-4	-13	-24	–	–	-13	-24
Employees end of period (FTEs)	3,032	2,726	26,156	30,941	–	–	26,156	30,941
Employees average (FTEs)	2,880	3,414	28,620	30,770	–	–	28,620	30,770

1) External revenues mainly consist of rendering of services.
2) Earnings before interest, tax and depreciation, amortization and impairments.

Other Notes to the Consolidated Financial Statements continued

Geographical information

KPN's divisions mainly operate in five geographical areas. The Netherlands is the home country, also being the main operating territory. The Americas consist of the United States, including Canada and all other countries of the American continent.

Amounts in millions of EUR	Financial year	Total non-current assets[1]	Total intangible assets	Total property, plant and equipment	Revenues and other income
Regions					
The Netherlands	2012	8,056	1,955	4,825	7,355
	2011	7,953	2,380	4,589	7,685
Germany	2012	7,925	6,101	2,603	3,425
	2011	8,113	6,417	2,480	3,267
Belgium	2012	642	231	448	812
	2011	624	217	445	852
United Kingdom	2012	–	–	–	37
	2011	131	–	–	91
The Americas	2012	85	99	20	820
	2011	182	110	20	750
Other	2012	6	72	-1	259
	2011	52	88	-1	518
Consolidated	**2012**	**16,714**	**8,458**	**7,895**	**12,708**
	2011	17,055	9,212	7,533	13,163

1) Excluding deferred tax assets, pensions and financial instruments.

CORPORATE INCOME STATEMENT

Amounts in millions of EUR	**2012**	2011
Income from subsidiaries after taxes	1,366	2,314
Other income and expense after taxes	-675	-765
Profit attributable to equity holders	**691**	**1,549**

CORPORATE BALANCE SHEET

Before appropriation of profit

Assets

Amounts in millions of EUR	December 31, 2012	December 31, 2011
NON-CURRENT ASSETS		
Financial fixed assets		
Investments in subsidiaries	25,697	24,337
Loans to subsidiaries	5,622	5,440
Other financial fixed assets	390	279
Total non-current assets [A]	**31,709**	**30,056**
CURRENT ASSETS		
Accounts receivable from subsidiaries	451	708
Other receivables and accrued income [B]	14	20
Cash and cash equivalents	423	321
Total current assets	**888**	**1,049**
TOTAL	**32,597**	**31,105**

[..] Bracketed letters refer to the notes to the Corporate Balance Sheet.

Liabilities

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Subscribed capital stock	344	344
Additional paid-in capital	6,717	6,717
Treasury shares reserve	-138	-139
Hedge reserve	-239	–
Legal reserves	304	358
Retained earnings	-5,269	-5,899
Profit current year	691	1,549
Total equity attributable to equity holders [C]	**2,410**	**2,930**
PROVISIONS		
Provisions for retirement benefit obligations	139	292
Other provisions	27	26
Total provisions	**166**	**318**
NON-CURRENT LIABILITIES		
Loans [D]	12,995	12,317
Derivative financial instruments	179	26
Other long-term liabilities	50	14
Total non-current liabilities	**13,224**	**12,357**
CURRENT LIABILITIES		
Accounts payable to subsidiaries	14,803	13,515
Other current liabilities [E]	1,604	1,623
Accruals and deferred income	390	362
Total current liabilities	**16,797**	**15,500**
TOTAL	**32,597**	**31,105**

[..] Bracketed letters refer to the notes to the Corporate Balance Sheet.

GENERAL NOTES TO THE CORPORATE FINANCIAL STATEMENTS

With reference to the Corporate Income Statement of Koninklijke KPN N.V., use has been made of the exemption pursuant to Section 402 of Book 2 of the Dutch Civil Code.

For the principles for the recognition and measurement of assets and liabilities and determination of the result for its Corporate Financial Statements, Koninklijke KPN N.V. applies the option provided in Section 2:362 (8) of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as 'Accounting policies') of the Corporate Financial Statements of Koninklijke KPN N.V. are the same as those applied for the Consolidated Financial Statements under IFRS.

Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

Investments in which the company has significant influence on the financial and operational policies, but not control (associates), are accounted for using the equity method. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognise the company's share of profit or loss of the investment after the date of acquisition. The company's investments in associates include goodwill identified on acquisition.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union. Reference is made to the notes to the Consolidated Financial Statements.

NOTES TO THE CORPORATE BALANCE SHEET

Non-current assets

[A] Financial fixed assets

Amounts in millions of EUR	Group companies	Loans to Group companies	Other financial fixed assets	Total
Balance as of January 1, 2011	**22,044**	**5,588**	**142**	**27,774**
Exchange rate differences	-15	–	–	-15
Income from Group companies after taxes	2,313	–	–	2,313
Capital contributions	3	–	–	3
New loans	–	145	8	153
Withdrawals/redemptions	-17	-293	-2	-312
Change in deferred taxes	–	–	-28	-28
Change in derivative financial instruments	–	–	154	154
Other	9	–	5	14
Total changes	**2,293**	**-148**	**137**	**2,282**
Balance as of December 31, 2011	**24,337**	**5,440**	**279**	**30,056**
Exchange rate differences	4	–	–	4
Income from Group companies after taxes	1,366	–	–	1,366
Capital contributions	2	–	–	2
Received dividends	-6	–	–	-6
New loans	–	182	53	235
Withdrawals/redemptions	–	–	-1	-1
Change in derivative financial instruments	–	–	59	59
Other	-6	–	–	-6
Total changes	1,360	182	111	1,653
Balance as of December 31, 2012	**25,697**	**5,622**	**390**	**31,709**

The loans to Group companies have maturity dates between 2012 and 2015 and a mixture of floating, fixed and profit-depending interest rates.

Other financial fixed assets include a pension plan asset of EUR 109 million as at December 31, 2012 (2011: EUR 101 million), as well as derivative financial instruments of EUR 228 million (2011: 172 million) as at that date. For more information on derivatives, refer to Note 26 of the Consolidated Financial Statements.

Current assets

[B] Other receivables

Amounts in millions of EUR	**December 31, 2012**	December 31, 2011
Accrued income	10	15
Other receivables	4	5
Total	**14**	**20**

Equity attributable to equity holders

[C] Equity attributable to equity holders

For a breakdown of Equity attributable to equity holders, reference is made to the Consolidated Statement of Changes in Group Equity and the notes thereto.

Legal reserves

Legal reserves (net of tax) are presented below:

Amounts in millions of EUR	Revaluation reserve property, plant and equipment	Cumulative translation adjustments	Capitalized software development costs	Hedge reserve	Fair value reserve available for sale financial assets	Other non-distributable reserves	Total
Balance as of January 1, 2011	**122**	**24**	**133**	**–**	**–**	**48**	**327**
Exchange rate differences	–	-14	–	–	–	–	-14
Addition/(release) retained earnings	-32	–	75	2	–	–	45
Balance as of December 31, 2011	**90**	**10**	**208**	**2**	**–**	**48**	**358**
Exchange rate differences	–	3	–	–	–	–	3
Addition/(release) retained earnings	-21	–	-37	-2	3	–	-57
Balance as of December 31, 2012	**69**	**13**	**171**	**–**	**3**	**48**	**304**

The legal reserves presented above and the subscribed capital stock are non-distributable. By their nature, losses relating to available-for-sale financial assets and cash flow hedges, reduce equity attributable to equity holders, and thereby distributable amounts as they form part of the legal reserves protected under Dutch Law. The total distributable reserves at December 31, 2012, amounted to EUR 1,762 million (2011: EUR 2,228 million).

Retained earnings

Movements in retained earnings were as follows:

Amounts in millions of EUR	December 31, 2011
Balance as of January 1, 2011	**-6,448**
Prior year profit	1,793
Dividend	-1,202
Release/(addition) legal reserves	-45
Other	3
Balance as of December 31, 2011	**-5,899**
Prior year profit	1,549
Dividend	-979
Release/(addition) legal reserves	57
Other	3
Balance as of December 31, 2012	**-5,269**

Notes to the Corporate Balance Sheet continued

Retained earnings can be reconciled with the Consolidated Statement of Financial Position as follows:

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Retained earnings as per Consolidated Statement of Financial Position	**-4,290**	**-4,004**
Revaluation reserve	-69	-90
Capitalized software development costs	-171	-208
Other non-distributable reserves	-48	-48
Current year profit	-691	-1,549
Retained earnings as per Corporate Statement of Financial Position	**-5,269**	**-5,899**

Non-current liabilities

[D] Loans

Loans include bonds outstanding for EUR 12,163 million (2011: EUR 11,518 million) as well as loans from subsidiaries for EUR 832 million (2011: EUR 799 million).

Loans from subsidiaries have maturity dates in 2013 and bear fixed interest rates.

For more information on the bonds outstanding, refer to Note 21 of the Consolidated Financial Statements.

Current liabilities

[E] Other current liabilities

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Current portion of loans	1,085	955
Income tax payable	59	72
Social security and other taxes payable	121	121
Bank overdrafts	324	75
Credit facility	–	400
Derivative financial instruments	15	–
Total	**1,604**	**1,623**

[F] Commitments and contingencies

Amounts in millions of EUR	December 31, 2012	December 31, 2011
Commitments by virtue of guarantees	270	244

KPN has issued several declarations of joint and several liabilities for various Group companies in compliance with Section 403, Book 2 of the Dutch Civil Code. These declarations of joint and several liabilities for Group companies are included in a complete list of subsidiaries and participating interests, which is available at the offices of the Chamber of Commerce in The Hague.

Directors' remuneration

Reference is made to Note 3, Employee benefits of the Consolidated Financial Statements.

The Hague, February 26, 2013

Supervisory Board	Board of Management
J.B.M. Streppel	E. Blok
R.J. Routs	W.T.J. Hageman
A.H.J. Risseeuw	T. Dirks
M. Bischoff	
M.E. van Lier Lels	
C.M. Hooymans	
D.J. Haank	
P.A.M. van Bommel	

INDEPENDENT AUDITOR'S REPORT

To: the General Meeting of Shareholders of Koninklijke KPN N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of Koninklijke KPN N.V., The Hague as set out on pages 86 to 154. The financial statements include the consolidated financial statements and the corporate financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of income, comprehensive income, changes in group equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The corporate financial statements comprise the corporate balance sheet as at December 31, 2012, the corporate income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Board of Management's responsibility

The Board of Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Koninklijke KPN N.V. as at December 31, 2012, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the corporate financial statements

In our opinion, the corporate financial statements give a true and fair view of the financial position of Koninklijke KPN N.V. as at December 31, 2012, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

The Hague, February 26, 2013

PricewaterhouseCoopers Accountants N.V.

Originally signed by M. de Ridder RA