



April 8, 2008

Koninklijke KPN N.V.

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

Global Medium Term Note Programme

Under this Global Medium Term Note Programme (the '**Programme**') Koninklijke KPN N.V. (the '**Issuer**', which expression shall include any Substituted Debtor (as defined in Condition 17), the '**Company**' or '**KPN**') may from time to time issue notes (the '**Notes**', which expression shall include Senior Notes and Subordinated Notes (each as defined below)) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

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

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

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

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

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the '**Securities Act**') or any U.S. state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See '*Form of the Notes*' for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see '*Subscription and Sale and Transfer and Selling Restrictions*'.

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

This Prospectus is issued in replacement of an earlier prospectus dated April 17, 2007.

Arranger

ABN AMRO

Dealers

ABN AMRO

Barclays Capital

Citi

Deutsche Bank

UniCredit (HVB)

JPMorgan

The Royal Bank of Scotland

Banc of America Securities Limited

BNP PARIBAS

Credit Suisse

Fortis Bank

ING Wholesale Banking

Rabobank International

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the 'Prospectus Directive').

U.S. INFORMATION

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

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

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are 'restricted securities' within the meaning of the Securities Act, the Issuer has undertaken in an Amended and Restated Agency Agreement dated May 3, 2002 (the '**Amended and Restated Agency Agreement**'), as amended and supplemented by the First Supplemental Agency Agreement (the '**First Supplemental Agency Agreement**') dated May 8, 2003, a Second Supplemental Agency Agreement (the '**Second Supplemental Agency Agreement**') dated April 28, 2004, a Third Supplemental Agency Agreement dated September 20, 2005 (the '**Third Supplemental Agency Agreement**'), a Fourth Supplemental Agency Agreement dated August 9, 2006 (the '**Fourth Supplemental Agency Agreement**'), a Fifth Supplemental Agency Agreement dated April 18, 2007 (the '**Fifth Supplemental Agency Agreement**') and a Sixth Supplemental Agency

Agreement dated April 8, 2008 (together with the Amended and Restated Agency Agreement, the First Supplemental Agency Agreement, the Second Supplemental Agency Agreement, the Third Supplemental Agency Agreement, the Fourth Supplemental Agency Agreement and the Fifth Supplemental Agency Agreement, the '**Agency Agreement**') to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as 'restricted securities' within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the '**Exchange Act**') nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

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

To the extent that the provisions of the Market Abuse Directive are not required to be observed in connection with the issue of any Tranche of Notes, then in connection with the issue and distribution of any Tranche of Notes, the Dealer or Dealers named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there may be no obligation on the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all relevant laws and regulations. If so required by applicable law or regulation, stabilising will in any event be brought to an end within 30 days after the Closing Date applicable to such Notes.

SUMMARY OF THE PROGRAMME

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

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

Issuer: Koninklijke KPN N.V.

History and development of the Issuer

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

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

Capital Group International, Inc. and Capital Research and Management Company have each notified The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, the ‘AFM’) that their respective holdings are less than 5% (June 27, 2007: 4.97%) and more than 15% (January 8, 2007: 15.07%) of the ordinary shares of KPN. The Issuer did not enter into material agreements with any of these companies. These companies are investment companies, which may have shareholdings in other companies with which the Issuer contracts in the ordinary course of business. To the best of the Issuer's knowledge, such contracts, if any, were not influenced by any of these shareholders.

Business overview

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

New Issuer:	The Programme Agreement provides that, upon satisfaction of certain conditions precedent, a further issuer, being a subsidiary of the Issuer, may be joined as an issuer under the Programme. In such event, a new prospectus giving details of such new issuer will be prepared.
Description:	Global Medium Term Note Programme.
Arranger:	ABN AMRO Bank N.V.
Dealers:	ABN AMRO Bank N.V. Banc of America Securities Limited Barclays Bank PLC Bayerische Hypo- und Vereinsbank AG BNP PARIBAS Citigroup Global Markets Limited Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International) Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch Fortis Bank nv-sa ING Bank N.V. J.P. Morgan Securities Ltd. The Royal Bank of Scotland plc
Issuing and Principal Paying Agent:	Citibank, N.A., London Branch
Registrar, Exchange Agent and Transfer Agent:	Citibank, N.A., London Branch
Size:	The Programme amount is unlimited.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer and the relevant Dealer, including, without limitation, Australian dollars, Canadian dollars, Danish kroner, euro, Hong Kong dollars, Japanese yen, New Zealand dollars, Sterling, Swedish kronor, Swiss francs and United States dollars.
Certain restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see ' <i>Subscription and Sale and Transfer and Selling Restrictions</i> ')

including the following restrictions applicable at the date of this Prospectus.

Notes having a maturity of less than one year

Notes having a maturity of less than one (1) year will, if the proceeds of their issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a redemption value of at least £100,000 or its equivalent, see '*Subscription and Sale and Transfer and Selling Restrictions*'.

Redenomination:	The applicable Final Terms may provide that Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 4.
Maturities:	Any maturity, subject to applicable laws, regulations and restrictions and subject, in the case of Senior Notes, to a minimum maturity of one month.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form as described in ' <i>Form of the Notes</i> '. Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes:	Fixed interest will be payable on the date or dates specified in the applicable Final Terms and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest either at a rate determined on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) or on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service or on such other basis as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Final Terms).</p> <p>The Margin (if any) relating to such floating rate will be specified in the applicable Final Terms.</p>
Index Linked Notes:	Payments in respect of interest on Index Linked Interest Notes or in respect of principal on Index Linked Redemption Amount Notes will be calculated by reference to such index and/or formula or to such other factors as the Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as selected prior to issue by the Issuer and the relevant

Dealer, will be payable on the Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated on the basis of the Day Count Fraction so specified.

- Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the applicable Final Terms.
- Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
- Redemption: The applicable Final Terms will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms.
- The applicable Final Terms may provide that Notes may be repayable in two or more instalments in such amounts and on such dates as indicated in it.
- Notes having a maturity of less than one (1) year may be subject to restrictions on their denomination and distribution, see '*Certain restrictions – Notes having a maturity of less than one year*' above.
- Denomination of Notes: The Notes will be issued in such denominations as may be specified in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see '*Certain restrictions – Notes having a maturity of less than one year*' above.
- Taxation: Payments in respect of the Notes will as specified in the applicable Final Terms be made either subject to withholding of applicable Dutch taxes (if any) or without withholding or deduction for or on account of taxes levied in The Netherlands, subject to certain exceptions (including the IPMA Standard EU Exception) as provided in Condition 8. If the applicable Final Terms provides that payments are to be made subject to withholding of applicable Dutch taxes (if any), it will also specify that Condition 7(b) will not apply to the Notes.
- Negative Pledge: See Condition 3.
- Cross Default: See Condition 10(iii).
- Status of the Senior Notes: The Senior Notes will constitute direct, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without any preference among themselves and (with the exception of obligations in respect of national and local taxes and certain other statutory exceptions) equally with all other unsecured and unsubordinated obligations of the Issuer.

Status and other terms of Subordinated Notes:	The status of each Tranche of Subordinated Notes and any negative pledge and events of default applicable to Subordinated Notes will be set out in the applicable Final Terms.
Risk Factors:	<p>The Issuer believes that there are a number of factors that may affect its ability to fulfil its obligations under the Notes issued under the Programme, including: competition from a variety of competitors, rapid technological changes in the markets in which the Issuer operates (requiring it to make substantial investments in its business on an ongoing basis to grow and remain competitive) and dependence on relationships with various partners and suppliers.</p> <p>For a description of these risks and of the other risk factors that are material for the purpose of assessing the market risks associated with Notes issued under the Programme, see '<i>Risk Factors</i>' below.</p>
Substitution:	<p>The Issuer may substitute for itself as principal debtor under the Notes any company of which more than 90 per cent. of the shares are directly or indirectly held by the Issuer (a 'Substituted Debtor') on the terms and in the manner provided in Condition 17.</p> <p>If a Substituted Debtor becomes the principal debtor in respect of any of the Notes, it will publish a supplement to this Prospectus in accordance with the applicable rules and regulations.</p>
Listing and admission to trading:	<p>Application has been made to Euronext Amsterdam for Notes issued under the Programme up to the expiry of 12 months from the date of this Prospectus to be admitted to trading on Euronext Amsterdam.</p> <p>The Notes may be listed on such other or further stock exchange or stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer in relation to each issue. Unlisted Notes may also be issued. The applicable Final Terms will state whether or not the Notes are to be listed or admitted to trading, as the case may be, and, if so, on which stock exchange and/or markets.</p>
Governing Law:	The Notes will be governed by, and construed in accordance with, the laws of The Netherlands.
Selling Restrictions:	There are selling restrictions in relation to the United States, the European Economic Area (including The Netherlands and the United Kingdom) and Japan, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See ' <i>Subscription and Sale and Transfer and Selling Restrictions</i> ' below.

RISK FACTORS

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

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

All references to 'we', 'us' and 'our' under 'Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme' are references to the Issuer.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Our business is subject to various risks relating to changing competitive, economic, political, regulatory, legal, social, industrial, business and financial conditions. These conditions are described below and discussed in greater detail elsewhere in the Prospectus. The following risk factors could harm our business, financial condition and operating results, adversely affect our revenues and profitability, and lead to a drop in the trading price of our shares.

Strategic risks

The markets in which we operate are increasingly competitive and our principal businesses face significant competition. If we are unable to achieve our strategic objectives and to compete effectively, this could lead to loss of revenue, reduced margins and loss of market share and adversely affect our financial position.

We face increasing competition from various competitors in each market in which we operate. This increased competition has led and could lead to loss of revenue, reduced margins and loss of market share and could have a material impact on our profitability. Furthermore, if we fail to achieve our strategic objectives, this could also lead to loss of revenue, reduced margins and loss of market share and adversely affect our financial position.

A number of factors serve to increase our competitive risks, including: competitors that may have greater capital and other resources including larger research, marketing and engineering staff, consolidation between some of our competitors, and some of our competitors may achieve better time to market with new products and services and thereby gain larger market share.

Consumer Segment

The competitive landscape in The Netherlands is changing rapidly and is one of the most dynamic and competitive in Europe. Combined with the fact that the Dutch broadband penetration is unrivalled and the level of penetration of broadband in Dutch households is the highest in Europe, this changing competitive landscape in The Netherlands may result in an accelerated decrease in fixed-line subscriptions and traditional traffic volumes and price declines of broadband and VoIP, which would adversely affect our revenues, margins and financial position. The traditional voice market continues to contract, while the VoIP penetration is accelerating as cable and ADSL operators are active in this voice market, offering multiplay

solutions such as Television, Internet and Telephony combined. Meanwhile, mobile operators are pushing for fixed-to-mobile substitution and non-telecommunications service providers (like MSN, Google, IBM) have started offering voice as an integral service.

In addition, our current designation as operator with significant market power in the retail fixed telephony market limits our flexibility in terms of pricing and sales incentives and bundling. If we are not able to lower our costs in light of the continuing pressure for lower prices, our financial results will be adversely affected. Our mobile business in The Netherlands is subject to many of the same risks as described below under '*Mobile International: E-Plus Segment and BASE Segment*'.

Business Segment and Getronics Segment

In our business market, ICT is increasingly important. There also is an increased demand for managed services and a continuing shift in focus from network technology towards functionality of applications. New communication services are IP-based and data access has become independent of hardware devices. Because of these developments, IT and system integrators such as Cap Gemini, Accenture and IBM, among others, are moving down the value chain and may gain market share at our expense. In addition, global telecommunications solution providers are increasingly penetrating our national corporate markets. As customers increasingly search for global network solutions, KPN's strategy in the business market is aimed at grasping the opportunity to shift from decreasing traditional communication services towards services in the larger and growing market for ICT services, especially application hosting, workspace management and outsourcing.

In line with this strategy, KPN acquired Getronics in October 2007. In the ICT services market, competitors are numerous and vary widely in market position, size and resources. Competitors differ significantly depending upon the market, clients, services offered, and geographic area served and include a broad spectrum of ICT services companies, ranging from systems integrators to outsourcing providers and consulting companies. We also face competition from smaller ICT companies that have a particular service niche or have been able to develop strong local or regional client bases.

The ICT services industry has recently experienced consolidation. We expect consolidation within the ICT services industry to continue, which may create additional or stronger competitors and may intensify competition.

Additionally, since a substantial portion of Getronics' contracts are subject to relatively frequent periodic renewal, the increasing competition we face in our markets subjects us to the possibility that such contracts may not be renewed or extended, or, if they are renewed or extended, may be done so on less favourable terms.

Our current designation as operator with significant market power in the retail fixed telephony market has the same risks as mentioned under the Consumer Segment.

Wholesale & Operations Segment

Our national wholesale business – for the greater part of the services regulated by OPTA – reflects the effects of a rapidly changing landscape from both a competitive and a technological perspective. Increasing competition in telecommunications has resulted in increasing wholesale activities and the development of new wholesale offerings, like Wholesale Line Rental and Wholesale Broadband Access. Technological developments show a shifting market demand from traditional services to new technology, such as VoIP. This shift has an impact on our technical infrastructure. In the changing telecommunications market, we currently face competition from cable companies with respect to telephone, Internet and TV services as well as new emerging, non-telecommunications parties, such as Skype and Google.

If the Consumer and/or Business Segments are not able to retain their market positions or gain shares in existing and new markets, this will directly and adversely affect Wholesale & Operations' performance.

Moreover, our leading position in the national wholesale business for traditional services limits our flexibility in terms of pricing, sales incentives and bundling. Most importantly, if we are unable to reduce network and operational costs in light of the ongoing price pressure, our financial position could be adversely affected. As the national mobile wholesale business is performed by the Mobile International Segment, please see that section for risks related to that activity.

In our international wholesale voice business, we compete on the basis of quality of service and price. In recent years, prices for long distance telephone services have been declining as a result of increased competition as well as deregulation. We face competition from major telecommunications carriers such as AT&T and Verizon Communications as well as new emerging carriers. We also compete with VoIP service providers who route traffic to destinations worldwide. VoIP service providers that presently focus on retail customers may in the future enter the wholesale market and compete with us. If we cannot offer competitive prices and quality of service, our business could be adversely affected.

Mobile International: E-Plus Segment and BASE Segment

Our Mobile International business faces intense competitive pressure from existing as well as new market participants in all our markets. We compete with the largest international groups and alliances of mobile operators, such as Vodafone and T-Mobile. Competition based on price, subscription options offered, coverage and service quality remains intense and we expect ongoing pressure on calling rates as we compete with other operators for market share. Our mobile markets for voice have become increasingly saturated and the market for mobile data is picking up slower than expected. As a result, the focus of competition is shifting towards brand and distribution power and also from customer acquisition to customer retention and satisfaction efforts. Substantial expenses are required for customer retention and satisfaction efforts. Significant customer defections would have an adverse effect on our financial position.

In this market, we face competition from a variety of competitors, including fixed and mobile network operators, operators offering new mobile network services such as wireless fidelity services (WiFi) and WiMAX and providers of higher speed xDSL and glass fiber services. Some of these competitors are smaller and may be more flexible and responsive than we are. Both E-Plus in Germany and BASE in Belgium, our mobile subsidiaries, compete in their respective markets with the respective top two operators that have significantly higher market shares and thus an ability to exert significant influence over the market. As a result, our subsidiaries may be at a competitive disadvantage and could rapidly lose market share, which could harm our financial results.

If we fail to introduce new or enhanced products and services successfully or with shorter time-to-market than our competitors, our revenues and margins could be lower than expected and our financial position could deteriorate.

Part of our overall business strategy is based on the introduction of new or enhanced products and services, such as VoIP and WLR, Interactive IPTV formats, integrated communication and messaging clients, content and entertainment services, new mobile data services and machine-to-machine services. Any of the new or enhanced products or services we introduce may encounter technical difficulties or fail to achieve market acceptance. Alternatively, new or enhanced products or services introduced by our competitors may be more appealing to customers. If our new and enhanced products and services are not successful or are delayed, our customers may decide to discontinue using our services and choose other telecommunications providers. In addition, the introduction of new products and services such as IPTV, VoIP and ICT solutions results in additional costs and puts pressure on our existing operating structure. Our upcoming migration to an All-IP network should reduce costs in the long term, but requires additional capital expenditures in the short to mid-term. In order to cope with the anticipated pressure on our revenues and, consequently, the risk of decreased profitability, we have set up a restructuring and cost saving program. While our aim is to reduce around 10,000 FTEs (expected to be substantially completed by 2010), we may not be successful in these efforts, and as a consequence, our financial position could deteriorate. Our restructuring and cost saving program also may result in one-time special charges and costs, and may have other adverse consequences on our organization and business.

In addition, our operations in The Netherlands may not successfully fulfil the need to move from our traditional services to services based on our new All-IP network which could adversely affect our financial position.

If we fail to integrate businesses we acquire our business may suffer and profitability could be negatively impacted.

In 2007, we acquired Getronics, 51% of iBasis, Tiscali in The Netherlands and Tele2/Versatel in Belgium. The transition of these businesses, and other businesses we may acquire in the future, and our ability to successfully execute our proposed business plans with respect to those businesses, will present significant challenges to our management and risks to our existing business. We may not be able to successfully integrate acquired businesses, and the combined company may not perform according to our plans. We may not achieve the desired profitability and synergies that we anticipate from these acquired businesses, and such failure could adversely affect our existing business and results of operation. Our acquisition of these businesses involves numerous risks, including:

- difficulties in the integration of the assets and operations of each of the acquired businesses with our existing operations;
- higher than expected or unanticipated costs to implement our business plan and to operate the combined business;
- inadequate resources to implement our business plan and to operate the combined business;
- difficulties retaining key employees;
- the failure to identify and realize synergies and cost savings;
- difficulties in coordinating corporate and administrative functions;
- the influence of minority shareholders;
- unexpected changes in trade barriers;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenues, to the extent incurred in a foreign currency;
- exposure to liability under the U.S. Foreign Corrupt Practices Act and similar laws in other jurisdictions; and
- seizure of property by foreign governments and regulatory restrictions applicable to foreign companies.

As a result, we may not achieve our projected combined financial results in the time anticipated, or at all. In such cases, our results of operations and profitability would be adversely affected.

Industry risks

The industry in which we operate is subject to rapid technological changes and we may not successfully make the substantial investments on an on-going basis required to remain competitive.

Our industry is undergoing rapid technological change, and our future success depends, in part, on our ability to anticipate and adapt in a timely and effective manner to those technological changes. To remain competitive, we must continuously improve the speed and features of our existing products and services, develop attractive new products and services for our customers and maintain a quick time-to-market for these products and services. As a consequence, we have to make substantial investments in our business on

an ongoing basis to remain competitive. New communication services are more and more IP-based and, especially in the fixed business, are less dependent on underlying hardware. As a consequence, new global competitors are entering the market and competition is increasing in all areas of our business. This may be disadvantageous for us and may lead to a decline in our operating results.

Technologies for mobile services include EDGE, UMTS among others, and the enablers for data services (such as content downloads and location based services). New licensed and unlicensed spectra may become available in the future, posing a constant threat to our mobile business based on GSM, UMTS and WiFi technologies, as the additional spectrum facilitates the entry of new competitors providing new entrants to wireless and mobile communications services.

Within our operations in The Netherlands, our strategy to migrate to an All-IP network operator and service provider is the basis for our new service portfolio and our planned cost reductions. The technical rollout of our All-IP network, which is currently in a piloting phase, is expected to take several years. We may not be successful in the timely rollout of such a network and, as a consequence, our main competitors may gain market share at our expense. In addition, our strategy for migrating our customers towards IP-based solutions could be less effective and efficient than we anticipate. Furthermore, our investments in new IP-based services and solutions could prove to be more time consuming and more expensive than we had estimated, all of which could adversely affect our financial position.

In general, we may not succeed in developing, introducing or improving technological innovations in an economical or timely manner, or at all. Our competitors may be able to improve existing products and services or develop and introduce new products and services faster than we are able to. The changes require substantial ongoing investments if we are to achieve organic growth and remain competitive. We must also correctly estimate customer demand, and there is the risk that customers will prefer the new products and services introduced by competitors over our new products and services. This could adversely affect our financial position.

As defined in the amended Telecommunications Act, the obligation for landlords to allow cables that are part of a public electronic communications network on their property 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 upon the request of a landlord. Since many factors are currently unpredictable and uncertain, we are not able to estimate the potential impact of this risk. Costs or expenses associated with the removal of these cables, however, could adversely affect our financial position.

As we are drastically changing our technical infrastructure, we may not be able to succeed in meeting the high quality standards we delivered in the past with our traditional product portfolio. This may have a negative effect on the value of our brands in the various markets in which we operate and adversely affect our financial position.

We depend on our relationships with various partners and suppliers and any disruption in these relationships may adversely affect our business.

Our business depends upon our ability to obtain adequate supplies of telecommunications equipment, related software and IT services, our contractors' ability to build and rollout telecommunications networks on schedule, and our suppliers' ability to deliver dependable technical support. Due to downturns in economic conditions or other market developments, some of our suppliers may cease to do business. We cannot be certain that we will be able to obtain quality telecommunications equipment and support from alternative suppliers, particularly in relation to new technologies, on a timely basis if our existing suppliers are unable to satisfy our requirements. This could lead to an interruption in the operation and build-out of our networks, which may adversely affect our financial position and results of operations. We depend on our relationships with these suppliers for the continuation of these services, some of which are vital to our business.

In addition, in those markets in which we have a limited or no presence, we depend on our ability to find and work with local service partners to meet our clients' needs. An inability to find adequate service partners

may place us at a competitive disadvantage and result in a loss of business. Moreover, the failure of any such service partners to provide service of an appropriate standard could adversely affect our reputation, lead to claims and limit our ability to procure further business.

Regulatory and compliance risks

We operate in heavily regulated markets and are subject to regulatory decisions and changes in the regulatory environment that could adversely affect our business.

Most of our network activities are monitored by regulatory bodies, such as OPTA in The Netherlands, BNetzA in Germany, BiPT in Belgium and the European Commission generally in Europe. These authorities regulate, among other things, the prices we may charge for many of our services and the extent to which we have to provide services to our competitors. In recent years, these authorities have compelled us to reduce some of our prices. Regulatory authorities may increase the severity of pricing controls, extend the range of services to which regulations apply (including any new services that we may offer in the future), and extend the services that we have to provide to our competitors. Regulatory decisions could also influence the rollout planning of the All-IP network and the conditions under which we are allowed to migrate to an All-IP network operator such as the deferment of the dismantling of the MDF locations or the imposition of new access obligations. These and other regulatory actions may adversely impact our financial position, increase the severity of competition and decrease our profitability. In addition, there is an increasing risk of non-compliance associated with the increasing complexity of regulation.

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

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

Our business may be hampered because of more stringent regulation of the exposure of the public to electromagnetic fields of base stations.

Our businesses may increasingly be subject to more stringent regulation of exposure to electromagnetic fields of mobile transmission equipment. Health risks perceived by public opinion may cause national and local governments to further impose restrictions on the construction of base station towers, the upgrade of networks and the replacement of existing antennae and other related infrastructure. As a result, we are experiencing difficulties and delays in obtaining building permits for our mobile transmission equipment. This may prevent us from completing the further build-out of our mobile networks, providing new services and fulfilling UMTS license terms. In addition, it may become more difficult to renew leases for existing base stations and other equipment, with the cost of such leases increasing. Any of these factors could adversely affect our business and financial position.

Although various scientific reports have denied that certain radio frequency emissions from wireless handsets and mobile base stations pose health risks, local and national governments have begun to regulate the emission of electromagnetic fields as an environmental threat. We cannot rule out that exposure to electromagnetic fields from mobile base stations will be identified as an environmental issue and potential health risk in the future. Any perceived health risks associated with mobile communication equipment may lead to a more restrictive approach towards building permissions for base stations and could result in a radio network of insufficient quality. A reduction in network quality may result in a lower number of customers and a reduced usage per customer.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent or detect fraud. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our securities.

Effective internal controls are necessary for us to provide reliable financial reports and prevent or detect significant fraud. If we cannot provide reliable financial reports or prevent fraud, our financial results could be adversely affected. Fraud could also result in loss of assets and additional costs as well as claims and lawsuits.

We devote significant attention to establishing and maintaining effective internal controls over financial reporting. Implementing any appropriate changes to our internal controls may require additional compliance training of our directors, officers and employees, entail substantial costs to modify our existing systems and take a significant period of time to complete.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements in our financial reporting, as defined under Section 404 of the Sarbanes-Oxley Act of 2002, will not be prevented or detected on a timely basis by internal control. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could adversely affect our business and financial position or cause us to fail to meet our reporting obligations. Any such failure could also adversely affect our assessment of the effectiveness of our internal control over financial reporting. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have an adverse effect on the market price of our securities. Non-compliance with the rules set under the Telecommunications Act as a result of a failure of our internal controls may lead to the incurrence of an administrative fine, as well as claims for damage.

Operational risks

We have made substantial investments in UMTS licenses in our core markets. We may not generate a sufficient return on these investments.

We have made substantial investments in UMTS licenses in our core markets of The Netherlands, Germany and Belgium. The size of the market for these products and services is unknown and may fall short of our expectations if UMTS technology proves not to be superior to existing or other future technologies. We cannot be certain that the demand for UMTS services will justify the related costs. In some locations, the investments, although required under the licenses, may not be commercially desirable or may not be justified given the level of customer demand. In addition, our competitors may be able to build out their UMTS networks more economically or quickly than us. This could place us at a competitive disadvantage in providing UMTS services in the relevant market. In connection with providing UMTS services, we acquired the right to use 900 MHz frequencies in Germany; however, we could be legally forced to share these frequencies. Deutsche Bahn and Airdata have challenged our acquisition of the 900 MHz frequencies. For further information, see 'Description of the Company - Regulatory developments'. If our strategy with respect to UMTS licenses is not successful, our business and financial position may be adversely affected.

Based on regulatory requirements, we expect to incur additional substantial capital expenditures for the rollout of our UMTS networks. In addition, we expect to incur significant marketing and other costs in relation to the further rollout of our UMTS services. As a result, our net income can be expected to decrease, except to the extent enhanced earnings from UMTS networks offset such charges.

In Belgium, a further rollout of our UMTS network started in 2004 in order to comply with the license requirements of at least 40% population coverage by the end of 2006 and 50% by the end of 2007. The Belgian regulator BiPT carried out measurements in 2007 and concluded that BASE complied with the 40%

requirement as of the end of 2006. Non-compliance with the license obligations may lead to the incurrence of an administrative fine and may ultimately result in the loss or suspension of the UMTS license of BASE. For further information, see '*Description of the Company - Regulatory developments*'.

We depend on major and long-term outsourcing contracts, which could later turn out to be commercially unattractive and have a material adverse effect on our margins and financial condition.

A significant proportion of our Getronics Segment business is performed under outsourcing contracts from customers. The structuring of an outsourcing contract requires considerable skills, particularly in evaluating, amongst others, (i) whether the services can be performed remotely, (ii) the quality and future costs of any personnel taken over from the customer, many of whom need to be retrained or reassigned by Getronics to make the project cost effective and (iii) the economic viability of the customer. If, and to the extent that, Getronics has entered into or enters into a major and long-term outsourcing project on terms which later would turn out to be commercially unattractive, this could have a material adverse effect on our margins and financial condition. In the Business Segment we have similar outsourcing contracts from customers with similar risks.

We depend on our current personnel and may have difficulty attracting and retaining the skilled employees we need to execute our business plans.

Competition for highly skilled personnel is intense in the markets in which we operate. We depend, to a significant extent, on the continued services of key management, technical, sales and research and development employees. Because there is strong competition for qualified personnel in our industry, the limited availability of qualified individuals could become an issue in the future. The loss of key management or our inability to identify, attract and retain other necessary qualified personnel could adversely affect our business and financial position. Our growth and future success will depend in large part on our ability to attract, motivate and retain highly qualified employees.

Network interruptions or service slowdowns caused by local or global system failures and misuse of our network and related applications as a result of inadequate security, may result in reduced user traffic, reduced revenue and harm to our reputation and business operations.

Our ability to operate our business depends significantly upon the performance of our technical infrastructure. Failures in power supply by power companies could occur and may harm our technical infrastructure. Although our critical infrastructure equipment has power interruption backup facilities, these facilities may prove not to be adequate during a prolonged or extensive interruption. Our technical infrastructure is also vulnerable to damage or interruption by floods, fires, telecommunications failures and other similar events. It also may be subject to break-ins, sabotage, terrorism, vandalism and similar misconduct. Furthermore, the security of our network and related applications may be inadequate, which may result in access and misuse by hackers and other unauthorized users and may adversely affect our operations. The occurrence of a natural disaster, other unanticipated problems at our facilities or any other damage to, or misuse or failure of our systems could result in interruptions in our service. System failures, including failure of our network and the networks used by our suppliers, and hardware or software failures or computer viruses, could also affect the quality of our services and cause temporary service interruptions, resulting in customer dissatisfaction, penalties and reduced traffic volumes and revenue. Any of these factors could adversely affect our business and financial position.

Moreover, our reputation and public image is important to our sales, marketing and customer relations efforts. Any damage to our reputation or public image as a result of the above failures or breaches, corporate actions, developments of particular business units or otherwise, could adversely affect our business, financial position and market position.

Financial risks

Changes in markets, our strategy, business plans and network infrastructure and the relevant valuation methodologies have resulted, and may in the future result, in substantial write-downs of the carrying value of our assets.

Our regular review of the carrying value of our assets (including goodwill, other intangibles, tangibles and financial fixed assets) has resulted in significant impairments in the past, and we may in the future be required to recognize additional impairment charges. Events in the technology and telecommunications markets, including significantly reduced share prices, market capitalizations and credit ratings for other participants, as well as the ongoing review and refinement of our business plans and network infrastructure and changes in the valuation methodologies applied and the underlying assumptions, have resulted, and may in the future result, in substantial impairments of our intangibles or other assets. In addition, we have recognized, and may be required in the future to recognize, increased depreciation and amortization charges if we deem the useful lives of our non-current assets to be shorter than originally expected.

We have liabilities with respect to our pension plans and the actual cost of our pension plan obligations could exceed current estimates. Any pension funding obligations may impact our financial position.

As of December 31, 2007, we recognized pension provisions of EUR 1.0 billion as a result of defined benefit plans. The recognition of the pension provision is subject to actuarial and financial assumptions, which are management estimates of, among other things, future salary increases, discount rates, expected indexation of the benefits and return on assets. These determine the costs and cash flows of providing the post-employment benefits. Changes in assumptions can result in changes of the pension obligation and the related pension costs as well as the contributions to the pension funds. Adjustments required to be made to our recorded provision for these benefits may have an adverse effect on our results of operations and financial position, and cash payments to fund these plans could have an adverse effect on our cash flows.

Our share price has been, and may continue to be, volatile.

World stock markets have always experienced volatility that has affected the market prices of equity securities, including those of telecommunications companies and our company. This has led to large swings in trading prices in short periods of time and has not always been related to the operating performance of the companies concerned.

The factors that have caused, and may cause in the future, fluctuations in our share price, many of which are beyond our control, include the following:

- the general state of the securities markets, with particular emphasis on the European telecommunications sector;
- competition, regulatory conditions and the status of telecommunications liberalization in Europe;
- the build-out of our networks (such as UMTS and All-IP), the development of compatible handsets, delays in the rollout of UMTS services and networks and associated costs;
- competitors' positions in the market and ongoing consolidation in the telecommunications industry;
- changes in the financial estimates by securities analysts;
- our earnings releases and the earnings releases of our competitors;
- the outcome of legal proceedings;
- fluctuations in foreign exchange rates, interest rates and property prices;

- international political and economic conditions and any acts of terrorism; and
- economic weakness, including inflation and political instability.

We are involved in several legal proceedings. Such proceedings could eventually lead to payments of claims and damages or otherwise harm us.

We are a party to several legal proceedings of a regulatory and other nature. The proceedings themselves could divert management attention and capacity from our core business and could harm our public image. If we lose our cases, we could be forced to reduce our tariffs, make payments of claims and damages and suffer other disadvantages which would adversely affect our business and financial position.

For a discussion of material current legal proceedings, see ‘*Commitments, contingencies and legal proceedings*’ in our Consolidated Financial Statements (as defined below), and in ‘*Description of the Company - Regulatory developments*’.

We may be subject to additional tax liabilities in the future, including loss of net operating loss carry-forwards as a result of changes of tax laws and audits of our tax returns.

Given the changing nature of laws, rules and regulations, in the future we could be subject to additional tax liabilities.

A reduction or expiration of net operating loss carry forwards could increase the corporate income tax payments and impact our deferred tax position. Furthermore, tax authorities may audit our tax returns and may disagree with the positions taken in those returns.

An adverse outcome resulting from any settlement or future examination of our tax returns may subject us to additional tax liabilities and may adversely affect our liquidity and annual effective income tax rate. In addition, any examination by the tax authorities could cause us to incur significant legal expenses and divert our management’s attention from the operation of our business.

We may need to incur additional debt or issue new equity to fund our operations, to finance strategic and technological investments and to refinance debt.

International credit and money markets faced ongoing bouts of turbulence through the latter half of 2007 due to the deepening U.S. residential housing slump and crisis in securitized credit and sub-prime mortgage markets. Financing and refinancing conditions will largely depend on future market conditions, the effects on European markets of the U.S. market volatility, our credit ratings, the telecommunications industry ratings, and our results of operations and future prospects, and we cannot be certain that financing will be available to us on favourable terms, or at all. Our credit rating may be impacted by the rapid technological and industry developments, our operational performance and our competitive and financial position going forward. If we cannot raise new funding, we may be unable to pursue growth opportunities or to refinance our existing indebtedness. Liquidity problems in the capital market may affect our ability to raise new funding on favourable terms.

We are exposed to a variety of financial risks as a result of the use of financial instruments including: credit risk, liquidity risk and market risk, which may have an adverse effect on our profit development.

We are aware of the unpredictability of financial markets and seek to minimize potential adverse effects on our financial performance. We use derivative financial instruments to hedge certain risk exposures. We have exposure to the following risks from the use of financial assets and liabilities:

- credit risk that arises from the possibility of asset impairment due to counterparties that are not able to meet their obligations in transactions involving financial instruments;

- liquidity risk that arises from not being able to meet the financial obligations associated with financial instruments as they fall due. Prudent liquidity risk management implies ‘maintaining sufficient cash and the availability of financing sources’ at ‘reasonable capital resource covenants’. For a discussion of these sources, see *‘Liquidity and capital resources’*; and
- market risk that arises from movements in:
 - foreign currency exchange rates;
 - interest rates; and
 - other market prices.

The Notes may not be a suitable investment for all investors

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

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

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

Risks related to the structure of a particular issue of Notes

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

Notes in registered form

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

Notes subject to optional redemption by the Issuer

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

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

Index Linked Notes and Dual Currency Notes

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

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

Additional risk factors in relation to issues of Index Linked Notes and Dual Currency Notes may be included in the applicable Final Terms or in a supplement to the Prospectus, as the case may be.

Partly-paid Notes

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

Variable Rate Notes with a multiplier or other leverage factor

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

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

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

Notes issued at a substantial discount or premium

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

The Issuer's obligations under Subordinated Notes are subordinated

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

Risks related to Notes generally

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

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Principal Paying Agent may, without the consent of Noteholders, agree to (i) any modification (not being a modification requiring the approval of a meeting of Noteholders) of any of the provisions of Notes which is not materially prejudicial to the interests of the Noteholders or (ii) any modification of the Notes which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or (iii) the substitution of another

company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 17 of the Conditions of the Notes.

EU Savings Directive

If, following implementation of the Directive on the taxation of savings income (see 'Taxation – Interest on the Notes – EU Savings Directive' below), a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of the Directive, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

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

Notes where denominations involve integral multiples: definitive Notes

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

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

Risks related to the market generally

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

The secondary market generally

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

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency

or currency unit (the '**Investor's Currency**') other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

Interest rate risks

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

Credit ratings may not reflect all risks

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

Legal investment considerations may restrict certain investments

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

IMPORTANT INFORMATION

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

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

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

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

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

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

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. However, the previous statement in no way detracts from the Issuer's obligation to prepare a supplement to this Prospectus or publish a new prospectus for use in connection with any subsequent issue of Notes to be listed on Euronext Amsterdam in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements of the Issuer when deciding whether or not to purchase any Notes.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes outside The Netherlands or distribution of

this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including, The Netherlands and the United Kingdom) and Japan (see '*Subscription and Sale and Transfer and Selling Restrictions*' below).

All references in this document to '**U.S. dollars**', '**U.S.\$**' and '**\$**' refer to the currency of the United States of America, those to '**euro**', '**EUR**' and '**€**' refer to the currency of the member states of the European Union participating in the economic and monetary union pursuant to the Treaty establishing the European Community, as amended, those to '**Japanese yen**', '**yen**' and '**¥**' refer to the currency of Japan, those to '**CHF**' refer to the currency of Switzerland, and those to '**Sterling**' and '**£**' refer to the currency of Great Britain.

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

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) shall be deemed to be incorporated in, and to form part of, this Prospectus:

- (a) the Articles of Association of the Issuer;
- (b) the Issuer's annual report on Form 20-F (the '**Form 20-F**' or '**Annual Report**') for the fiscal year ended December 31, 2007 filed with the U.S. Securities and Exchange Commission and any supplements and amendments thereto published prior to the date of this Prospectus. Included in the Annual Report are the publicly available consolidated audited annual financial statements of the Issuer ('**Consolidated Financial Statements**') for the financial year ended December 31, 2007 including comparative figures for the financial year ended December 31, 2006 (prepared in accordance with International Financial Reporting Standards ('**IFRS**')); and
- (c) the Issuer's annual report on Form 20-F for the fiscal year ended December 31, 2006 (the '**2006 Annual Report**') filed with the U.S. Securities and Exchange Commission and all supplements and amendments thereto. Included in the 2006 Annual Report are the publicly available consolidated audited annual financial statements of the Issuer for the financial year ended December 31, 2006.

The Issuer will provide, without charge, upon request of such person, a copy of any or all of the documents which are incorporated herein by reference. Requests for such documents should be directed to the Issuer at its registered office set out at the end of this Prospectus. In addition, such documents will be available from the specified office in The Netherlands of ABN AMRO Bank N.V. in its capacity as Paying Agent.

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

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

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

FORM OF THE NOTES

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

Bearer Notes

Each Tranche of Bearer Notes will (unless otherwise indicated in the applicable Final Terms) be initially represented by a temporary bearer global Note (the **'Temporary Bearer Global Note'**) (or, if so specified in the applicable Final Terms, a permanent bearer global Note (the **'Permanent Bearer Global Note'**)), without receipts, interest coupons or talons, which will either be delivered on or prior to the original issue date of the tranche to (i) a common depository for Euroclear Bank S.A./N.V. (**'Euroclear'**) and Clearstream Banking, *société anonyme* (**'Clearstream, Luxembourg'**) and/or any other agreed clearing system or (ii) be deposited with the Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (**'Euroclear, Nederland'**). Whilst any Bearer Note is represented by a Temporary Bearer Global Note and subject to TEFRA D selling restrictions, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of such Note are not United States persons or persons who have purchased for resale to any United States person, as required by U.S. Treasury regulations, has been received by the relevant clearing system(s) and the relevant clearing system(s) have given a like certification (based on the certifications they have received) to the Principal Paying Agent. Any reference in this section to the relevant clearing system(s) shall mean the clearance and/or settlement system(s) specified in the applicable Final Terms. On and after the date (the **'Exchange Date'**) which is not less than 40 days nor more than 90 days after the date on which a Temporary Bearer Global Note is issued, interests in the Temporary Bearer Global Note will be exchangeable (free of charge), upon request as described therein, either for interests in a Permanent Bearer Global Note without receipts, interest coupons or talons or for definitive Bearer Notes (as indicated in the applicable Final Terms), in each case (if the Bearer Notes are subject to TEFRA D selling restrictions) against certification of beneficial ownership as described in the second sentence of this paragraph unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date, unless upon due presentation of the Temporary Bearer Global Note for exchange as aforesaid, delivery of any of the definitive Bearer Notes or Coupons is improperly withheld or refused.

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

Payments of principal and interest (if any) on a Permanent Bearer Global Note will be made through the relevant clearing system(s) against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification. A Permanent Bearer Global Note will be exchangeable (free of charge), in whole or (subject to the Bearer Notes which continue to be represented by the Permanent Bearer Global Note being regarded by the relevant clearing system(s) as fungible with the definitive Bearer Notes issued in partial exchange for such Permanent Bearer Global Note) in part, in accordance with the applicable Final Terms for security printed definitive Bearer Notes with, where applicable, receipts, interest coupons or coupon sheets and talons attached. Such exchange may be made, as specified in the applicable Final Terms, either: (i) upon not less than 30 days' written notice being given to the Principal Paying Agent by a relevant clearing system (acting on the instructions of any of its participants) as described therein or (ii) upon the occurrence of an Exchange Event.

An ‘**Exchange Event**’ means (1) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg and/or if applicable Euroclear Nederland has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system is available or (2) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Bearer Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 upon the occurrence of an Exchange Event. In the event of the occurrence of an Exchange Event, a relevant clearing system acting on the instructions of any holder of an interest in the global Bearer Note may give notice to the Principal Paying Agent requesting exchange and in the event of the occurrence of an Exchange Event as described in (2) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur no later than 15 days after the date on which the relevant notice is received by the Principal Paying Agent. Global Bearer Notes and definitive Bearer Notes will be issued pursuant to the Agency Agreement (as defined under ‘*Terms and Conditions of the Notes*’ below). At the date hereof, neither Euroclear nor Clearstream, Luxembourg, as opposed to Euroclear Nederland, regard Bearer Notes in global form as fungible with Bearer Notes in definitive form.

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all receipts and interest coupons (including talons) relating to such Notes which are subject to TEFRA D selling restrictions:

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

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

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

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

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

Registered Notes

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

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to ‘qualified institutional buyers’ within the meaning of Rule 144A under the Securities Act (‘**QIBs**’) or (ii) to ‘accredited investors’ (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (‘**Institutional Accredited Investors**’) and who execute and deliver an

IAI Investment Letter (as defined under ‘*Terms and Conditions of the Notes*’) in which they agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (‘**Rule 144A Global Notes**’ and, together with Regulation S Global Notes, the ‘**Registered Global Notes**’).

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

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

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6(d)) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, ‘**Exchange Event**’ means that (1) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or, DTC has ceased to constitute a clearing agency registered under the Exchange Act, or (2) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available, or (3) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Registered Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC and/or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the

occurrence of an Exchange Event as described in (3) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 15 days after the date on which the relevant notice is received by the Registrar.

Transfer of Interests

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

General

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

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10 of the Terms and Conditions. In such circumstances, where any Note is still represented by a global Note and a holder of such Note so represented and credited to his account with the relevant clearing system(s) (other than Euroclear Nederland) gives notice that it wishes to accelerate such Note, unless within a period of 15 days from the giving of such notice payment has been made in full of the amount due in accordance with the terms of such global Note, holders of interests in such global Note credited to their accounts with the relevant clearing system(s) (other than Euroclear Nederland) will become entitled to proceed directly against the Issuer on the basis of statements of account provided by the relevant clearing system(s) (other than Euroclear Nederland) on and subject to the terms of the relevant global Note. In the case of a global Bearer Note deposited with Euroclear Nederland, the rights of Noteholders will be exercised in accordance with the provisions of such global Bearer Note and the provisions of the Securities Giro Transfer Act (*‘Wet giraal effectenverkeer’*). In addition, holders of interests in a global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interests in a global Note in accordance with DTC’s standard operating procedures.

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

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

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

APPLICABLE FINAL TERMS FOR ISSUES WITH A DENOMINATION OF LESS THAN €50,000

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than €50,000 (or its equivalent in another currency).

[Date]

Koninklijke KPN N.V.

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

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

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 38 of Part A below, provided such person is one of the persons mentioned in Paragraph 38 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

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

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances].†

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated April 8, 2008 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the ‘**Prospectus Directive**’). This document constitutes the Final Terms

* Consider including this legend where a non-exempt offer of Notes is anticipated.

† Consider including this legend where only an exempt offer of Notes is anticipated.

of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing during normal business hours at Koninklijke KPN N.V., Maanplein 55, 2516 CK The Hague, The Netherlands and at www.kpn.com and copies may be obtained from Koninklijke KPN N.V., Maanplein 55, 2516 CK The Hague, The Netherlands.

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

Terms used herein shall be deemed to be defined as such for the purposes of the conditions as set out in Schedule [] to this document. This document constitutes the Final Terms of the securities described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the ‘**Prospectus Directive**’) and must be read in conjunction with the Base Prospectus dated April 8, 2008 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are replaced by the conditions as set out in Schedule [] to this document. Full information on the Issuer and the offer of the securities is only available on the basis of the combination of these Final Terms and the Base Prospectus dated April 8, 2008, save for the Conditions, which are replaced by the conditions as set out in Schedule [] to this document. Copies of such documents are available for viewing during normal business hours at the registered office of the Issuer, currently at Maanplein 55, 2516 CK The Hague, The Netherlands and at www.kpn.com and copies may be obtained from Koninklijke KPN N.V., Maanplein 55, 2516 CK The Hague, The Netherlands.

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

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

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

1. Issuer: Koninklijke KPN N.V.
2. (i) Series Number: []
(ii) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
 - (i) Series: []
 - (ii) Tranche: []
5. Issue Price of Tranche: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] *(if applicable)*

6. (a) Specified Denominations: []
(in the case of Registered Notes this means the minimum integral amount in which transfers can be made) []
- [Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies)]
- (N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €[1,000] minimum denomination is not required.)*
- (b) Calculation Amount *(Applicable to Notes in definitive form)* []
(If only one Specified Denomination, insert the Specified Denomination.
If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
7. (i) Issue Date: []
- (ii) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month].
9. Interest Basis: [[] per cent. Fixed Rate]
 [[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Dual Currency Interest]
 [specify other]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Dual Currency Redemption]
 [Partly Paid]
 [Instalment]
 [specify other]
- (NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for*

the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)

11. Change of Interest Basis or Redemption/Payment Basis: []
[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. Status of the Notes: [Senior/Subordinated – give details, including any variations to the Negative Pledge and Events of Default.]
14. Method of distribution: [Syndicated/Non-syndicated]

Provisions Relating to Interest (if any) Payable

15. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/other(*specify*)] in arrear]
(If payable other than annually, consider amending Condition 5)
- (ii) Interest Payment Date(s): [] in each year up to and including the Maturity Date/[*specify other*]
(NB: This will need to be amended in the case of long or short coupons)
- (iii) Fixed Coupon Amount(s): [] per Calculation Amount
(Applicable to Notes in definitive form)
- (iv) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
(Applicable to Notes in definitive form)
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [*specify other*]]
- (vi) [Determination Date[s]: [] in each year
(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon (NB: This will need to be amended in the case of regular interest payments which are not of equal duration))
(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))
- (vii) Other terms relating to the method of calculating interest for Fixed Rate [None/*Give details*]

Notes:

16. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Specified Period(s)/Specified Interest Payment Dates: []
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (iii) Additional Business Centre(s): []
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): []
- (vi) Screen Rate Determination: [Yes/No]
 – Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)
 – Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System (or any successor thereto) is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 – Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (vii) ISDA Determination: [Yes/No]
 – Floating Rate Option: []
 – Designated Maturity: []
 – Reset Date: []
- (viii) Margin(s): [+/-] [] per cent. per annum

- (ix) Minimum Rate of Interest: [] per cent. per annum
- (x) Maximum Rate of Interest: [] per cent. per annum
- (xi) Day Count Fraction: [Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)
Other]
(See Condition 5 for alternatives)
- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: []
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e) and (j) apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)
18. Index Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent [give name]
- (iii) Party responsible for []

calculating the Rate of Interest (if not the Calculation Agent) and the Interest Amount (if not the Agent):

- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [] *(need to include a description of market disruption or settlement disruption events and adjustment provisions)*
- (v) Specified Period(s)/Specified Interest Payment Dates: []
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (vii) Additional Business Centre(s): []
- (viii) Minimum Rate of Interest: [] per cent. per annum
- (ix) Maximum Rate of Interest: [] per cent. per annum
- (x) Day Count Fraction: []

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

(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)

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

Specified Currency(ies)
is/are payable:

Provisions Relating to Redemption

20. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]
- (iii) If redeemable in part:
- (A) Minimum Redemption Amount: []
- (B) Higher Redemption Amount: []
- (iv) Notice period (if other than as set out in the Conditions): []
(N.B. if setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
21. Investor Put: [Applicable/Not Applicable/Applicable – Change of Control]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]
- (iii) Notice period (if other than as set out in the Conditions): []
(N.B. if setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which

may apply, for example, as between the Issuer and the Agent)

22. Final Redemption Amount: [[] per Calculation Amount/specify other/see Appendix] (NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply).
23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): [[] per Calculation Amount/specify other/see Appendix]

General Provisions Applicable to the Notes

24. Form of Notes: [Bearer Notes:
[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 30 days' notice given at any time/only upon an Exchange Event].]
[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date.]
[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 30 days' notice given at any time/only upon an Exchange Event].]
(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Prospectus and the Notes themselves.)

[Registered Notes:
Regulation S Global Note (U.S.\$[] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg]/Rule 144A Global Note (U.S.\$[] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg]/Definitive IAI Registered Notes (specify nominal amounts).]
25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details] (Note that this paragraph relates to the date and place of payment and not Interest Period end dates to which paragraphs 16(iii) and 18(vii) relate)
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
27. Details relating to Partly Paid Notes: [Not Applicable/give details. NB: new forms of Global Note

amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: *may be required for Partly Paid issues]*

28. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
 - (ii) Instalment Date(s): [Not Applicable/give details]
29. Redenomination applicable: Redenomination [not] applicable
(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))
30. Other terms or special conditions: [Not Applicable/give details]
(When adding any other final terms consideration should be given as to whether such terms constitute 'significant new factors' and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)
31. For the purposes of Condition 14, notices to be published in the Financial Times: [Yes/No]
32. Condition 8(a) or 8(b) of the Notes applies: [Condition 8(a) applies and Condition 7(b) does not apply/Condition 8(b) applies and Condition 7(b) applies]
33. Additional tax disclosure [Not Applicable/give details]

Distribution

34. (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/give names and addresses and underwriting commitments]
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a 'best efforts' basis if such entities are not the same as the Managers.)
- (ii) Date of [Syndication] Agreement: []
- (iii) Stabilising Manager[s] (if any): [Not Applicable/give name and address]
35. If non-syndicated, name and address of relevant Dealer: [Not Applicable/give name and address]

36. Total commission and concession: [] per cent. of the Aggregate Nominal Amount]
37. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA D/TEFRA C/TEFRA not applicable]
38. Non exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) - which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)] ('**Public Offer Jurisdictions**') during the period from [specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"] ('**Offer Period**'). See further Paragraph 10 of Part B below.
- (N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.)*
39. Additional selling restrictions: [Not Applicable/give details]

PURPOSE OF FINAL TERMS

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

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms and to the best knowledge and belief of the Issuer the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information. [[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

By:
Duly authorised

PART B – OTHER INFORMATION

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

2. RATINGS

Ratings:

The Notes to be issued have been rated:

[S & P: []]

[Moody's: []]

[[Other]: []]

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

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

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

[Save for any fees payable to the Managers/Dealer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

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

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

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

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

required.)

5. YIELD (*Fixed Rate Notes only*)

Indication of yield: []

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. OPERATIONAL INFORMATION

- (i) ISIN Code: []
- (ii) Common Code: []
- (iii) Fondscore: []
- (iv) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Societe Anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (v) Delivery: Delivery [against/free of] payment
- (vi) Names and addresses of additional Paying Agent(s) (if any): []

10. TERMS AND CONDITIONS OF THE OFFER

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

SCHEDULE [] TO THE FINAL TERMS

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

APPLICABLE FINAL TERMS FOR ISSUES WITH A DENOMINATION OF AT LEAST €50,000

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least €50,000 (or its equivalent in another currency).

[Date]

Koninklijke KPN N.V.

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

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

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated April 8, 2008 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the ‘**Prospectus Directive**’). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing during normal business hours at Koninklijke KPN N.V., Maanplein 55, 2516 CK The Hague, The Netherlands and at www.kpn.com and copies may be obtained from Koninklijke KPN N.V., Maanplein 55, 2516 CK The Hague, The Netherlands.

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

Terms used herein shall be deemed to be defined as such for the purposes of the conditions as set out in Schedule [] to this document. This document constitutes the Final Terms of the securities described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the ‘**Prospectus Directive**’) and must be read in conjunction with the Base Prospectus dated April 8, 2008 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are replaced by the conditions as set out in Schedule [] to this document. Full information on the Issuer and the offer of the securities is only available on the basis of the combination of these Final Terms and the Base Prospectus dated April 8, 2008, save for the Conditions, which are replaced by the conditions as set out in Schedule [] to this document. Copies of such documents are available for viewing during normal business hours at the registered office of the Issuer, currently at Maanplein 55, 2516 CK The Hague, The Netherlands and at www.kpn.com and copies may be obtained from Koninklijke KPN N.V., Maanplein 55, 2516 CK The Hague, The Netherlands.

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

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

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

1. Issuer: Koninklijke KPN N.V.
2. (i) Series Number: []
- (ii) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
- (i) Series: []
- (ii) Tranche: []
5. Issue Price of Tranche: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] (if applicable)

6. (a) Specified Denominations: []
(in the case of Registered Notes this means the minimum integral amount in which transfers can be made)

(Note – Where Bearer Notes with multiple denominations above [€50,000] or equivalent are being used the following sample wording should be followed:

‘[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000].’)

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

(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €[50,000] minimum denomination is not required.)

- (b) Calculation Amount
(Applicable to Notes in definitive form)
- (If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest*

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

7. (i) Issue Date: []
- (ii) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year].]
9. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]
- (NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)*
11. Change of Interest Basis or Redemption/Payment Basis: []
- [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. Status of the Notes: [Senior/Subordinated – give details, including any variations to the Negative Pledge and Events of Default.]
14. Method of distribution: [Syndicated/Non-syndicated]

Provisions Relating to Interest (if any) Payable

15. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/other(specify)]] in arrear]

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

(ii) Interest Payment Date(s): [] in each year up to and including the Maturity Date/[specify other]

(NB: This will need to be amended in the case of long or short coupons)

(iii) Fixed Coupon Amount(s): [] per Calculation Amount
(Applicable to Notes in definitive form)

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

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

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

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

16. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Specified Period(s)/Specified Interest Payment Dates: []

(ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]

(iii) Additional Business Centre(s): []

(iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]

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

- (vi) Screen Rate Determination: [Yes/No]
 – Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)
- Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System (or any successor thereto) is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (vii) ISDA Determination: [Yes/No]
 – Floating Rate Option: []
 – Designated Maturity: []
 – Reset Date: []
- (viii) Margin(s): [+/-] [] per cent. per annum
- (ix) Minimum Rate of Interest: [] per cent. per annum
- (x) Maximum Rate of Interest: [] per cent. per annum
- (xi) Day Count Fraction: [Actual/Actual (ISDA)
 Actual/365 (Fixed)
 Actual/365 (Sterling)
 Actual/360
 30/360
 30E/360
 30E/360 (ISDA)
 Other]
(See Condition 5 for alternatives)
- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Accrual Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: []
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e) and (j) apply/specify other] *(Consider applicable day count fraction if not U.S. dollar denominated)*
18. Index Linked Interest Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent [give name]
- (iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and the Interest Amount (if not the Agent): []
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [] *(need to include a description of market disruption or settlement disruption events and adjustment provisions)*
- (v) Specified Period(s)/Specified Interest Payment Dates: []
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vii) Additional Business Centre(s): []
- (viii) Minimum Rate of Interest: [] per cent. per annum
- (ix) Maximum Rate of Interest: [] per cent. per annum

- (x) Day Count Fraction: []
19. Dual Currency Interest Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [] *(need to include a description of market disruption or settlement disruption events and adjustment provisions)*
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

Provisions Relating to Redemption

20. Issuer Call: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]
- (iii) If redeemable in part:
- (A) Minimum Redemption Amount: []
- (B) Higher Redemption Amount: []
- (iv) Notice period (if other than as set out in the Conditions): []

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

21. Investor Put: [Applicable/Not Applicable/Applicable – Change of Control]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]
- (iii) Notice period (if other than as set out in the Conditions): []
(N.B. if setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
22. Final Redemption Amount: [[] per Calculation Amount/specify other/see Appendix]
(NB: If the Final Redemption Amount is other than 100% of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply).
23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): [[] per Calculation Amount/specify other/see Appendix]

General Provisions Applicable to the Notes

24. Form of Notes: [Bearer Notes:
[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 30 days' notice given at any time/only upon an Exchange Event].]
[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date.]
[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 30 days' notice given at any time/only

upon an Exchange Event].]

(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

[Registered Notes:

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

25. Additional Financial Centre(s) or other special provisions relating to Payment Dates:

[Not Applicable/give details]

(Note that this paragraph relates to the date and place of payment and not Interest Period end dates to which paragraphs 16(iii) and 18(vii) relate)

26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):

[Yes/No. *If yes, give details*]

27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

[Not Applicable/give details. *NB: new forms of Global Note may be required for Partly Paid issues*]

28. Details relating to Instalment Notes:

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

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

29. Redenomination applicable:

Redenomination [not] applicable
(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))

30. Other terms or special conditions: [Not Applicable/give details]
(When adding any other final terms consideration should be given as to whether such terms constitute 'significant new factors' and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)
31. For the purposes of Condition 14, notices to be published in the Financial Times: [Yes/No]
32. Condition 8(a) or 8(b) of the Notes applies: [Condition 8(a) applies and Condition 7(b) does not apply/Condition 8(b) applies and Condition 7(b) applies]
33. Additional tax disclosure [Not Applicable/give details]

Distribution

34. (i) If syndicated, names of Managers: [Not Applicable/give names]
(Include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a 'best efforts' basis if such entities are not the same as the Managers.)
- (ii) Date of [Syndication] Agreement: []
- (iii) Stabilising Manager[s] (if any): [Not Applicable/give names]
35. If non-syndicated, name of relevant Dealer: [Not Applicable/give name and address]
36. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA D/TEFRA C/TEFRA not applicable]
37. Additional selling restrictions: [Not Applicable/give details]

PURPOSE OF FINAL TERMS

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

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms and to the best knowledge and belief of the Issuer the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information. [[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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

2. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: []]
[Moody's: []]
[[Other]: []]

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

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

[Save for any fees payable to the Managers/Dealer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

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

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

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

[(iii) [Estimated total expenses:] [] *[Include breakdown of expenses]*
(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks

regardless of the minimum denomination of the Notes and where this is the case, disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)

5. YIELD *(Fixed Rate Notes only)*

Indication of yield: []

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

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

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

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

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

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

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

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

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

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

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

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

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

8. OPERATIONAL INFORMATION

(i) ISIN Code: []

- (ii) Common Code: []
- (iii) Fondscore: []
- (iv) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Societe Anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (v) Delivery: Delivery [against/free of] payment
- (vi) Names and addresses of additional Paying Agent(s) (if any): []

SCHEDULE [] TO THE FINAL TERMS

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

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of Notes to be issued by the Issuer which will be incorporated by reference into each global Note and which will be endorsed on (or, if permitted by the rules of the relevant stock exchange and agreed between the Issuer and the relevant Dealer, incorporated by reference into) each definitive Note in the standard euromarket form. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Tranche of Notes. The applicable Final Terms will be endorsed on, incorporated by reference into, or attached to, each global Note and definitive Note in the standard euromarket form. Reference should be made to 'Form of the Notes' above for a description of the content of Final Terms which includes the definition of certain terms used in the following Terms and Conditions.

This Note is one of a series of Notes issued by Koninklijke KPN N.V. (the '**Issuer**', which expression shall include any Substituted Debtor (as defined in Condition 17)) pursuant to the Agency Agreement (as defined below). References herein to the 'Notes' shall be references to the Notes of this Series (as defined below) and shall mean (i) in relation to any Notes represented by a global Note, units of each Specified Denomination in the Specified Currency, (ii) definitive Notes in bearer form ('**Bearer Notes**') issued in exchange (or part exchange) for a global Note in bearer form, (iii) any definitive Notes in registered form ('**Registered Notes**') (whether or not issued in exchange for a global Note in registered form) and (iv) any global Note. The holders of the Notes, the Receipts (as defined below) and the Coupons (as defined below) are deemed to have notice of, are entitled to the benefit of and are subject to the provisions of an Amended and Restated Agency Agreement dated May 3, 2002 (the '**Amended and Restated Agency Agreement**'), as amended and supplemented by the First Supplemental Agency Agreement (the '**First Supplemental Agency Agreement**') dated May 8, 2003, the Second Supplemental Agency Agreement (the '**Second Supplemental Agency Agreement**') dated April 28, 2004, the Third Supplemental Agency Agreement dated September 20, 2005 (the '**Third Supplemental Agency Agreement**'), the Fourth Supplemental Agency Agreement dated August 9, 2006 (the '**Fourth Supplemental Agency Agreement**'), the Fifth Supplemental Agency Agreement dated April 18, 2007 (the '**Fifth Supplemental Agency Agreement**') and the Sixth Supplemental Agency Agreement dated April 8, 2008 (together with the Amended and Restated Agency Agreement, the First Supplemental Agency Agreement, the Second Supplemental Agency Agreement, the Third Supplemental Agency Agreement, the Fourth Supplemental Agency Agreement and the Fifth Supplemental Agency Agreement, the '**Agency Agreement**'), as further amended and/or supplemented and/or restated from time to time and made between the Issuer, Dexia Banque Internationale à Luxembourg as issuing and principal paying agent and agent bank in relation to Notes issued prior to January 26, 2001 and Citibank, N.A. as issuing and principal paying agent and agent bank in relation to Notes issued on or after January 26, 2001 (together the '**Principal Paying Agent**', which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the '**Paying Agents**', which expression shall include any additional or successor paying agents), Citibank, N.A. as exchange agent (the '**Exchange Agent**', which expression shall include any successor exchange agent) and as registrar (the '**Registrar**', which expression shall include any successor registrar) and as transfer agent and the other transfer agents named therein (together with the Registrar, the '**Transfer Agents**' (such Agents, being together referred to as '**Agents**'), which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes in the standard euromarket form (unless otherwise indicated in the applicable Final Terms) have interest coupons ('**Coupons**') and, if indicated in the applicable Final Terms, talons for further Coupons ('**Talons**') attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes in the standard euromarket form repayable in instalments have receipts ('**Receipts**') for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and global Notes do not have Coupons, Talons or Receipts attached on issue. Any reference herein to '**Noteholders**' shall mean (in the case of Bearer Notes) the holders of the Notes, and (in the case of Registered Notes) the persons in whose names the Notes are registered, and shall, in relation to any Notes

represented by a global Note, be construed as provided below. Any reference herein to ‘**Receiptholders**’ shall mean the holders of the Receipts and any reference herein to ‘**Couponholders**’ shall mean the holders of the Coupons, and shall, unless the context otherwise requires, include the holders of the Talons. Any holders mentioned above include those having a credit balance in the collective depots held by a participant of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (‘**Euroclear Nederland**’).

The Final Terms for this Note is endorsed hereon or attached hereto or applicable hereto or incorporated by reference herein and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References herein to the ‘**applicable Final Terms**’ are to the Final Terms for this Note.

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

Copies of the applicable Final Terms are available free of charge at the registered office of the Issuer and at the specified offices of the Paying Agents in Luxembourg and in an electronic form on the website of the Issuer (www.kpn.com). The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, are entitled to the benefit of and are subject to all the provisions of the applicable Final Terms which are binding on them.

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

1. Form, Denomination and Title

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

This Note is a Senior Note or a Subordinated Note as indicated in the applicable Final Terms. This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Amount Note, a Dual Currency Interest Note, an Instalment Note, a Partly Paid Note, a Dual Currency Redemption Note or a combination of any of the foregoing, depending on the Interest Basis and Redemption/Payment Basis indicated in the applicable Final Terms.

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

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

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

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

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

2. Transfers of Registered Notes

(a) Transfers of interests in Registered Global Notes

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

(b) Transfers of Registered Notes in definitive form

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (a) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request and that the transfer is in compliance with the transfer restrictions set forth in such Registered Note. Any such transfer

will be subject to such regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 9 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of registration

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

(e) Transfers of interests in Regulation S Global Notes

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

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

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

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

(f) Transfers of interests in Legended Notes

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

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or
- (ii) to a transferee who takes delivery of such interest through a Legended Note:
 - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
 - (B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

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

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

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

(g) Exchanges and transfers of Registered Notes generally

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

(h) Definitions

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

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

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

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

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

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

‘Regulation S’ means Regulation S under the Securities Act;

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

‘Rule 144A’ means Rule 144A under the Securities Act;

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

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

3. Status of the Notes and Negative Pledge

(a) Status of the Senior Notes

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

(b) Negative Pledge relating to the Senior Notes

So long as the Senior Notes or any relative Receipts or Coupons remain outstanding, the Issuer will not secure by lien, pledge or other charge upon the whole or part of its assets or revenues any present or future Public Debt (as defined below) of the Issuer without at the same time securing the Senior Notes equally and rateably with such Public Debt or providing such other security as the Senior Noteholders may approve by an Extraordinary Resolution (as defined in the Agency Agreement). **‘Public Debt’** means any loan, debt, guarantee or other obligation which is represented by bonds or notes or other securities which have an initial life exceeding two years and which are capable of being listed on any stock exchange or over-the-counter or other similar securities market.

(c) Status and Subordination of the Subordinated Notes

The status and subordination of the Subordinated Notes is as set out in the applicable Final Terms.

4. Redenomination

(a) Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and, if applicable, Euroclear Nederland

and at least 30 days' prior notice to the Noteholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

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

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

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

(b) *Definitions*

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

‘**Established Rate**’ means the rate for conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

‘**euro**’ means the currency of the member states of the European Union participating in the economic and monetary union pursuant to the Treaty;

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

‘**Treaty**’ means the Treaty establishing the European Community, as amended.

5. Interest

(a) *Interest on Fixed Rate Notes*

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

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

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

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

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

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

‘Day Count Fraction’ means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if ‘Actual/Actual (ICMA)’ is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **‘Accrual Period’**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (ii) if ‘30/360’ is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.

In these Terms and Conditions:

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

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

(b) *Interest on Floating Rate Notes and Index Linked Interest Notes*

(i) **Interest Payment Dates**

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear on either:

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

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

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

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and in any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London or any Additional

Business Centre) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the ‘**TARGET System**’) or any successor thereto is open.

(ii) Rate of Interest

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

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), ‘**ISDA Rate**’ for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the ‘**ISDA Definitions**’) and under which:

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

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

(B) Screen Rate Determination for Floating Rate Notes

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

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

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

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

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

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

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

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

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

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

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

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

‘**Day Count Fraction**’ means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

- (1) if ‘Actual/Actual (ISDA)’ or ‘Actual/Actual’ is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (2) if ‘Actual/365 (Fixed)’ is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

- (3) if 'Actual/365 (Sterling)' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (4) if 'Actual/360' is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (5) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

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

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

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

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) following the commencement of the relevant Interest Period. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression '**London Business Day**' means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

- (vi) Certificates to be Final

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

(c) *Interest on Dual Currency Interest Notes*

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

(d) *Partly Paid Notes*

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

(e) *Accrual of Interest*

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

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. Payments

(a) *Method of Payment*

Subject as provided below:

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

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

(b) *Presentation of definitive Notes, Receipts and Coupons*

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

Payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above against surrender of the relevant Bearer Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive

Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes and Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due. Upon any Fixed Rate Note in bearer form becoming due and repayable prior to its Maturity Date, all unmatured Receipts and Talons (if any) appertaining thereto will become void and no payments in respect of any such Receipts and no further Coupons in respect of any such Talons will be made or issued, as the case may be.

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

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

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

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

(d) *Payments in respect of Registered Notes*

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the '**Register**') at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the

previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, ‘**Designated Account**’ means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and ‘**Designated Bank**’ means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

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

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

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

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

(e) General provisions applicable to payments

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear and/or Clearstream, Luxembourg or DTC, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note. No person other than the holder of such global Note shall have any claim against the Issuer in respect of any payments due on that global Note.

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

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

(f) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to any further interest or other payment in respect of such delay. For these purposes (unless otherwise specified in the applicable Final Terms), '**Payment Day**' means any day which, subject to Condition 9, is:

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

(g) Interpretation of Principal and Interest

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

- (i) any additional amounts which may be payable with respect to principal under Condition 8;
- (ii) the Final Redemption Amount of the Notes;

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

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. Redemption and Purchase

(a) At Maturity

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

(b) Redemption for Tax Reasons

If so specified in the applicable Final Terms, Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes, Index Linked Interest Notes or Dual Currency Interest Notes) or on any Interest Payment Date (in the case of Floating Rate Notes, Index Linked Interest Notes or Dual Currency Interest Notes), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable) if, on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of The Netherlands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes. Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

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

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar,

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

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

the case of a partial redemption of Notes, the Notes to be redeemed (**'Redeemed Notes'**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear, Clearstream, Luxembourg, DTC and/or Euroclear Nederland, in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **'Selection Date'**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least 5 days prior to the Selection Date.

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

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7(d) in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

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

If Investor Put – Change of Control is specified in the applicable Final Terms, the following provisions will apply. If there occurs a Change of Control (as defined below) and within the Change of Control Period (as defined below) a Rating Downgrade (as defined below) in respect of that Change of Control occurs (together called a **'Put Event'**), the holder of each Note will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Notes under Condition 7(b)) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Optional Redemption Date (as defined below) at its principal amount together with (or, where purchased, together with an amount equal to) accrued interest to but excluding the Optional Redemption Date.

‘Rating Agency’ means Moody's Investor Service Limited or Standard and Poor's Rating Services, a division of McGraw-Hill Companies, Inc. and their respective successors or any other rating agency of equivalent international standing specified from time to time by the Issuer.

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

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

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

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

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a **‘Put Event Notice’**) to the Noteholders in accordance with Condition 14 specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option contained in this Condition 7(d).

To exercise the option to require redemption or, as the case may be, purchase of a Note under this Condition 7(d) in relation to a Change of Control, the holder of that Note must deliver such Note, on any Business Day (as defined in Condition 5) in the city of the specified office of the relevant Paying Agent, falling within the period (the **‘Put Period’**) of 45 days after a Put Event Notice is given, to any Paying Agent, as well as a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **‘Put Notice’**) and in which the holder may specify a bank account to which payment is to be made under this Condition 7(d). The Paying Agent to which such Note and Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt (a **‘Receipt’**) in respect of the Notes so delivered. Payment by the Paying Agents in respect of any Notes so delivered shall be made either to the bank account duly specified in the relevant Put Notice or, if no account was so specified, by cheque on or after the Optional Redemption Date against presentation and surrender of such Receipt at the specified office of any Paying Agent. A Put Notice once given shall be irrevocable.

(e) *Early Redemption Amount*

For the purpose of paragraph (b) above and Condition 10, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable to a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (ii) in the case of a Zero Coupon Note, at an amount (the ‘**Amortised Face Amount**’) calculated in accordance with the following formula:

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

where:

‘**RP**’ means the Reference Price; and

‘**AY**’ means the Accrual Yield; and

‘**y**’ is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for Redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

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

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

(f) Instalments

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

(g) Partly Paid Notes

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

(h) Purchases

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

(i) Cancellation

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

(j) *Late Payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. Taxation

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

- (a) make the required withholding or deduction of such taxes, duties, assessments or governmental charges for the account of the holders of the Notes, Receipts or Coupons, as the case may be, and shall not pay any additional amounts to the holders of the Notes, Receipts or Coupons; or
- (b) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:
 - (i) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with The Netherlands other than the mere holding of such Note, Receipt or Coupon or the receipt of principal or interest in respect thereof; or
 - (ii) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who would not be liable or subject to the withholding or deduction by making a declaration of nonresidence or other similar claim for exemption to the relevant tax authority; or
 - (iii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day; or
 - (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26th-27th, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (v) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein, the ‘**Relevant Date**’ means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of five years after the date on which such payment first becomes due.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. Events of Default

If any one or more of the following events (each an ‘**Event of Default**’) shall have occurred and be continuing:

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

then each Noteholder may by written notice to the Issuer, at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare the principal of and all interest accrued on its Notes to the date of payment to be forthwith due and payable, and the same shall

become immediately due and payable, unless prior to the time when such written notice is received all such defaults have been cured.

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

11. Replacement of Notes, Receipts, Coupons and Talons

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

12. Agents

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

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

- (i) so long as the Notes are listed or admitted to trading on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent, (in the case of Bearer Notes) and a Transfer Agent, which may be the Registrar, (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (ii) there will at all times be a Paying Agent with a specified office in a city in a member country of the European Union;
- (iii) there will at all times be a Principal Paying Agent and a Registrar;
- (iv) there will at all times be a Paying Agent with a specified office situated outside The Netherlands;
- (v) so long as any of the Registered Global Notes are registered in the name of a nominee for DTC, there will at all times be an Exchange Agent with a specified office in New York City; and
- (vi) the Issuer will ensure that it maintains a Paying Agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent. In the case of a change of any of the Paying Agents, a notice will be published in accordance with Condition 14.

13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

14. Notices

All notices regarding the Bearer Notes shall be published (i) in at least one daily newspaper of wide circulation in The Netherlands, (ii) if so specified in the applicable Final Terms, in a leading English language daily newspaper of general circulation in London and (iii) if and for so long as the Bearer Notes are listed on Euronext Amsterdam, in the Daily Official List (*'Officiële Prijscourant'*) of Euronext Amsterdam N.V. In the case of (ii) above, it is expected that any such publication will be made in the Financial Times in London. Any such notice will be deemed to have been given on the date of the first publication in all the newspapers in which such publication is required to be made.

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

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

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

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

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

15. Meetings of Noteholders, Modification and Waiver

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

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

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

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. Further Issues

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

17. Substitution of the Issuer

- (a) The Issuer (which for the purpose of this Condition, save where the context requires otherwise, includes any previous substitute of the Issuer) under this Condition may and the Noteholders, the Receiptholders and the Couponholders hereby irrevocably agree in advance that the Issuer under this Condition may at any time substitute any company (incorporated in any country in the world), of which more than 90 per cent. of the shares or other equity interest carrying voting rights are directly or indirectly held by the Issuer, as the principal debtor in respect of the Notes (any such company, the '**Substituted Debtor**'), provided that:
 - (i) such documents shall be executed, and notices be given, by the Substituted Debtor and the Issuer as the Principal Paying Agent may deem reasonably necessary to give full effect to the substitution and pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder, Receiptholders and Couponholders to be bound by these Terms and

Conditions and the provisions of the Agency Agreement as the principal debtor in respect of the Notes, Receipts and Coupons in place of the Issuer;

- (ii) in accordance with and subject to Condition 8, no taxes or duties shall be required to be withheld or deducted at source in the territory where the Substituted Debtor is incorporated, domiciled or resident (unless the withholding or deduction would be borne by the Substituted Debtor, in which case sub-clause (b) of Condition 8 shall apply);
- (iii) all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer of the Guarantee (as defined below) in respect of the obligations of the Substituted Debtor shall have been obtained and be in full force and effect;
- (iv) Condition 10 shall be deemed to be amended so that it shall also be an Event of Default under the said Condition if the Guarantee (as defined below) shall cease to be valid or binding on or enforceable against the Issuer;

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

- (b) The Substituted Debtor shall forthwith give notice of the substitution to the Noteholders, the Receiptholders and the Couponholders in accordance with Condition 14.

18. Governing Law and Submission to Jurisdiction

The Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, the laws of The Netherlands.

The Issuer submits to the exclusive jurisdiction of the courts of Amsterdam, The Netherlands, judging in first instance, and its appellate courts.

USE OF PROCEEDS

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

DESCRIPTION OF THE COMPANY

All references to 'we', 'us' and 'our' in the description of the Company set out below on pages 73-130 of this Prospectus are references to the Company.

1. SELECTED FINANCIAL INFORMATION

1.1 Summary of Historic Financial data

The following tables show our selected historical financial data for the years ended December 31, 2006 through 2007. Please note that the financial statements (*jaarrekening*) for the year 2007 have not yet been adopted by the general meeting of shareholders of KPN. This is expected to take place during the general meeting of shareholders on April 15, 2008.

Our Consolidated Financial Statements for the years 2007 and 2006 have been prepared in accordance with both International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and IFRS as adopted by the European Union.

On November 15, 2007 the SEC approved rule amendments under which financial statements from foreign private issuers in the United States will be accepted without reconciliation to US GAAP if the financial statements are prepared in accordance with IFRS as issued by the IASB. The new rule is effective for the 2007 fiscal year. As a result, we do not provide a reconciliation to US GAAP.

This table should be read together with 'Operating results' and our Consolidated Financial Statements and the Notes thereto, included in the Annual Report.

Amounts in millions of euro, except for shares and per share data		
	2007	2006
Income Statement Data		
Revenues	12,461	11,941
Other income	171	116
Operating profit	2,500	2,223
Profit before income tax	1,941	1,710
Profit attributable to equity holders	2,652	1,583
Earnings per ordinary share and per ADS (non-diluted) (1)	1,42	0.79
Earnings per ordinary share and per ADS on a fully diluted basis (1)	1,42	0.79
Weighted average number of outstanding ordinary shares	1,862,566,702	2,005,326,106
Weighted average number of outstanding ordinary shares on a fully diluted basis	1,869,925,303	2,013,328,345
Balance Sheet Data		
	December 31, 2007	December 31, 2006
Total assets	24,797	21,258
Non-current liabilities	13,702	13,213
Provisions	3,643	3,602
Shareholders' equity	4,490	4,195
Group Equity	4,518	4,196

Share capital (including Share premium)	11,563	12,563
Number of subscribed shares	1,843,482,213	1,928,551,326

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

RISK FACTORS

Please refer to the information under ‘*Risk Factors*’ above for a description of the principal factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme.

INFORMATION ABOUT THE ISSUER

History and development of the issuer

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

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

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

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

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

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

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

KPN agreed to merge its international voice wholesale business into iBasis, a VoIP and international wholesale provider. In October 2007 KPN acquired 51% of iBasis, in exchange for the KPN Global Carrier Services business unit and USD 55 million in cash. In October 2007, KPN acquired Getronics, an international provider of ICT services and solutions, based in The Netherlands. Furthermore, KPN acquired Tele2/Versatel, a Belgian service provider for voice, internet and data to residential, business and carrier customers.

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

Recent developments

On January 23, 2008, E-Plus announced the acquisition of the German retail chain SMS Michel Communication GmbH, effective from January 1, 2008. With the acquisition of the approximately 200 shops, E-Plus has expanded its retail footprint in prime city locations to over 700 locations, strengthening its position in the German mobile market in the long term.

KPN has announced the launch of an MVNO in Spain on the Orange network on January 29, 2008. Through this MVNO, KPN will leverage its expertise in executing MVNOs and multi-brand strategy outside its current footprint.

On February 5, 2008, KPN announced that Getronics has executed a binding agreement in relation to the sale of the Getronics activities in Australia to UXC Limited, a listed Australian business solutions company. The initial consideration is based on a multiple of current earnings and will be payable in cash at completion. Getronics Australia, with employees in excess of 500 and a comprehensive agent network across Australia, provides workspace management, communication and professional ICT services to large and medium sized Australian, Government and International blue chip clients.

On February 22, 2008, KPN announced that it commenced its EUR 1 billion share repurchase program. The repurchase program will be executed within the limitations imposed by KPN's Annual General Meeting of Shareholders. KPN will continue the program also during closed periods. All repurchased shares will be cancelled.

On March 5, 2008, KPN announced the acquisition of a majority stake in Ortel Mobile. The remaining shares will continue to be owned by Ortel's senior management. Ortel is a mobile service provider with more than 1 million customers, targeting the ethnic segment in KPN's core markets Germany, The Netherlands and Belgium. This acquisition is part of KPN's strategy to strengthen its mobile business.

On March 25, 2008, KPN filed a Form 25 with the Securities and Exchange Commission (SEC) to effect the delisting of its ADRs from the NYSE. The delisting has become effective on April 4, 2008. The deregistration by KPN will also cover KPN's outstanding U.S. dollar denominated bonds issued in 2000. KPN's obligations to these bondholders will not be affected by the deregistration. KPN has converted its current ADR program into a Level I ADR program to give current ADR holders the option to continue to hold ADRs. Level I ADRs are traded in the U.S. over-the-counter (OTC) market as opposed to on a U.S. national securities exchange. KPN's ordinary shares will continue to be traded on Euronext Amsterdam.

KPN also provided written notice to the London Stock Exchange and the Frankfurt Stock Exchange of its request to delist the KPN ordinary shares from those exchanges. The delisting of the KPN ordinary shares from the London Stock Exchange is expected to become effective on April 24, 2008, and the delisting of the KPN ordinary shares from the Frankfurt Stock Exchange is expected to become effective in the third quarter of 2008.

On March 26, 2008, KPN announced that it has entered into an agreement to acquire Blau Mobilfunk GmbH. Blau Mobilfunk is a wholesale partner of KPN's German mobile operator E-Plus, focusing on the discount and ethnic market segments via own and partner brands. By year end 2007 Blau posted revenues of

EUR 42 million, a fourfold increase compared to 2006. Blau Mobilfunk employs 60 people. Its head office is based in Hamburg.

The transaction is part of KPN's strategy to strengthen its mobile business and is subject to approval from the German competition authority.

On March 26, 2008, KPN launched a EUR 850 million Eurobond with a long 7 year maturity and a coupon of 6.50%. The bond was placed with a broad range of institutional investors in Europe. The bonds were listed on Euronext Amsterdam on April 2, 2008.

On April 1, 2008 KPN concluded the cancellation of 40,579,700 ordinary shares which were repurchased as part of the EUR 0.5 billion share repurchase program, announced on September 3, 2007 and completed on December 20, 2007. Following this cancellation KPN will have 1,802,902,513 ordinary shares outstanding.

On April 3, 2008, the national radio agency ('Agentschap Telecom') revealed the results of the supervision activities concerning the roll-out obligations of UMTS. As Telfort makes use of the KPN network, Telfort performs in the part of the UMTS spectrum which comes under the KPN UMTS-license. Agentschap Telecom has expressed its intention to impose an order for periodic penalty payments on Telfort for a period of 2 years, adding up to a maximum of EUR 40 million. KPN intends to challenge any such order.

Investments

Our budgeted 2008 capital expenditures amount to approximately EUR 2 billion. For our All-IP program in The Netherlands we expect additional capital expenditures of approximately EUR 900 million during the roll-out period (until 2010).

Commitments as of December 31, 2007

Amounts in millions of euro	Dec. 31, 2007	Dec. 31, 2006
Commitments by virtue of:		
Capital expenditure commitments	367	322
Rental contracts	2800	2,365
Operational lease contracts	236	122
Guarantees	66	52
Purchasing commitments	840	912
Other commitments	11	-
Total commitments	4320	3,773

Of the total commitments, EUR 1,269 million are of a short term nature (2006: EUR 1,318 million). EUR 1,259 million is due after 5 years (2006: EUR 1,101 million).

Rental and operational Lease Contracts

Of these commitments, EUR 457 million are of a short-term nature (2006: EUR 366 million). EUR 1,199 million is due after five years (2006: EUR 1,031 million).

For buildings, the majority of agreements include an option for renewal of the contract and rental fees that are subject to a yearly indexation percentage. In some contracts, KPN has an option to buy the property when the landlord wants to sell that property.

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

The total costs of operating leases and rental contracts totalled EUR 318 million in 2007 (2006: EUR 394 million) and is included in 'other operating expenses' in the Consolidated Income Statement. These operating lease and rental commitments mainly relate to property, plant and equipment.

Guarantees

The Commitments by virtue of Guarantees mainly consist of financial obligations of Group companies under certain contracts guaranteed by KPN. Particularly in the context of asset dispositions, KPN has taken on additional commitments and contingent liabilities that are discussed below.

Purchase Commitments

Of these commitments, EUR 451 million is of a short-term nature (2006: EUR 620 million). EUR 20 million is due after five years (2006: EUR 38 million). Included in the short-term purchase commitments is an amount of EUR 39 million (2006: EUR 47 million) relating to energy purchases for own use.

We intend to continue to benefit from the telecommunication and technology expertise of The Dutch Organization for Applied Scientific Research '*Informatie- en Communicatie-technologie*' ('TNO-IC') in order to support the technological innovations required for our business. Measures have been taken to obtain the critical mass for mid and long-term projects carried out by TNO Telecom. In 2007, we extended the cooperation agreement with TNO for one year until December 31, 2011. The total remaining commitments until December 31, 2011 amount to EUR 48 million. Our research and development expenditures with TNO-IC in 2007 totalled EUR 16 million (2006: EUR 17 million).

On February 13, 2003, we transferred (through our subsidiary KPN Directory Services) all our shares in Telefoongids Media (currently known as De Telefoongids B.V.) for approximately EUR 500 million in cash to a syndicate led by 3i Group and Veronis Suhler Stevenson. The core activities of Telefoongids Media consisted of commercial phone directories in printed form as well as in electronic form (e.g., phone directories on CD-ROMS or the Internet). We have a statutory obligation in The Netherlands to make phone directories available to the public until one year after the date on which we notify the competent authority we will no longer do so. Our phone directories are in printed form and consist of a standard listing of subscribers of the various telecommunication providers in The Netherlands. We agreed that our phone directory will be printed and distributed by Telefoongids Media (now De Telefoongids B.V.). De Telefoongids B.V. is entitled to combine its commercial telephone directory in printed form with our directory in printed form. Our total commitments amount to EUR 42 million (2006: EUR 78 million).

Requirements under the UMTS licenses in Germany, The Netherlands and Belgium

Germany

Under the UMTS license, operators are faced with rollout obligations for German UMTS networks. In the first quarter of 2004, Germany's telecommunications regulator Bundesnetz-agentur (former RegTP) commenced administrative procedures to verify whether coverage obligations under the UMTS license were met. As of December 31, 2005, the final minimum coverage requirement was 50%. In November 2006 Bundesnetzagentur confirmed that E-Plus met the license requirement.

The Netherlands

Under the UMTS license, operators must meet certain rollout obligations for UMTS networks. As of January 1, 2007, all built-up areas in municipalities with over 25,000 inhabitants, all main car, rail and water ways in between, all motorways to Germany and Belgium and the areas surrounding the Schiphol, Rotterdam and

Maastricht airports should be covered at a minimum level of 144 Kb/s outdoor. The telecom agency ('Agentschap Telecom') of the Dutch Ministry of Economic Affairs has introduced a system in order to verify compliance with the rollout obligations. The first monitoring based on the system started in September 2007 and results will become available for the first time in 2008. Agentschap Telecom is also investigating the rollout obligations of the Public Access Mobile Radio Service (PAMR) license, which obligations for the first years (15 base stations in use) are met.

Belgium

The UMTS license contains certain rollout obligations, which required a minimum of 40% population coverage by the end of 2006 – following a verification, BiPT confirmed in 2007 that BASE complies with this obligation – and of 50% on December 31, 2007. For March 15, 2009, a target of 85% population coverage is foreseen.

BUSINESS OVERVIEW

Introduction

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

At December 31, 2007, KPN served over 35 million customers, of which 27 million in wireless services, 5.4 million in wireline voice, 2.4 million in broadband Internet and 0.5 million in TV. With 25,500 FTEs (43,531 FTEs including Getronics), KPN posted revenues of EUR 12.6 billion in 2007, with an operating profit of EUR 2.5 billion.

KPN was incorporated in 1989 and is listed on the Amsterdam, London and Frankfurt stock exchanges. However, KPN intends to delist its ordinary shares from the London Stock Exchange and the Frankfurt Stock Exchange. The delisting of the KPN ordinary shares from the London Stock Exchange is expected to become effective on April 24, 2008, and the delisting of the KPN ordinary shares from the Frankfurt Stock Exchange is expected to become effective in the third quarter of 2008. KPN completed the delisting of its American Depositary Receipts from the New York Stock Exchange on April 4, 2008.

Over the past five years, KPN has made significant strategic progress. Between 2002 and 2004, KPN achieved a successful turnaround of the business with strong focus on cash flow. In 2005, KPN entered its next phase with the announcement of its 'Attack-Defend-Exploit' strategy for The Netherlands and the challenger strategy at E-Plus. Since then, market shares have grown in nearly all segments and cost reductions are well on track. In addition, KPN made strategic acquisitions with significant value-creation opportunities, most notably Telfort, Getronics and iBasis.

Growth will be the result of The Netherlands reaching inflection, continued growth at Mobile International and additional growth from recent acquisitions, as will be achieved with Getronics and iBasis. Growth is set to be achieved in the face of regulatory tariff reductions and the impact of shrinking traditional wireline services in The Netherlands. Key components of the strategy are the ramping up of new services launched in recent years and cost reductions. A new incentive scheme for senior management has been implemented reflecting the objectives.

In the period to 2010 The Netherlands business will undergo a radical transformation. The All-IP network announced in March 2005 will move into its final phase with the implementation of a new access network. In addition, KPN will pursue a radical simplification of its business, both at the front-end in retail segments and

at the back-end in network operations. The significant cost reductions that will be generated by this simplification will be used firstly for re-investment in revenue growth, leading to an acceleration of recent growth initiatives, such as broadband and TV in Consumer and IP-based services in Business. Secondly, cost reductions will lead to improvements of our margins. Operating profit inflection is expected to be reached after 2008, followed by revenue inflection the latest in 2010.

The Netherlands

Consumer Segment

The Consumer Segment comprises the following activities: Voice Wireline, Wireless Services, Internet Services and Other, which includes TV and Media, KPN Retail, KPN.com and our Call Centers.

Strategy

In 2007 we continued to execute our 'Attack-Defend-Exploit' strategy in our Consumer segment. Using our broad portfolio, strong brands and our experience in Customer Lifecycle Management techniques, we offered propositions tailored to consumer needs. In addition, we expanded the number of our retail shops to increase the possibilities of our multi-channel strategy. These important instruments helped us to 'attack' by driving new revenue streams, 'defend' by maintaining share in traditional markets and to 'exploit' by achieving a structurally lower cost base.

'Attack'

With VoIP as one of the leading broadband based applications and the spread of Internet applications to mobile, the importance of maintaining high, leading market shares is crucial for our future growth. In 2007, we remained the market leader in our core markets. Our broadband market share increased to 43.9% (compared to 40.9% in 2006) and in the VoIP market to approximately 39% (compared to 36% in 2006). By acquiring Tiscali's Dutch subsidiary, we were able to strengthen our position, adding 3.8% market share.

We showed continued strength in wireless services, with growth figures in all brands and covering all key segments. We started to act with challenging fixed-mobile propositions (*'MobielThuis'*).

By continuously improving our post paid offerings, we succeeded to grow our most profitable customer base. At the same time, the 'mobile web' started to surge in 2007 as could be seen in an accelerating growth of the number of active customers and traffic. Our flat fee offerings proved to be very popular. With these packages we offer our customers an easy and cost-effective entry into Internet.

We attacked on TV by reshaping our portfolio and business model, leading to an accelerated growth in subscriber numbers, market share and revenues. From August 2007 we decreased the monthly subscription fees for Digitenne, offering the customer a large discount to comparable cable packages. We extended the reach of the Digitenne service to approximately 75% of Dutch households at December 2007.

Also in August 2007, we re-branded our IPTV service 'Mine' to 'Interactieve TV' with a new, lower price for a basic package. As a result, our market share in the Dutch digital TV market increased from approximately 13% in 2006 to approximately 18% in 2007, illustrating the rapidly growing foothold we have in this important market.

'Defend'

In our traditional voice market we were operationally challenged by the trend towards VoIP and the introduction of wholesale line retail (WLR). A large decline in traffic minutes and PSTN/ ISDN connection lines affected our 2007 results, however every quarter of 2007 showed a lower decline in our net line loss. In this shrinking market, we effectively defended our position by promoting attractive retention and loyalty

offerings for traditional voice. In addition, we introduced a much simpler subscription portfolio with clear per minute-use propositions.

‘Exploit’

In 2007, we aimed our marketing activities on cross- and upselling to our large customer base through attractive TV and mobile offerings. In particular, combined mobile/ADSL-only offers and combined broadband/TV offers were successful.

In terms of profitability, wireless had one of his strongest years. This favourable development reflects in particular our success to lower SAC/SRC levels, down 19% in 2007 compared to 2006.

We decided to close the shops with the Kral and KPN Klick formulas to reduce the number of retail formulas we deploy in The Netherlands in order to better align our high street presence with our existing brands. This was done to increase our distribution power and to reduce costs.

Brand strategy

Backed by a complete portfolio of offerings and solutions, we launched a portfolio rationalization program whereby we focused on our key retail brands: KPN, Hi and Telfort. The KPN brand is used for our regular offerings, Telfort is our challenger brand and Hi focuses on youngsters.

In the second half of 2007, we successfully expanded the Telfort brand as a fixed-mobile challenger brand to drive further growth. With low-cost, no-frills Telfort offerings (such as fast broadband at a competitive rate) we effectively countered competitive offerings. Starting in the fourth quarter of 2007 we rebranded our Tiscali brand and Speedliq brand to our Telfort brand.

Strategy going forward; 2008-2010

In the Consumer Segment, KPN has the ambition to strengthen its position as a leading service provider, both in terms of market share and customer perception. We envisage that a strong customer focus will further drive subscriber and ARPU growth.

We maintain our multi-branding strategy, however, with our new approach we want to bring more focus on simplifying our brand portfolio and operations to build a better consumer business. Our new approach focuses, among others, on one innovation roadmap, one distribution management and one Customer Lifecycle Management system.

In wireless services, KPN intends to consolidate its position as ‘best-in-class’ mobile operator in The Netherlands. Revenue growth will come from focusing on the most profitable customers, leveraging distribution and brands, and growth in voice minutes. Wireless data will also be an important source of growth (e.g. from HSDPA offerings supporting higher bandwidths and from TV on wireless handhelds (DVB-H)). Operating profit will also grow as a result of ongoing SAC/SRC reductions, simplified processes and benefits from further Telfort network integration.

The focus in wireline is on stopping line loss and enhancing KPN’s leading position in the voice and broadband segments. KPN will have a strong focus on dual play offerings. KPN will upsell PSTN customers with broadband to retain customer value and cross-sell to KPN VoIP as a retention offer. The Telfort brand is used to address the value-for-money market segment in broadband and VoIP, in addition to the premium KPN brand.

In the TV segment, KPN will further step up its efforts for its value-for-money DVB-T product Digitenne. IPTV is positioned as a premium TV proposition and the IPTV platform is the stepping stone for TV in the fiber rollout as of 2008.

KPN will start the mass roll-out for its All-IP access network in early 2008. In this rollout, KPN will deploy a mix of Fiber-to-the-Curb (FttC, based on VDSL) and Fiber-to-the-Home (FttH). FttC provides a superior offer compared to offers currently available in the market and offers full triple play capabilities with bandwidths of up to 50 Mb/s. KPN also engages in selected FttH initiatives partnering with building corporations and municipalities, like in Almere en Enschede. FttH offers up to 100 Mb/s with voice, broadband, multiroom TV and HDTV.

At the same time, the Consumer Segment will improve customer services by radically simplifying operations and improving the percentage of 'First time right'. For example, the Consumer Segment plans to cut back from ten brands to three (KPN, Hi and Telfort), from eight portfolios to one and from eight helpdesks to one. This will also result in substantial cost reductions which will be partly reinvested in revenue growth and partly allocated for improving margins to 'best-in-class'.

Products and services, tariffs and competition

Voice wireline

Products and services

Our Voice Wireline portfolio is based on telephony access services over PSTN and ISDN lines. The revenues from this access portfolio consist of subscription fees charged to our residential customers on a bimonthly basis.

The traffic portfolio consists of local, national long-distance and international call services as well as calls to mobiles and internet service providers (dial-up access). The revenues from these traffic services consist of minute-based fees, also charged bimonthly. Flat fee based offerings have become more important.

During 2007, we put more emphasize on retention and loyalty offerings for minimizing churn and traditional line loss.

Tariffs

Our tariffs for national voice telephony are subject to regulatory approval.

Since January 2007, our traditional voice portfolio has been considerably simplified from over 100 tariff schemes down to three tariff schemes. Our customers can choose among three simple subscription plans. Weekend calls to fixed numbers are free. At attractive rates this offering can be extended to evening hours or to a complete flat fee package.

Competition

We are the largest provider in the traditional voice wireline market. In particular, the wide scale move to VoIP enables a large shrink of the traditional voice market in terms of connections, traffic and turnover. In this shrinking market, we effectively defended our position against cable and other operators and CPS providers. The result was an increase in our traditional voice market share from over 65% in December 2006 to approximately 75% in December 2007.

Wireless services

Products and services

Our regular product portfolio consists of a variety of call bundles (traditional subscriptions, voice and/or voice-data bundles), SIM-only subscriptions, prepay products, SMS/MMS offerings and a range of value added services such as voice mail and call waiting. With mobile penetration already high we continued to

focus on attempting to increase revenue per user and reduce churn, effectively using our three brands KPN, Hi and Telfort.

In the first quarter of 2007 we launched our first combined fixed-mobile proposition, 'MobielThuis'. In this home-zoning product, mobile calls around customer's home are billed at attractive fixed-line rates. 'MobielThuis' proved to be a valuable extension of our portfolio.

The customer base for our Telfort brand continued to show healthy growth figures. Telfort proves to be more and more attractive for cost conscious customers. Through our promotions we focused on the low minute price (such as with 'Telfort Unlimited') compared to offerings from competitors.

We promoted wireless Internet by introducing new flat fee offerings: 'KPN Surf & Mail Totaal', 'Hi Eindeloos Online', 'Surf & Mail Unlimited' (from Telfort) and 'Telfort Mobiel Internet Unlimited' (a service tailored to laptop users).

In the second half of 2007 we launched 'MobielTV' (Mobile TV) a new value added service. Subscribers to this new KPN service can receive up to 11 TV channels on their mobile phone using our 3G network.

Tariffs

Tariffs and conditions vary by brand; the higher the bundle, the cheaper the calling and the SMS tariffs. Discounts are given when people subscribe via Internet.

In August 2007 we lowered our MTA rates followed by a cut in roaming rates in September 2007. The new prices for calls while travelling in the EU are in line with the regulatory price caps. See '*Regulatory developments*'.

In all our brands we introduced and extended the possibilities for an easy and cost-effective entry into Internet. In particular, the flat fee offerings are popular.

Competition

Our wireless services market is characterized by strong competition, helped by the existence of numerous mobile virtual network operators which provide significant competition to the existing mobile network operators. With the acquisition of the telecommunications company Orange The Netherlands ('Orange') by T-Mobile The Netherlands ('T-Mobile'), only three operators are left in the Dutch market: KPN, T-Mobile by Deutsche Telekom and Vodafone.

Internet wireline

Products and Services

Our VoIP portfolio consists of a limited number of products, offering broadband Internet access at different speeds combined with attractively priced telephone facilities. Our InternetPlusBellen offering, one bundle for VoIP and broadband Internet, led the market. As of December 2007, approximately 0.85 million customers subscribed to one of our regular dual-play VoIP offerings or to one of the VoIP products of our newly acquired ISP's Speedling and Tiscali.

In addition to these dual-play options, we continued to promote our single play broadband portfolio, supplemented by a variety of value added services such as virus scanners and firewalls.

We offer customers broadband access through our KPN Internet organization, 'KPN Direct ADSL', which offers a direct ADSL connection without using an ISP. Planet, Het Net, Speedling, Tiscali and XS4ALL are the brands under which we sell our range of broadband products. In the second half of 2007, we expanded the Telfort brand from just mobile to include broadband and VoIP as well.

Tariffs

Internet customer growth was driven by the increasing popularity of bundled packages (VoIP in particular) and supported by our different product combinations, each with varying features at different price points. Our broadband services are delivered at different speeds and are offered at lower prices to customers willing to accept longer contract periods. In addition, customer acquisition is boosted by supplementary promotions such as free wireless routers with certain packages. KPN broadband subscribers receive additional savings on premium services, such as 'Service at home', web hosting and PC-safety, and have access to specific broadband services or packages such as the combination of broadband/VoIP and Digitenne or broadband/VoIP and Interactieive TV. These additional services and promotions differ by brand. Subscriptions at introductory discounts are offered in order to gain market share. Our ADSL-only offerings (sometimes packaged with a mobile subscription) have shown a steady increase in popularity.

Competition

We faced strong competition in the market for Internet services especially with respect to prices, and more specifically in the market for broadband internet access, reflecting the development of cable operators, of unbundling, and the emergence of FttH offerings. In the Internet wireline segment, we noticed a trend of consolidation in the market around a few major players that offer multiplay (Internet, VoIP, TV).

In 2007, we took full advantage of the shift towards broadband-centric services, such as VoIP. The VoIP issues encountered in the first half of 2007 were solved fully by the third quarter, after which VoIP advertising and order intake resumed. As a result, we strengthened our position as VoIP market leader, targeting effectively specific segments through our strong brands. Also our broadband market share increased, mainly as a result of the acquisition of Tiscali.

Other

Products and services

A large part of our remaining business consists of TV offerings. Other business entities are Media, KPN Contact and KPN Retail. Media is responsible for our media related business activities. KPN Contact is the in-house call center of KPN. In addition to The Netherlands, KPN Contact also exploits its call center business in Belgium and Germany. KPN Retail manages our retail formulas.

Our TV product Digitenne (DVB-T based) offers access to popular digital terrestrial TV and radio channels. Our new IPTV offer 'Interactieive TV' (previously called 'Mine') is positioned as a premium offer compared to our Digitenne product and has the option to add supplementary services and packages (such as video on demand). The TV customer can subscribe to several additional packages, such as the 'Planet Pluspakket' with various theme channels and the 'Tele2 Eredivisie' football package with access to dedicated football channels.

Tariffs

In the course of 2007, we improved the business model and pricing schemes for TV to create a solid foothold in the Dutch TV market.

With the newly priced Digitenne package we are substantially lower in price than the average cable offer. We have priced our new 'Interactieive TV' offer at a highly competitive rate in order to grow more rapidly in the emerging Dutch IPTV market.

Competition

Our TV offers compete with the offerings from cable operators, from suppliers of satellite TV and from the IPTV services from DSL operators.

As mentioned above, we have reinforced our efforts in the TV market. We want to gain a significant part of the Dutch TV market from the cable operators and the price decreases are part of this strategy. On the one hand we want to be prepared for the increasingly integrated voice, Internet and television markets (to a greater extent serviced by multi-play offerings), on the other hand, we want to strengthen our portfolio to effectively compete against the integrating Dutch cable sector.

In 2007, The Netherlands Competition Authority (NMa) cleared the proposed merger of the cable operators Casema and Essent Kabelcom. The two companies were acquired by the same private equity investors and will be merged with the smaller rival Multikabel. We estimate that together the three operators serve between 45% and 50% of all Dutch TV connections, and between 20% and 25% of all broadband internet connections in The Netherlands.

Distribution

Different retail store outlet chains support our marketing philosophy with 'Primafoon' and 'KPN.com' as our mainstream outlets, with 'Hi' retail stores aimed at the youth market and our new 'Telfort' stores supporting our challenging role in the market. During 2007, we discontinued several trials with other distribution concepts (such as the Kral and KPN Klick formulas) and instead focused on a limited number of outlet brands serving target groups with a distinctive marketing philosophy. The shops sell a wide variety of communication, information and entertainment solutions, fixed and mobile, and include a wide variety of devices. For more information on Business Centers, we refer to '*Distribution and Seasonality*' of the Business Segment (below).

Besides our own channel retail stores, we make use of several independent retail mobile stores as a distribution and sales point, such as 'T for Telecom', 'The Phone House' and 'Debitel'. To increase revenues and to strengthen customer relations, we continue to look for new initiatives and partnerships. A successful example is Telfort's initiative to team with 'The Phone House' to sell its mobile internet product. At the same time, Telfort also expanded its sales channels with mobile booths that set up in markets and fairs in larger Dutch cities.

To promote our TV portfolio we also used several well known retail chains, such as BCC, Expert and MediaMarkt.

Business Segment

The Business Segment comprises the following activities: Voice, Wireline, Network Services, Wireless Services, Application Services and Corporate Solutions.

Strategy

The Dutch ICT market is benefiting from economic growth and major demographic trends. Businesses innovate processes, services and business models, in which fast, secure access to information is becoming more important. ICT is vital in this process and as a result, ICT budgets are increasing.

In the corporate market segment, we see a growing amount of converged IT/Telecom deals with a clear trend towards outsourced service provisioning. There are market opportunities for workspace and application outsourcing in particular, traditionally the domain of large outsourcers and system integrators.

The markets for application management and hosting are growing fastest. Business continuity regulation (SOx, Basel II) and digital processes and information drive the demand for storage capacity. Software as a Service (software hosted in cyber centers, accessible via internet) is still a relatively small business, but growing at high speed and expected to fundamentally change the software industry.

The infrastructure market is still characterized by fierce competition of national and international telecommunications providers as well as cable companies. Price competition continues, since basic

telecommunications services have become commodity services. Decline in the fixed voice market continues, mainly driven by the uptake of IP voice and substitution by mobile and data.

Major providers are moving towards next generation networks and services. New communication services are IP-based and access to information is possible through various kinds of hardware devices. Fixed and mobile services are being increasingly packaged and/or converged. This is also reflected in the continuing consolidation of fixed and mobile communication providers.

An important business trend is mobility: working any time any place is important for employers as well as employees, as it improves productivity as well as work-life balance. Adoption of mobile data services is still relatively small, but is expected to increase rapidly, both as a result of technological development (of devices and networks) and targeted marketing activities.

‘Attack’

Implementing KPN’s strategy in the business market was aimed at grasping the opportunity to shift from decreasing traditional communication services towards services in the larger and growing market for end-to-end managed ICT Services. We are the preferred supplier for IP-VPN, Ethernet VPN (E-VPN), IP-PBX, DSL Access services and POTS (traditional telephony services) in The Netherlands.

Implementing our strategy, we have taken a number of initiatives to establish KPN as a provider of managed ICT services, both through autonomous growth as well as through acquisitions and partnerships.

Creation of the business unit ‘ICT Services’

In September 2007, KPN started with the new Business Unit ‘KPN ICT Services’. All KPN ICT services related activities and acquisitions are grouped together in this new business unit (including Software Online, Cyber Center services and Enterprise Solutions). With the creation of this unit KPN aims to meet the growing need in the business market for integrated, managed ICT solutions. Combined with the acquisition of Getronics in 2007, KPN has the requisite skills and the portfolio of products (both online and on site) to become the prime contractor for ICT services in The Benelux.

Expansion of the Software Online portfolio (formerly ‘Applications Online’)

In 2007 KPN established a footprint in the small and medium sized segment of the Dutch market for online applications, backed-up by marketing campaigns centered around online applications for internet security and mobile e-mail. We have also initiated sales of prepackaged versions of Software Online through large retail outlets, (including KPN’s own business outlets) as well as through other third parties (e.g. Sony). In addition, we have started a pilot for remote and on-site IT support in order to establish more revenue streams from service and support to small and medium enterprises and to improve customer satisfaction. By taking the lead in the Dutch market, KPN is, as one of the first operators in the world, able to sell managed online ICT services in the business market.

Consolidation of Narrowcasting services

In 2007 we merged NN Solutions, QBIX and eYe-display (all acquired in 2006) into KPN Narrowcasting, a company with the trade name QYN, in which KPN holds a majority stake. QYN provides end-to-end managed narrowcasting solutions towards an increasing number of customers. Additionally, in 2007, ON (KPN’s joint venture with Heineken) has become the largest narrowcasting network by number of sites in The Netherlands. ON has evolved towards a cross media company using narrowcasting, internet and mobile to target the age group of 18-35 for its customers like KLM, Nationale Nederlanden and Seat.

Expansion of Healthcare solutions

In 2007, KPN initiated the largest remote E-Healthcare pilot ever held in The Netherlands. In the pilot, a group of up to 1000 people are being monitored with telemedicine solutions, via a cooperation among hospitals, a large homecare organization and a number of general practitioners. It enables patients to talk to a medical call center or to consult their doctor via video, using their TV set in combination with a DSL connection. Being able to see and speak with patients remotely and monitor their physical condition, healthcare professionals save travel time and avoid spending additional time on patients who do not require an in-person consultation. This increases the time they can spend with other patients, thereby increasing their efficiency. E-health envisages to make healthcare in The Netherlands more affordable and to keep it accessible to everybody. The pilot will continue to be evaluated in 2008. Furthermore, KPN has actively extended its ZorgConnect network (initially between hospitals, pharmacists and general practitioners) with connections to homecare organizations, nursing homes and mental institutions. With ZorgConnect, KPN provides a secure backbone for the entire healthcare chain, over which healthcare providers can securely share patient information. KPN ZorgConnect was the first network in The Netherlands to be certified by the government as a secure Healthcare Service Provider.

Successful introduction of ICT services for education

KPN is continuously expanding its School Online portfolio (consisting of free internet, managed ICT services and digital educational content). KPN acquired a minority stake in Station to Station in 2007, which provides desktop management services to more than 800 primary schools in The Netherlands. Additionally, KPN has developed ROctv, an integrated narrowcasting solution for the ROCs (Regionale Opleidings Centra). ROctv is a co-production of a group of 5 five ROCs, NCRV (a Dutch broadcasting company) and KPN. After a successful pilot in June 2007, KPN and NCRV are further investigating commercial introduction of this new service.

‘Defend’

KPN Business Segment defended market shares in its very competitive telecommunications market. Our proven services are a vital part of the solution for current communication needs of our business customers. They are also the stepping stone for migration to IP based and ICT services. The combination of telephony, internet, mobile and content services provides excellent opportunities to exploit our reputation as a reliable and innovative partner for telecommunications services.

In 2007, we combined the business customer activities of KPN’s former KPN Mobile The Netherlands and Fixed division resulting in one single new segment, serving all business customers in The Netherlands, with both fixed and mobile services. With this integration, we have been able to enrich our position with packaged offerings, exploit cross and upsell opportunities and to pursue selected cost synergies. KPN Business Segment aims for ‘best-in-class’ customer services, around customer focused processes, systems and employees.

Our brands and marketing

For business customers in The Netherlands, KPN is the primary brand for both voice wireline, Internet/broadband and data network services. KPN also owns Infonet Netherlands, which offers data networking services, as an exclusive distributor of Infonet Inc. in the Dutch Market. In 2006, KPN’s marketing further refocused from a product to a market orientation for both consumer and business customers. For small and medium enterprises as well as large enterprises, our major goal has been to offer our customers a range of services and easy-to-use solutions based on their business needs. To meet this goal we often successfully play the role of ICT advisor. Providing advice to the customers is also a part of the continuous improvement in our customer service and satisfaction. Examples of advising customers are ‘ZekerWeten’ (a fixed-mobile campaign emphasizing our advisory capabilities based on innovative advisory tools), ‘Telecomscan’ (an online advisory tool for SMEs to identify the best possible communications mix, taking into account a company’s mobile and voice wireline usage) and the Business Continuity Quick Scan,

a tool which enables large enterprises to gain insight in the continuity of their business processes in case of a crisis.

We have increased our sales of broadband (Office DSL), IP-VPN and E-VPN network solutions, nationally as well as internationally. During 2007 we continued offering managed services that optimize business processes and contribute to business continuity and ultimately cost savings. In the SME market KPN has strengthened its position with intensified marketing campaigns for KPN's DSL offering and KPN's new product line up.

Strategy going forward; 2008-2010

KPN will continue to move up the value chain towards managed ICT services. Based on a strong customer focus, KPN intends to be the preferred supplier for business customers. KPN has the ambition to be the leading end-to-end ICT service provider in The Netherlands by 2010 and to have strong market positions in Infrastructure Services, Application Management and Outsourcing.

In Infrastructure Services, Wireless Services will continue to be a growth business, despite regulatory tariff cuts in MTA and roaming. More specifically, further revenue growth will come from data services, such as laptop data cards, Blackberry, PDA and Machine to Machine. Furthermore, KPN operates a superior 3G network based on HSDPA, offering higher bandwidths and higher population coverage than its competitors.

In Wireline Services KPN is pro actively migrating its business customers to IP-based services. In 2007, the Frame Relay and FlexiStream platforms were switched off, while other legacy services are gradually phased out. The move towards a narrower range of IP-based platforms allows a radical simplification of the business and substantial cost reductions.

The demand for higher bandwidths is addressed with a step up in Fiber-to-the-Office (FtO) initiatives started in 2007. These initiatives will continue in the coming years.

Fixed-Mobile Integration opportunities will be stepped up in coming years, following successful introduction of for example 'ONE', a fully integrated Fixed-Mobile offer with a continuously expanding range of services.

In 2007, KPN set a major step in moving up the ICT value chain through the Getronics acquisition. It provided KPN with a leading position in Workspace and related IT-services. Next steps in unfolding its online applications portfolio and housing and hosting initiatives lie ahead.

Products and services, tariffs and competition

The Business segment primarily generates revenues from the following portfolio clusters: Voice wireline, Network services, Wireless services, Application services and Corporate Solutions.

Voice wireline

Products

KPN offers fixed-line telephony access services over analog lines (PSTN), digital lines (ISDN) and increasingly over IP-based connectivity (VoIP). The revenues from traditional access services consist principally of subscription fees charged to our customers on a bimonthly basis. Total net sales from connections, for which we charge a one-off connection fee, and subscriptions, depend on the number of new connections and customer lines, the mix of the customer base (fees for digital lines are higher than for analog lines) and fees charged for our services.

KPN offers national and international access through a number of different offerings. The revenues from these traditional traffic services consist of minute-based fees charged bimonthly. The minute-based fee differs per proposition.

By designing smart migration plans in cooperation with our customers, we strive for an optimal balance between traditional voice wireline services and new IP-based voice services in our service offering. Additional online services such as product or rate plan advisory have been implemented to increase customer satisfaction.

Tariffs

Our tariffs for fixed-line national voice telephony services are subject to regulatory approval. Under the regulatory framework that applies to the Dutch telecommunications sector, these tariffs will continue to be subject to regulation for as long as the Dutch regulator designates us as having significant market power. However, since January 1, 2006, we were granted more flexibility to maneuver in our pricing strategy, leading to a number of new tariff differentiated propositions for specific customer groups, such as Corporate Voice XL (introduced in 2007).

With the additional pricing strategy flexibility and the tariff differentiated propositions we were able to stabilize our market share in the fixed-line voice telephony market.

As of January 1, 2006, international calls are no longer subject to OPTA regulation. As a result, we are free to compete on international calls.

The tariff of 'Zakelijk InternetPlusBellen' consists of a DSL subscription fee and a voice subscription fee. Voice calls over the DSL connection are included in the subscription fee, except for international and fixed-to-mobile calls (which are charged per minute). Our VoIP Connect offering is based on a license fee per user combined with an IP solution of the customer. Traffic fees are charged per minute. Our VoIP tariffs are also subject to OPTA regulation.

Competition

In the traditional voice access market we are the largest provider. We experience continued competitive pressure from Direct Access and Carrier Select and Carrier Pre Select competitors, including Tele2/Versatel The Netherlands, BT Worldwide, Verizon, Esprit Telecom, Colt, Essent and Priority. Additionally, traditional voice services are threatened when migrated to another provider. Another threat is substitution by mobile telephony as well as the migration to VoIP services.

In the corporate market traditional voice telephony is being replaced by broadband and IP-VPN solutions, which increasingly are being equipped to provide inter-company voice traffic (without call charges).

Increasing broadband penetration in the small business market threatens our traditional voice access services (PSTN and ISDN), where we encounter competition from cable operators offering VoIP solutions bundled with broadband Internet.

Network services

Products

We offer a range of data communication services for our business customers. We are the leading provider of these services in the Dutch business market both in terms of revenues and in terms of number of connections. In addition, we offer data services in Europe through our KPN EuroRings network as well as worldwide through our partners. The telecommunications solutions based on data/IP services we offer include:

- *National data services*

KPN offers an extensive portfolio of data services ranging from traditional Transmission Services such as leased lines and broadband services to Network Services such as IP-VPN, Ethernet VPN services and Internet Access Services. KPN is the leading provider of Internet Access Services in The Netherlands. Both xDSL (e.g. ADSL, SDSL) access technology and optical fiber access technology are supported. These services are targeted at business customers and at ISPs.

- *International data services*

Through our KPN EuroRings network we provide international connectivity services in Europe. The international services also vary from transmission services such as international leased lines to network services such as IP-VPN and E-VPN services. Furthermore, for worldwide solutions we work with partners like SingTel, Telefónica and Sprint. This is complemented with substantial participations in various sea cables. In 2007 we emphasized the migration of customers from traditional to IP based services as well as the upgrade from unmanaged to managed solutions. In addition, Economy IP-VPN was introduced in the SME market and we addressed the rollout of Fiber To The Office more intensely in order to meet customer demand. We have been able to significantly increase the number of connections by the migration of customers, the introduction of new services and the autonomous growth of our DSL and Ethernet portfolio.

Tariffs

Pricing of KPN data services, Internet access services and integrated and managed solutions is largely based on recurring monthly subscription fees. The pricing depends on the bandwidth, the quality level and the functionality provided. The pricing of leased lines also depends on the geographical distance. Some services have an additional volume-based pricing component. Customers are typically billed on a monthly basis. Data services are partly regulated. The service fees of regulated services are therefore based on prescribed cost-based calculations as stipulated by OPTA.

The price levels of data and Internet access services are declining. This is the result of a combination of intense competition, overcapacity of bandwidth and the migration from traditional services with higher prices to next generation services with lower prices.

Competition

We have many competitors in the data communications services market, such as BT Global Services, MCI, IBM, Colt, Essent, Tele2/Versatel The Netherlands, Global Switch, TNF Network Factory and BBNed. Our competitors invest in the construction of backbone infrastructures in The Netherlands and in local networks in large Dutch cities, comparable to our CityRings network. Local government fiber initiatives also increased the competitive pressure within The Netherlands and introduced new competitors.

Wireless services

Products and services

KPN offers a wide range of mobile communications solutions to our customers. Under the KPN brand we provide mobile voice, data and internet services. KPN's international mobile service provider, Sympac, offers customized mobile communication solutions for multinational companies.

Demand for mobile data services continues to grow strongly. Customers are especially interested in wireless e-mail solutions (Blackberry, Windows Mobile) and in Mobile Internet Cards.

In 2007, KPN introduced the Push to Talk service. With this service customers can use their mobile telephone as a walkie-talkie and can make group calls from a phone or a central dispatcher through the push of a button.

Furthermore, KPN improved the performance of its data network, both in terms of coverage and capacity. We have also improved our online customer self care service environment, providing customers with improved transparency to their mobile phone expenses.

Tariffs

The services KPN offers in the business market mainly have a postpaid structure, combining monthly subscription fees with traffic-based pricing. In response to regulatory requirements, KPN reduced its MTA tariffs in July 2007 and its international roaming tariffs in September 2007. For further information see '*Regulatory Developments*'.

Competition

The main competitors of KPN in the business market are Vodafone and T-Mobile (including Orange which was acquired by T-Mobile in September 2007).

Application Services – Enterprise Communications Solutions

Products

KPN designs, delivers, integrates, services and manages unified voice and data communication solutions at customer premises, such as PBX and Local Area Networks. Anticipating fixed and mobile communication convergence, we offer combined solutions to meet customer demand in new areas and for selected market segments, such as:

- high end communication solutions, on demand IVR integration between Contact Center applications, CRM application and Voice Response Applications;
- high end communication solutions for trading rooms; and
- video surveillance, internet security and healthcare solutions. We work closely with high-quality partners to enable us to acquire specialist knowledge in these areas.

Customers are increasingly demanding managed or outsourced solutions. KPN provides outsourcing solutions for all or part of the telecommunications operations and infrastructure of companies, increasingly focusing on the integration of fixed, mobile and data communication. We offer the know-how of our consultants, project and implementation managers and specialists in telecommunications management and technology. Forrester research shows that KPN is the number three managed services provider of all managed service providers in the EMEA region (source: Forrester, European Telecom Operator Managed Services Deals Survey 2006).

In order to further strengthen our position in the field of enterprise communications in general, we acquired three companies in 2006: Newtel Essence, CSS Telecom and Siemens Enterprise Networks. During 2007, we integrated these companies into our business in order to create synergies:

- Siemens Enterprise Networks was integrated with CSS Telecom; and
- Newtel Essence combined with the former KPN on site call center business and online 0800/0900 business and is now able to offer businesses a full range of solutions for interaction between businesses and their customers.

The three acquired companies performed according to expectations in 2007 and their 2007 results were comparable to the original business estimates made prior to their acquisition.

In 2007, we were one of the first worldwide operators to participate in the Microsoft Voice Partner Programme. We are also actively working with other leading vendors to develop innovative propositions in the field of unified communications.

Tariffs

We offer competitive tariffs for our products, service contracts, managed services and other services due to our supplier relations, scale, knowledge of communication solutions and the use of technology (such as service on line) for servicing and managing the products. Revenues from equipment and voice and data solutions are moving from one-off revenues to recurring revenues (for example Managed IP Telephony ‘tariff per seat’ and ‘tariff per functionality’).

Competition

Our competitors are numerous and vary in size and expertise. Our main competitors are Imtech and Dimension Data. Increasingly we encounter other international operators like BT and Colt, mainly in the area of managed services. We maintain our leading position with high success rates and high customer satisfaction. Clients have chosen KPN increasingly for our end-to-end full service provisioning, our large and highly skilled field force (local presence) and fixed and mobile convergence as well as our innovative solutions.

Software Online

Products

Software Online consists of a range of online application services for small and medium enterprises, introduced by KPN in 2006. Software Online enables companies to access software and content via the Internet. The applications are hosted in KPN cyber centers, safe and secure, relieving companies from the installation and management of applications on servers on their premises. Employees can log on to the applications from any location through a PDA, a private PC or a laptop, enabling them to work anytime, anyplace.

In 2007, KPN continued to expand the portfolio of online application services, which currently includes, among others, Exchange Online, Back-up Online, CRM Online, Workspace Online, Extra Harde Schijf Online and Document Sharing Online and ‘Internet Safety Pack’. At the end of 2007, we had approximately 23,000 users for Software Online. In order to handle the large number of orders, we have implemented an automated order, delivery and invoicing process, fully managed and monitored to ensure quick and smooth access to the service.

Tariffs

For Software Online, we follow a premium pricing strategy, based on fixed price per month per user. In 2007, we won several ‘best value’ awards, for services such as ‘Backup Online’ and ‘Exchange Online’, demonstrating that KPN is able to lead the market with a good balance between functionality and price.

Competition

We currently encounter competition from small, niche and/or start-up companies. Customers are particularly attracted by KPN’s offerings based on brand perception and secure and high quality service. We foresee intensive competition from large companies like Microsoft and Google in the future, but expect to be able to leverage our sound position in the Dutch market and small and medium sized Dutch companies’ preference for providers with local Dutch support.

Application Management Systems

Products

KPN's offering of Application Management Systems ranges from relatively basic housing services to state-of-the art business continuity and SAP hosting services.

Demand for housing and hosting services is fuelled by online applications and large enterprises' need for data storage. In 2007, we expanded our capacity for housing services by approximately 40% through a partnership with Siennax for sharing infrastructure in cyber centers. We established contracts with numerous large customers to deliver SAP hosting, storage and backup services and application hosting. In order to improve our SAP offerings, we introduced Remote SAP management, where customers have the ability to make use of our intensive knowledge on SAP and business continuity without making instantly drastic changes in their infrastructure. We also provide messaging services to retail and governmental organisations.

Tariffs

With our state-of-the art Application Management services we are able to maintain a premium price strategy, although we encounter strong price competition in the market. By innovating and improving our operational efficiency we expect to maintain our margins.

Competition

Our competitors are numerous and vary in size. For SAP hosting, we mainly encounter SAP specialist companies like Ctac. In order to maintain our market position we have established strong partnerships with other ICT providers and with business consultancy firms, leading to a number of successful deals in 2007. For our SAP hosting and business continuity solutions we maintain high customer satisfaction levels. Our customers choose us for our excellent cyber centers, which provide customers the ability to tailor solutions based on their specific needs.

Corporate Solutions

In the corporate market, we face competition from international companies offering managed ICT services (e.g. system integrators), as well as from niche players in specific (vertical) market segments. The convergence of IT and telecommunications is increasingly reflected in requests for end-to-end ICT service delivery. In many cases, large companies contract one single provider for the overall integration of all (own or third party) underlying services.

Corporate Solutions – Integration and Outsourcing services

In 2007 Corporate Solutions further transformed from a telecommunications provider to an ICT solutions provider. We deliver managed services up to fully outsourced solutions for integrated data, voice and mobile as well as workspace management.

Outsourced solutions

KPN designs, delivers, integrates and insources ICT solutions. In addition, we offer communication solutions for special events, call centers, video surveillance, security, dynamic instore marketing (narrow casting) and healthcare in close cooperation with partners that are specialized in the relevant subject. We also offer the know-how of our consultants, project and implementation managers and specialists in ICT management and technology.

Workspace management

In 2007, KPN started the desktop outsourcing activities which resulted in obtaining new customers representing 1500 workspaces. The desktop proposition is offered in three varieties:

- online takeover of an existing desktop/PC environment based on ASP tooling;
- new online technology: virtual online desktop including all ICT infrastructure and full virtualization of ICT applications (including Voice IPBX); and
- ICT outsourcing based on third generation modelling, an end-to-end managerial approach based on subcontracting or outsourcing of existing contracts/parties/solutions.

KPN intends to expand and differentiate its capabilities in terms of online workspace environment solutions towards a market-driven set of solutions which will meet the demands of different customers.

Business Mobile Solutions

In 2007 the Private Mobile Radio organization was transformed into a knowledge driven company, BMS, which offers mission critical communication and mobile solutions. BMS offers communication solutions at airports, in harbours and on trains, but also personal mission critical communication for police forces, fire brigades and ambulance personnel. Also a new portfolio for fleet management was introduced with functionalities like tracking, tracing, navigation and order dispatch. BMS is focused on selling, marketing and managing the projects to implement the solution we design and finally service and manage it for our customers.

Public Sector Solutions

In 2007, we completed the integration of Gemnet (acquired in 2006) and successfully started to implement our strategy of providing value added ICT services to municipalities, waterboards and provinces in The Netherlands. In 2007, Gemnet expanded its position as a provider of managed ICT services in the local public sector. Almost all municipalities have signed a multi year contract for broadband connectivity over the Gemnet platform, a secure data network between municipalities and major central governmental departments. In addition to connectivity, Gemnet started to sell value added services to municipalities and third parties.

Tariffs

We believe we are able to offer competitive prices for our products, service contracts and other services due to our excellent supplier relations, extensive knowledge of communication solutions and the use of technology (such as service on line) for servicing the products.

By offering more and more end-to-end services to our customers, revenues from equipment and voice and data solutions move increasingly from one-off revenues to recurring revenues (for example from 'price per minute' in managed voice solutions to 'price per seat' for desktop management services).

Competition

Our competitors are numerous and vary in size, depending on the type of required solution as well as the branches in which we are acting. Our main competitors are BT Global Services, Verizon, Orange Business, AT&T and Colt (international managed data networks), Vodafone (international mobile phone services), Imtech and Dimension Data (managed ICT services).

We maintain our leading position with high success rates and high customer satisfaction. Customers have chosen KPN increasingly for our end-to-end full service provisioning and fixed and mobile convergence as well as our innovative solutions.

Distribution and seasonality

KPN has a wide range of channels available for its business customers.

Small and medium-sized businesses can reach us for sales and service by phone, they can visit a shop (e.g. Business Center) or by logging on to www.kpn.com, the internet channel of KPN. In addition, KPN works, in this part of the market, with a nationwide network of ICT and telecommunications resellers who sell KPN portfolio and complement this with value added services such as consultancy. This allows our customers to buy turn-key ICT solutions at a familiar address, whilst KPN takes care of the ICT network facilities.

In 2008, KPN will start a new channel formula for small and medium-sized businesses. New business shops will open to replace the former 17 Business Centers. These new shops will offer custom made ICT solutions.

For enterprise customers ICT is strongly linked with the strategic business processes of our customers. Therefore KPN serves these customers with strategic account managers who work closely with portfolio consultants and with other channels for an optimal service-delivery and customer experience.

In the case of integrated managed solutions KPN works in accordance with the Service Management method, using its own service components or components purchased from third parties. A program manager is, for a specific customer, responsible for the optimal performance of the KPN integrated solution and can rely on a team of permanent staff and a pro-active service organization.

Seasonality

Seasonality in revenue-streams is mainly caused by holidays in the third quarter. Holidays have a slightly negative effect on the project-driven part of total revenues of Corporate Solutions and Application Services. Furthermore, traffic revenues of Voice Services and Wireless Services are somewhat lower during holidays. This effect is partly offset by higher Wireless Services revenues from roaming.

Getronics Segment

KPN completed the acquisition of Getronics in October 2007. Integration of Getronics with KPN commenced immediately. KPN will integrate its ICT Services and Corporate Solutions businesses into Getronics and will continue to run the Getronics business as a separate IT company, given the fact that dynamics of this market are different from the telecommunications business.

Strategy

Getronics has strong competencies in workspace management and application services. Therefore, the acquisition of Getronics reinforced the ICT strategy of KPN and further transforms KPN from a communication service provider to provider of ICT services. More and more companies are recognizing the continued convergence of telecommunications and IT, achieving significant benefits by sourcing all related services from a single vendor. Combining Getronics' business with KPN will transform our existing ICT business by giving us critical mass and expertise and enhancing our opportunity to become the ICT partner for our widened client base in our key territories. Some key benefits of combining Getronics with KPN are:

- the combined business becomes the prime contractor to provide integrated ICT services, with enhanced time-to-market and product development capabilities;
- cross and upselling opportunities to one another's client bases; and

- platform to benefit from the relatively untapped and fast growing small and medium enterprises' market segment, leveraging the KPN sales force.

Strategy going forward; 2008-2010

In the Benelux region, Getronics is strengthening its market leadership position in infrastructure and network-related IT services and consulting. Getronics will offer end-to-end solutions with workspace management at the center, which is one of the key strengths of the Getronics business. Other services offered are data center and hosting services, connectivity solutions and Software as a Service. The services are complemented by independent consulting and professional services through the separate label Getronics Consulting.

In the global workspace management business, Getronics intends to expand and strengthen its global delivery capability. This delivery capability is based on own operations in countries with sufficient scale and on partnerships in other countries.

The launch of a new workspace management solution 'Future Ready Workspace 2.0' in the second quarter of 2008 will support the global delivery capability for serving international clients and drive profitability. Future Ready Workspace 2.0 is an integrated solution covering a large part of our service portfolio.

Going forward, Getronics will focus on its core operations, where Getronics will continue to operate the activities in network-related IT services and connectivity. Activities further up the value chain such as Business Process Outsourcing and Business Applications are considered to be non-core.

Accordingly, Getronics is considering the divestment of a number of strong businesses, either in part or in full in the Benelux and globally. In The Netherlands in particular, Getronics is considering the divestment of several non-core businesses with strong operating profit margins, being Business Applications Services and Business Solutions for local governments and healthcare. A final decision will be made depending on interest from potential buyers and the detailed carve-out plan. The divestment of these non-core assets will allow KPN to recoup part of the acquisition consideration.

Brand strategy

The Getronics' brand is promoted in over 25 countries as part of the Getronics' brand strategy. In addition, Getronics' strategic partners, alliances and service partners also help to support the Getronics' brand on a global scale. In 2007, Getronics' brand strategy was focused on increasing industry recognition as the workspace management company with global delivery capabilities. Getronics go-to-market model is centered around the following proposition: 'Enabling the High- Performance Workforce'. Getronics fulfils this proposition by providing its clients' end-users high quality services, real-time infrastructures, optimized business applications and collaborative people. The Future-Ready Workspace is one of Getronics' most important products and combines in a modular and standardized approach with components of the whole Getronics portfolio. This has significantly increased the brand recognition of Getronics and has improved the visibility of Getronics amongst industry analysts, consultants and clients.

Products and services, tariffs and competition

Products and services

We define this business into three main areas: Workspace Management (exemplified by the Future-Ready Workspace), Application and Integration Management, and Consulting and Transformation.

Workspace Management

Workspace management expertise and focus is encapsulated in its Future-Ready Workspace. The Future-Ready Workspace has been developed to give the workforce constant and reliable access to relevant

information and to help people connect across the enterprise. In a single physical and virtual environment, it gives the workforce access to all the applications and infrastructure. It is secure, scalable and simple to maintain. With the Future-Ready Workspace, innovations and upgrades are provided as required, and Getronics' remote management services ensure that all systems operate with efficiency. The Future-Ready Workspace also integrates technologies through alliances with Cisco and Microsoft.

Application and Integration Management

Minimizing cost and adding value are essential objectives for both workspace and application management. Getronics is delivering expertise to its clients through three broad areas of activity:

- the integration of new and existing business applications;
- application maintenance and evolution, ranging from patching through to major replatforming projects; and
- full application management, where we assume complete responsibility as an outsourced applications service provider.

As an applications partner in specialist areas such as retail banking, insurance, healthcare and government, our applications expertise is particularly focused on the way applications help clients establish intimacy with their own customers. This can be at the physical point of contact in a branch or through virtual channels such as customer contact centers.

Consulting and Transformation

We provide clients with guidance and analysis of issues around effectively maintaining current ICT investments, introducing new technology, leveraging industry standards for predictable performance, introducing continuous improvement programs, addressing security shortcomings, and transforming existing environments. With our clients, we develop proposals and also implements those proposals. In total, Getronics has over 1,500 workspace and application management architects and consultants.

The three broad go-to-market offers described above have been built around Getronics' core strengths and are built on the global portfolio of services which covers workspace management, applications, technology transformation, communications, and security.

Tariffs

Pricing of our services varies as a function of many parameters, such as the scope, the requested service level, and the geographic spread. In general, the tariffs in managed services (including outsourcing contracts) tend to suffer from rate discounts in most renewal and competitive bidding situations. This goes together with continued reductions in the cost associated with delivering these services, in particular by reducing the labor component and increasing automation. The professional services markets (including consulting and transformation services and application services) are benefiting from increases of hourly rates and tariffs, however, some of these increases also reflect upward pressure on employee compensation due to the scarcity of skilled and experienced ICT professionals, particular in Europe.

Competition

The ongoing trend in the ICT industry towards globalization has resulted in, among other things, consolidation within the ICT industry. Notwithstanding this consolidation, the ICT industry in Europe remains fragmented. The markets in which Getronics operates are intensely competitive and undergo continuous change. The competitors can differ significantly depending upon the market, client and geographic area and include a broad spectrum of ICT services companies, ranging from systems integrators to outsourcing providers and consulting companies, such as IBM, Atos Origin and CapGemini.

Distribution and seasonality

Getronics investment in its global service delivery organization and tools has significantly increased the proportion of services that Getronics provides from centralized and remote locations. This is particularly true for workspace management, including security and communication services. At the same time, consulting and transformation services require large numbers of skilled and certified ICT professionals on-site. The sales approach depends mainly on the size and type of the client. Getronics has established dedicated international sales and account management for the large multinational clients, whereas local market opportunities are targeted by country teams. Large national accounts also have dedicated sales and account management, but these are organized on a local level. In addition to the direct sales organization, Getronics has a global channel sales organization. This global channel organization distributes selective parts of the Getronics portfolio in geographic areas in which a direct sales force is not present. This organization also includes partners who sell our portfolio together with their own (e.g. OEM's, Telecommunications and other System Integrators).

Getronics' revenue and operating profit show a strong seasonal pattern with revenue and operating profit significantly higher in the second and fourth quarters than the first and third quarters. In particular, the fourth quarter is much stronger because of a seasonal pattern in activity levels within consulting and transformation services as well as a strong end of the year uplift in the application services business for the public sector as a result of the usual budgetary spending by government clients.

Wholesale & Operations Segment

The Wholesale & Operations (W&O) Segment's activities comprise two main activities: the operation of KPN's networks (whether telephony, DSL, mobile, TV or All-IP networks) and the wholesale of network capacity to external parties. Besides serving the internal KPN market with all kinds of telecommunications services, W&O's main external businesses concern national wholesale (like Internet, voice and TV services) and international wholesale, such as global carrier services through iBasis.

Strategy

The telecommunications industry is faced with two fundamental challenges: on the one hand, the declining costs of bandwidth making it easier for new entrants to enter the market, and, on the other, the convergence of infrastructure into a single IP protocol causing formerly separate infrastructures, such as cable, to become more competitive. In order to rise to the challenge of increasing competition (both from new entrants as well as other infrastructures), KPN is making sure that its infrastructure is competitive from a cost perspective, its execution outperforms that of the other market parties.

In view of being the most cost-efficient operator, KPN wants to make sure that its scale on the infrastructure side translates into a cost advantage. This means that KPN invested in implementing the newest technologies (All-IP technology, fiber networks, etc.) to ascertain that old infrastructures can be terminated and KPN can get to the lowest cost point. Moreover, it is KPN's opinion that execution is key to surviving in an increasingly competitive market. Finally, a fundamental belief of KPN is that if ownership or control over infrastructure is less of a barrier to entry, KPN must ensure that new entrants will use KPN's infrastructure by focusing on obtaining a fair share of the wholesale market.

The wholesale market shows an increasing demand for bandwidth and new services (mainly IP and mobile based), whereas revenues from traditional services (ISDN/PSTN and switched Internet) decline. Due to this shift in demand, KPN observes growth in its wholesale volumes, as cable and ADSL operators are entering the retail voice market via VoIP.

Internationally, KPN notices a trend in international consolidation and strategic alliances with, consequently, a downward pressure on tariffs only partly offset by increasing volumes. To address this challenge, KPN merged its global carrier services activities into US-based iBasis, Inc. in 2007. The merged entity (51% owned by KPN) presides over KPN's wholesale voice network in Europe and Asia and iBasis' footprint in

the Americas and Asia. The acquisition of iBasis contributes to the growth of KPN's activities by increasing the share of IP-based services in KPN's portfolio.

'Attack'

Services are increasingly becoming infrastructure independent. KPN pro-actively migrated traditional services to IP-based services (e.g. VoIP), while broadband services were extended with value-added services. The continuing launch of new services, both retail and wholesale, took place to achieve scale advantages.

As part of its strategy to grab a big portion of the wholesale market, Wholesale & Operations continued to search for new wholesale opportunities. In 2005, it introduced Wholesale Broadband Access (WBA) in addition to Local-Loop Unbundling (LLU), enabling ISPs and other operators to add ISP-specific value (such as spam and virus filters, firewalls and email services) without the need to invest in DSL networks. As part of its plan to roll out an All-IP network, in 2007 KPN reached agreements with alternative DSL providers on the future use of MDF co-locations. The agreements contain alternative access possibilities (e.g., access to core locations via WBA and access to street cabinets through SDF Access).

'Defend'

KPN continued to search for possibilities to maintain or even increase the profitability of traditional services by leveraging scale advantages, improving the execution of such services and responding to consumers' desire for choice via wholesale offerings in addition to KPN-branded retail products and services.

KPN's All-IP objectives support its defending strategy by maximizing the position in traditional services prior to migration to IP-based services and phase-out. KPN delivers an IP-based open access model with unbundlers as resellers on KPN's infrastructure.

'Exploit'

As explained before, KPN strongly believes its infrastructure has to be the most competitive infrastructure from a cost point of view. To achieve that, several cost savings programs have been initiated (mainly aiming at staff levels, traditional IT systems and infrastructure), the fixed and mobile organizations have been integrated, while all network assets were centralized to increase efficiency. The switch to an All-IP network will further contribute to reducing KPN's cost base.

Strategy going forward; 2008-2010

In the International Wholesale voice market KPN has become a top four player through the combination of KPN Global Carrier Services and iBasis. The companies are, to a large extent, complementary. KPN is strong in Europe and routing mobile traffic, whereas iBasis is strong in the Americas and in routing fixed traffic and VoIP. The combined company is a solid base for further growth.

In the national wholesale market Wholesale & Operations has the ambition to remain a highly efficient and 'best-in-class' network operator through a radical simplification of the business. The implementation of the All-IP access network creates an opportunity to redesign the whole front-end and back-end of the business, including service platforms, IT and services. The simplification process enables KPN to further reduce its workforce.

The All-IP access network will consist of a mix of Fiber to the Curb/VDSL and Fiber to the Home/Offices (FttH/FttO). KPN will engage in selected initiatives with partners to rollout FttH and FttO as described in the strategy update for the Consumer and Business Segments. The network is open for service providers and allows them to offer their services through a highly efficient IP-network. The KPN All-IP network will be open for service providers through Wholesale Broadband Access (WBA) and access to street cabinets (SDF), allowing them to offer their services to their customers.

National wholesale services

The national wholesale services offered by W&O can be divided into wholesale services and local-loop services. Through wholesale services, KPN supplies a comprehensive range of services providing other telecommunications companies with access to W&O's fixed and mobile networks. These services include:

- terminating services, allowing customers from other operators to reach KPN's customers through terminating access to end users connected to KPN's fixed and mobile networks;
- voice-originating services, offering other operators (such as Carrier (Pre)Select operators and MVNOs) access to calls originating on KPN's fixed and mobile networks and offering KPN's customers interconnection with so-called premium numbers (0800/0900 prefixes), pagers and VPNs;
- Internet-originating services, offering ISPs the opportunity to directly bill their customers for Internet usage through special dial-in numbers (0676 prefix); and
- transit services, offering other telecommunications operators routing of incoming and outgoing national and international calls between other operators' networks through KPN's fixed and mobile networks.

In 2007 as well as in 2006, traffic volumes in the fixed network decreased for originating and terminating voice services due to strong competition in the national voice market by competitors like Tele2/Versatel The Netherlands, Verizon and BT. Also, competition from cable operators with VoIP offerings increased significantly during 2006 and 2007. In addition, fixed-mobile substitution contributed to a further decrease of the fixed network's traffic volumes. Traffic volumes in KPN's mobile network, on the other hand, showed an increase, although not strong enough to compensate for the loss of fixed network traffic volumes. Due to the substitution from Internet dial-in to broadband Internet access, volumes of Internet-originating services saw a substantial decline in 2007 and 2006.

Due to the end-user migration from fixed to mobile services adding to a growing VoIP market, the transit market increases. KPN faces ongoing fierce competition in this market from direct interconnection as well as competitors (like Orange and BT). Despite the competition, KPN has been successful in defending its market share by increasing traffic volumes for transit voice services; the main driver behind this growth being the continuing growth in mobile-to-mobile voice traffic.

Through national local-loop services, KPN offers access services to the 'last mile' of its network. These services include:

- MDF access, offering physical connection of other operators' networks to KPN's local-loop network, offering other operators direct access to the homes and offices of their customers;
- MDF co-location, providing other operators the possibility to install their equipment in or alongside KPN's switches to connect their networks to KPN's by offering other operators direct access to KPN's local-loop network;
- WLR, enabling other operators offering Carrier (Pre)Select services to sell PSTN/ISDN connections. In combination with WLR, they can offer complete subscription and traffic services to their customers;
- SDF access: as of October 2006, SDF access services are available as part of KPN's All-IP program;
- WBA, consisting of Bitstream access (offering operators and ISPs the possibility to develop individual DSL-based services) and Wholesale ADSL (a value-added service on top of LLU); and
- ILL, offering a connection between end-user locations and an operator's transmission network.

Continuing the trend seen in 2006, ISDN/PSTN connections continued to decline throughout 2007. On the other hand, MDF access increased due to introducing end-user services like VoIP, Tele2 Compleet (by Tele2/Versatel The Netherlands) and Livebox (by Orange). Thanks to current developments in the broadband market, WBA showed a growth in both 2006 and 2007.

International wholesale services

The international wholesale services offered by KPN consist of voice and data services. Data services are primarily handled by the Business segment (KPN EuroRings). International voice services carry international voice traffic originating outside or inside The Netherlands to any place in the world and include:

- International Premium Services, offering worldwide access through KPN's high-quality voice network in Europe and the international access points in Hong Kong, Miami, New York and Singapore;
- International Wholesale Services, offering worldwide voice termination services at competitive prices;
- mobile operator solutions, offering data services for SMS, MMS and mobile Internet besides voice termination services; and
- ISP solutions, offering voice services by connecting VoIP traffic to switched networks internationally. As of October, 2007, KPN merged its international wholesale voice business into US-based iBasis Inc.

The 'new iBasis' combination has strongholds in two of the fastest growing segments of global telecommunications: mobile services and consumer VoIP. Furthermore, the combination resulted in complementary geographic coverage by bringing together KPN's extensive footprint in Europe, the Middle East and Africa with iBasis' strong presence in the Americas and Asia. KPN also added an established business in mobile services (including a reliable and high-quality product portfolio and relationships with over 100 mobile operators) as well as international traffic from KPN's Dutch, German and Belgian operations. iBasis contributed a global VoIP network comprising over 1,000 points of presence in more than 100 countries and interconnections with more than 600 carriers worldwide.

The transaction also enhanced the iBasis product portfolio by adding feature-rich voice and data offerings for mobile operators and combining other products to meet the needs of customers in every market segment. The new iBasis serves approximately 1,000 customers including national operators, wholesale carriers, calling-card operators, mobile operators, fixed-retail business, cable multi-service operators and voice over broadband service providers. iBasis remains a stand-alone, publicly traded company, headquartered in Burlington, MA, USA, while it gained a significant operation in The Hague and additional sales offices throughout the world.

Tariffs

KPN's national fixed-telephony wholesale tariffs and tariffs for Wholesale ULL services are subject to regulatory approval. As a result of the market analysis by the Dutch telecommunications regulator OPTA in 2005, KPN's transit services have been subject to regulation since January 1, 2006. Therefore, regulatory obligations like non-discriminatory access apply. KPN's tariffs for transit, originating and terminating services are comprised of a call set-up fee plus a charge per minute. For local loop services, KPN charges a one-off connection fee plus monthly subscription fees.

Ongoing liberalization and growing international competition due to EU regulation puts continuing pressure on international tariffs. In September 2006, OPTA published the directive on wholesale price caps for a three-year period starting April 1, 2006; wholesale tariffs for regulated voice services remained unchanged while wholesale tariffs for other regulated services were reduced. In 2007, the EU roaming regulation was published, which became effective June 30, 2007. The regulation was directly applicable in all 27 EU Member States. Retail roaming tariffs for calls are capped for incoming calls when customers are abroad

within the EU. Average wholesale tariffs for roaming on EU networks have also been capped as of August 30, 2007.

Mobile International

In addition to The Netherlands, KPN is a provider of mobile telecommunications services in Western Europe with a particular focus on Germany and Belgium. KPN delivers mobile telecommunications services ranging from standard voice and value-added services (call waiting, call forwarding, voicemail and message services like text messages and MMS) to advanced data services (mobile broadband Internet).

KPN expects person-to-person communication services (voice, text messaging, e-mail) to remain the main source of revenues for mobile operators in the coming years, with advanced data services becoming increasingly important. In addition, the large number of mobile-only users reflects the trend towards growing use of mobile networks at the expense of fixed networks. Mobile International comprises the mobile wholesale activities in The Netherlands and all other mobile services outside The Netherlands.

UMTS was introduced in Germany in 2004. UMTS enhances the functionality of mobile data services (e.g. mobile Internet) by adding video and increased transmission speeds. KPN expects the introduction of UMTS-based services to accelerate the use of advanced data services in the coming years.

Strategy

It is Mobile International's objective to expand and continue growth in the European mobile business, despite regulatory tariff cuts and competition. Thereto, it will continue its successful challenger strategy.

Mobile International will further exploit synergies in wholesale between The Netherlands, Belgium and Germany, and leverage wholesale partnerships on each of our networks in the current footprint. Mobile International also aims to expand the business model into other Western European countries exemplified by the announcement in January 2008 of our MVNO launch in Spain.

For details on how customer data are calculated, please see '*Key Information*'.

E-Plus Segment

We are active in the German mobile telecommunications market through our mobile network operator E-Plus. During 2007, E-Plus' customer base increased to 14.8 million customers. In a competitive German mobile market, we succeeded in expanding our service revenue market share by over a full percentage point to approximately 14.0% (2006: 12.9%).

Strategy

The strategy revision was aimed at accelerating growth and to put E-Plus on a solid path to profitability. The strategy centered on a number of initiatives:

- E-Plus moved away from a 'push' (reliance on handset and dealer subsidies) to a 'pull' strategy (attractive and simple tariffs inciting the prospective customer to ask for our products rather than rely on the reseller's advice). E-Plus' new brands 'BASE' (flat fee), 'Simyo' (Internet only) and 'Ay Yildiz' (Turkish community) are delivering significantly improved AMPUs and ARPUs in comparison to the E-Plus brand. Also for the 'E-Plus' brand, handset subsidies were tightened;
- MVNO-type contracts were signed and implemented with well-known German partners such as Medion (Aldi Talk), Freenet and Conrad to focus on new distribution channels besides captive channels; and
- we are expanding our captive distribution, with 251 stores at the end of 2007 compared to 197 at the end of 2006.

With the growth strategy the focus is on increasing our customer base, revenues and market share on the one hand and profitability on the other. We succeeded in 2007 in attracting more than 2.1 million new customers. Our focus on partnerships such as with Medion meant that a large share of this growth was with prepaid customers. The number of postpaid customers as of December 31, 2007 was 6.3 million representing a 43% share of our customer base (2006: 47%), whereas we served 8.5 million prepaid customers as of December 31, 2007.

Strategy going forward; 2008-2010

E-Plus aims to outperform the competition in a growing German market. To that end, E-Plus will focus on mid/high value customers and increase data revenues share, now that the demand is growing. It will also exploit its customer base via cross/upselling and value added services

Products and services, tariffs and competition

Under the 'E-Plus' brand, we offer a range of propositions to the business and consumer markets. These propositions include bundled packages for consumers, such as 'Time & More' or with minimum monthly commitment as 'Zehnsation Classic' and for the business market 'Professional' (S, M, L, XL) and 'Free & Easy' prepaid packages. In addition to standard mobile services, we also offer under the 'E-Plus' brand a wide range of value-added voice and data services, such as SMS, GPRS, UMTS.

In 2005, E-Plus embarked on its multi-brand strategy with the launch of new brands featuring innovative tariff structures: 'BASE' offered the first flat-fee package on the German mobile market, 'Simyo' was the first web-only prepaid mobile operator, 'Ay Yildiz' the first tailor-made offering for Turkish-speaking people. Besides that, E-Plus has closed a co-operation with Universal Music Deutschland and launched VybeMobile for the music and SMS affine youth.

We offer wholesale solutions for an increasing number of partners which act as branded resellers, including Blau and MTV, as well as via MVNOs like Versatel or Netcologne.

As of December 31, 2007, we offered customers the possibility to use mobile telecommunications services outside Germany in approximately 170 countries through international roaming agreements.

Tariffs

We offer a variety of tariff structures for postpaid and prepaid customers. Bundled minutes at discounted rates per minute, tariff with minimum fee without subscription fee and flat fees are being offered with simple tariff structures. These offers aim at capturing a larger share of the total voice market. We also offer flat fees in the data segment.

The 'BASE' brand offers flat fee variants or minimum fee with simple tariff structure. 'Simyo' also offers a simple tariff structure with one tariff for every call regardless of the time of the day. 'Ay Yildiz' offers a simple tariff structure for Turkish-speaking people.

As a reaction to E-Plus' challenge, our competitors have also introduced a variety of new tariffs and brands.

The German regulator Bundesnetzagentur (BnetzA, the former RegTP) ordered the German mobile network operators to reduce their MTA tariffs in four steps, the first two steps became effective on December 15, 2004 and 2005, respectively. The third consecutive reduction was announced on August 30, 2006 and became effective as of November 23, 2006. The fourth consecutive reduction was announced on November 30, 2007 and became effective as of December 1, 2007. For further information, see '*Regulatory Developments*'.

Competition

Four mobile network operators, all holding GSM & UMTS licenses, are currently active in the German mobile telecommunications market: T-Mobile, Vodafone, E-Plus and O2. The two largest mobile telecommunications providers, T-Mobile and Vodafone, hold an estimated combined service revenue market share of 71% (2006: 73%). In the past years, E-Plus has been successful in growing its service revenue market share.

In addition, numerous independent service providers in Germany package and sell products and services from various network operators under either the network operators' brand or private labels. Some of these service providers operate exclusively with one network operator, while others offer competing products and services. In all cases, service providers sell to both business and private customers. The main German service providers are Debitel, Victor Vox and MobilCom. Service provider customers constitute approximately 13% of our total customer base.

Brand strategy

During 2007, E-Plus continued to pursue its multi-brand strategy with tailor-made offers to well-defined customer groups concentrating on customer needs, such as voice telephony and simple services.

Distribution

We offer our products and services through our own chain of 251 shops as well as E-Plus' website and exclusive partner shops. Apart from these channels, we offer our services through resellers, MVNOs and service providers that may repackage our offers, tailoring them to their customers' needs. For the business market segment, we also use these sales channels in addition to a direct sales force.

BASE Segment

In Belgium, BASE is the number-three mobile telecommunications provider by revenue and number of customers, serving 2.9 million customers as of December 31, 2007 (2006: 2.4 million), with an estimated service revenue market share of around 16% (2006: 15%). Through our policy of combining distinctive and simple offers with tailor-made propositions for specific market niches, we have achieved a solid growth in our customer base, revenues and market share since the fourth quarter of 2003.

Strategy

In Belgium, BASE aims to reignite growth in its business with a broader scope. BASE will launch new commercial propositions and further strengthen its distribution capabilities. It will engage in regionalized marketing in areas with low market shares and exploit the acquisitions of Allo Telecom and Tele2/Versatel Belgium to increase market share in those markets.

Products and services, tariffs and competition

We offer a portfolio of voice and data products and services directed at ease of use and supported by a clear tariff structure. We also offer products and services focused on specific market segments. Examples thereof are the 'Ay Yildiz' brand (targeted at the Turkish community), our low-cost 'Simyo' brand and the recently introduced products 'Zoniq' (focusing on expatriates and people with high international calling profiles) and 'Jim Mobile' (focusing on the youth segment and replacing the previous TMF offer).

As of December 31, 2007, our customers could use mobile telecommunications services outside Belgium in approximately 200 countries via international roaming agreements.

Tariffs

We offer a range of prepaid and postpaid propositions, including various plans tailored for the SoHo/SME market. Our plans are characterized by simple tariff structures and bundles of free minutes. The past year was dominated by the introduction of flat rate products. With the introduction of BASE 3, customers can call up to 3 hours a day on-net for a fixed fee. BASE 3+ gives them the opportunity to call 3 hours a day on-net or to fixed lines for a flat monthly fee.

Similar products were introduced for the business market, such as BASE Business and Business + (99 hours a month for a fixed fee).

With the introduction of BASE Platinum and BASE Gold, BASE was a pioneer in the Belgian market by offering its clients flat fee tariff plans based on the ‘any time, any network’ principle. BASE Platinum is the first subscription allowing customers to make unlimited calls to all national mobile and fixed networks for a fixed monthly fee.

For information regarding MTA, we refer to ‘*Regulatory Developments*’.

Competition

Our mobile operator competitors in Belgium are Proximus and Mobistar. Proximus is a wholly-owned mobile subsidiary of Belgacom, the incumbent telecommunications provider in Belgium. Orange holds a 50.17% equity interest in Mobistar. Proximus is the obvious market leader in Belgium with over half of the market’s revenues – with Mobistar as the runner-up at a clear distance. BASE, the third-largest provider, is the challenger in the Belgian mobile market.

During the year competition increased which resulted in heavy price competition, increased competition on the wholesale market.

Brand strategy

We have positioned BASE by distinguishing ourselves from the competition by ‘doing things differently’. Furthermore we introduced a multi-brand strategy to better tailor our services to specific customer segments. For certain segments, we have teamed up with partners and branded resellers.

Distribution and sales

Our products and services are available at well-known nation-wide retail chains as well as at our 51 BASE shops and via the internet. We also offer our services through branded-resellers, service providers, and MVNO’s that may repackage our offers and tailor them to their customers’ needs. In 2007, BASE increased its position in the wholesale market by further expansion of wholesale partnerships.

In order to strengthen our distribution channel and to create a platform for further profitable growth, we acquired Allo Telecom in August 2007, a distribution chain operating 51 stores with a strong presence in the southern part of Belgium, a region in which we were traditionally underrepresented.

Mobile Wholesale The Netherlands Segment

Mobile Wholesale The Netherlands contains the mobile wholesale business of former KPN Mobile The Netherlands. Our approach to mobile wholesale is based on leveraging the capabilities of KPN to the benefit of our partners, customizing our services to their specific needs and exploring opportunities within KPN’s footprint.

Our goal is to make our wholesale partners successful as mobile virtual network operators (MVNO). Our flexible customized platforms ensure that partners can successfully introduce their own mobile proposition in

the market, irrespective of their background as a mobile provider. It results in the optimal end user experience for the customers of our partners. Over 1.8 million end-users are connected to the KPN network via our mobile wholesale partners, an increase of more than 20% compared to the end of 2006.

Strategy

Mobile Wholesale The Netherlands will further exploit synergies in wholesale between The Netherlands, Belgium and Germany such as expertise and branding, and leverage wholesale partnerships on each of our networks in the current footprint.

Brand strategy

Mobile Wholesale The Netherlands allows service providers and MVNO's to develop and market their own brand and proposition for the niche markets in which they choose to operate. Increasingly service providers and MVNO's leverage their brand and proposition across countries through KPN's international networks.

Distribution and sales

Mobile Wholesale The Netherlands provides partners access to the best mobile network in The Netherlands. While adapting our business model to suit our partner's proposition best, Mobile Wholesale The Netherlands delivers thorough commercial and operational support through marketing, sales and product management.

Products and services, tariffs and competition

Mobile Wholesale The Netherlands makes its network available to partners that wish to offer mobile telecommunications under a private label. These partners are offered a range of standard and value-added mobile voice and data services, both prepaid and postpaid. An increasing amount of service providers have added UMTS/HSDPA services to their portfolio.

Tariffs

Mobile Wholesale The Netherlands offers both prepaid and postpaid to its partners. A wide range of business models is used in order to suit our wholesale partners propositions and allow them to be competitive in the market in which they operate.

In response to regulatory requirements, we reduced our MTA tariffs in August 2007 and plan to reduce them further in 2008 and 2009. For further information, see '*Regulatory Developments*'. Also EU roaming tariffs have been reduced in order to comply to EU regulation.

Competition

KPN's competitors in the Dutch mobile market are Vodafone and T-Mobile (after the acquisition of Orange The Netherlands by T-Mobile), both of which offer mobile wholesale to (potential) partners. During the last two years, a growing number of MVNOs and service providers entered the Dutch market; most of these resellers offer private-label mobile services. Some of these resellers have a direct contractual relationship with the customer, while other resellers act as an intermediary for the operators. As a result of the Telfort acquisition, KPN's revenue share generated through MVNOs and service providers increased.

Mobile International Other Segment

This segment includes Ay Yildiz, Simyo and the recently acquired Tele2/Versatel Belgium business. Furthermore Mobile International aims to expand the wholesale business model into other Western European countries. In January 2008, we launched a MVNO under the Simyo brand in Spain.

Other activities

During the year under review, our other activities included our Corporate Center (support functions), KPN Holding and KPN Mobile Holding. Our Corporate Center mainly provide group internal services.

As a result of our reorganization as of January 1, 2007, KPN Retail (Primafoon stores and Business Centers) and KPN Sales (KPN's own personal sales force) have been allocated to the Consumer Segment and the Business Segment, respectively.

In the beginning of 2006, KPN and Telstra sold their total holdings in Xantic B.V. (a satellite communications provider) to the Canadian Stratos Global Corporation.

Other information about the company

Research and Development

On January 1, 2003, the Dutch Organization for Applied Scientific Research (TNO) acquired the research and development (R&D) activities of KPN and placed it with TNO-IC. TNO-IC and KPN entered into a cooperation agreement, under which we have agreed to annual purchase commitments.

We intend to continue to benefit from the telecommunications and technology expertise of TNO-IC in order to support the technological innovations required for our business. Measures have been taken to obtain the critical mass for mid and long-term projects carried out by TNO-IC. In 2007, we extended the cooperation agreement with TNO for one year until December 31, 2011. The total remaining commitments until December 31, 2011 amount to EUR 48 million.

Our research and development expenditures with TNO-IC in 2007 totaled EUR 16 million as compared to EUR 17 million in 2006.

Intellectual property

Our current portfolio of intellectual property consists of approximately 25 registered core trademarks and 400 patent families. We continue to invest in the growth of our intellectual property portfolio, among others through our targeted long term R&D program. This R&D program runs in close cooperation with TNO-IC and comprises about 7% of our research spending.

We take the necessary steps to protect the intellectual property rights which we create and we generate value from these rights where appropriate. In order to protect these rights, we currently rely on a combination of patents, trademarks, service marks, trade secrets, copyrights, database protection, confidentiality agreements with our employees and third parties and protective contractual provisions. Approximately 15 of the patents that we own are essential for the commercial exploitation of telecommunications technology and services. A number of suppliers have entered into license agreements with us related to these and other of our patents.

Regulatory developments

Telecommunications regulations are, to a large extent, based on EU regulations, but the application is national and our position in the national markets is different for The Netherlands, Germany and Belgium.

For our mobile activities in these countries three issues were of specific interest in 2007: the new EU Roaming Regulation, decisions and procedures in relation to our frequencies and the (further) national market analysis decisions in relation to mobile call termination. For our fixed telecommunications activities in The Netherlands the issues of specific interest were the continued discussion in relation to our All-IP strategy, the unequal regulatory treatment between the cable operators and the telecom operators, and the outcome of legal proceedings in relation to the market analysis decisions for the fixed markets.

The current rules which govern the telecommunications sector in the EU were agreed in 2002. In November 2007, the European Commission adopted review proposals which will bring the rules up to date. While the reform will tackle some areas where the current rules have still not opened the market to competition, the Commission recognized that the rules have worked in other areas. Therefore, it proposes to remove the requirements for ex ante regulation in major parts of the telecommunications sector including most retail markets. Once adopted at the EU level, the revised rules have to be incorporated into national law. The new framework is expected to be implemented in the next few years.

All-IP

In 2007, KPN concluded Memorandums of Understanding (MOU's) with six (out of ten) alternative DSL operators and continued negotiations with the others for the future use of MDF locations. The MOUs allow KPN to proceed with its All-IP program in line with earlier announced principles, costs and timelines and allow the alternative DSL operators the continued delivery of unbundled access with own network infrastructure at their current MDF locations at least until mid 2010. KPN and the alternative DSL operators have also agreed on the principle for various alternative access methods such as continued delivery of unbundled access on 196 so called mini MDF locations, wholesale broadband access, and access to street cabinets based on SDF access. The principles laid down in the MOUs will be worked out in the first half of 2008. These developments induced OPTA to defer the review of the wholesale unbundled access market and, at the request of alternative DSL operators, the wholesale broadband access market. OPTA did continue the analysis regarding SDF backhaul, however, because no one has taken up KPN's voluntary offer for this service. OPTA published a draft decision for consultation amending the December 21, 2005 decision on the wholesale unbundled access market, in which it is established that SDF backhaul is an associated facility of local sub loop unbundling. If the draft decision takes effect after the consultation period, sometime during the spring of 2008, then we will be required to provide SDF backhaul under non discriminatory and transparent terms and at cost oriented rates.

Unequal regulatory treatment

Both cable and telecommunications operators offer television, internet and telephony services. While the telecommunications sector is subject to stringent regulation, the cable sector is hardly regulated. In 2007 we continued our fight for equal regulatory treatment between the cable operators and the telecommunications operators, pleading for the imposition of an obligation on the cable companies to offer a package of sound or television broadcasting content for reselling by KPN and the withdrawal of the obligations imposed on KPN in the retail markets for fixed telephony. Concrete results have not been achieved. On July 24, 2007, the Trade and Industry Appeals Tribunal (Tribunal) rejected our appeal against OPTA's decisions on the cable TV markets, arguing that there is no need to impose symmetric obligations due to the level of competition on the cable TV markets. The Tribunal also ruled that there is no need to impose an obligation on the cable companies to offer content packages for reselling by KPN. We will get a fresh chance in 2008, when OPTA will review its market review decisions.

Market analysis decisions fixed markets (The Netherlands)

The implementation of the current regulatory framework was finalized on January 1, 2006, the day on which OPTA's December 21, 2005 decisions for the markets for fixed telephony, leased lines and broadband entered into force. From the market analysis procedures carried out by OPTA it was concluded that KPN had 'significant market power' in a number of wholesale and retail markets and that OPTA would impose several obligations on KPN in order to remedy the competition problems identified. The following table provides a list of all markets on which KPN was found to have significant market power and the obligations imposed on KPN on each of these markets.

Information about the company

Regulatory developments

Fixed telephony	Retail markets	<p>Low and high capacity access; local and national calls, fixed-to-mobile calls, dial-up internet calls</p> <p>Obligations: non discrimination, transparency, price control by way of both a price cap (initially set at the then current level) and a price floor. From the moment our wholesale line rental (WLR) offer was accepted by OPTA (January 2007), we were allowed to raise our access tariffs in line with inflation correction.</p> <p>OPTA has ruled that price floor regulation should also apply to KPN's retail Voice over Broadband, but no price cap regulation.</p>
	Wholesale markets	<p>Low capacity access</p> <p>OPTA requires KPN to allow Carrier Pre-Select (CPS) providers to rent telephone access lines (PSTN and ISDN-2) on wholesale terms from KPN and resell the lines to customers, providing a single bill that covers both line rental and telephone calls. This is also known as wholesale line rental (WLR). The WLR tariff is to be based on a retail minus rule meaning that the tariff of WLR will be based on the retail tariffs of KPN's PSTN and ISDN1 and -2 service minus certain retail marketing costs of KPN. The minus has been set by OPTA at 15.6% for PSTN services and 14.4% for ISDN services. However, OPTA must take a new decision on that taking into account the ruling of the Trade and Industry Appeals Tribunal that OPTA should allow KPN a return on sales based on KPN's actual retail costs rather than on a normative return on sales.</p> <p>Call origination for Carrier (Pre)selection and for calls to 067 (60), 0800/090x and 082 numbers</p> <p>Obligations: access, price regulation by way of a wholesale price cap, non discrimination, reference offer, accounting separation. We are only required to provide Carrier (Pre)Selection call origination for calls based on Voice over Broadband in response to a reasonable request to that effect.</p> <p>Local-tandem transit</p> <p>Obligations: access, price regulation by way of a wholesale price cap, non-discrimination, reference offer, accounting separation.</p> <p>Transit services</p> <p>Obligations: prohibition to charge discriminatory rates (such as volume discounts), non-discrimination, reference offer.</p> <p>Call termination for calls to geographic numbers, 084/087 and 088 numbers and 112</p> <p>Obligations: access, price regulation by way of a wholesale price cap, non-discrimination, reference offer, accounting separation.</p>
Leased lines	Retail markets	<p>Analog Leased Lines (national)</p> <p>Obligation: to supply on reasonable request on non discriminatory and transparent terms; price regulation by way of a price cap (the prices are allowed to raise only by the rate of inflation subject to a carry over of one year), a prohibition to give long term discounts.</p> <p>Leased Lines < 2 Mbs (national)</p> <p>Obligation: to supply on reasonable request on non discriminatory and transparent terms; price regulation by way of a price cap (the prices are allowed to raise only by the rate of inflation subject to a carry over of one year), a prohibition to give long term discounts.</p> <p>Analog Leased Lines (International)</p> <p>Obligation: to supply on reasonable request.</p>
	Wholesale markets	<p>Interconnecting Leased Lines < 2 Mbs and 2 Mbs</p> <p>Obligations: access (< 2 Mbs: at regional handover points; 2 Mbs: at local and regional handover points), price regulation by way of a wholesale price cap, non discrimination, reference offer, accounting separation.</p>
Unbundled Access	Wholesale market	<p>Wholesale unbundled access (including shared access) to metallic loops and sub loops</p> <p>Obligations: access, price regulation by way of a wholesale price cap, non-discrimination, reference offer, accounting separation.</p>
		<p>High quality wholesale broadband access (with booking ratios of 1:1 up to and including 1:20)</p> <p>Obligations: access, non-discrimination, reference offer.</p> <p>All of the above market review decisions will be reviewed in 2008. OPTA has to decide whether to maintain, amend or withdraw these obligations no later than December 31, 2008.</p>
Wholesale Broadband Access	Wholesale market	

Market analysts decisions mobile markets (mobile call termination)

In Germany, Belgium and The Netherlands we have been designated as having 'significant market power' on the markets for call termination on our individual mobile networks. The following table provides details of the current status of the decisions by the three relevant regulatory authorities:

The Netherlands	OPTA decision as of July 30, 2007 (appeals pending)	Obligations for KPN (including Telfort): non-discrimination, transparency, price control by way of a defined glide path and the obligation to offer direct interconnection upon reasonable request. The tariff reductions by the mobile operators as tariff remedy, have to follow this glide path:																				
<table border="1"> <thead> <tr> <th>In EUR/minute</th> <th>15/8/2007</th> <th>1/7/2008</th> <th>1/4/2009</th> <th>1/7/2009</th> </tr> </thead> <tbody> <tr> <td>KPN</td> <td>10.0 ct</td> <td>9.0 ct</td> <td>8.0 ct</td> <td>7.0 ct</td> </tr> <tr> <td>Vodafone/Tele2Versatel</td> <td>10.0 ct</td> <td>9.0 ct</td> <td>9.0 ct</td> <td>7.0 ct</td> </tr> <tr> <td>Orange/T-Mobile</td> <td>11.4 ct</td> <td>10.4 ct</td> <td>10.4 ct</td> <td>8.1 ct</td> </tr> </tbody> </table>			In EUR/minute	15/8/2007	1/7/2008	1/4/2009	1/7/2009	KPN	10.0 ct	9.0 ct	8.0 ct	7.0 ct	Vodafone/Tele2Versatel	10.0 ct	9.0 ct	9.0 ct	7.0 ct	Orange/T-Mobile	11.4 ct	10.4 ct	10.4 ct	8.1 ct
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Germany	BNetzA decision as of November 30, 2007	In Germany, there is no glide path.																				
<table border="1"> <thead> <tr> <th>In EUR/minute</th> <th>1/12/2006 – 30/11/2007</th> <th>1/12/2007 – 30/03/2009</th> </tr> </thead> <tbody> <tr> <td>T-Mobile</td> <td></td> <td>8.78 ct</td> </tr> <tr> <td>Vodafone</td> <td></td> <td>8.78 ct</td> </tr> <tr> <td>E-Plus</td> <td></td> <td>9.94 ct</td> </tr> <tr> <td>O2 (Germany)</td> <td></td> <td>9.94 ct</td> </tr> </tbody> </table>			In EUR/minute	1/12/2006 – 30/11/2007	1/12/2007 – 30/03/2009	T-Mobile		8.78 ct	Vodafone		8.78 ct	E-Plus		9.94 ct	O2 (Germany)		9.94 ct					
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Belgium	BiPT decision as of August 11, 2006 (appeals pending)	Obligations for BA SE: external non-discrimination, transparency, price control by way of a defined glide path and the obligation to offer direct interconnection upon reasonable request. In accordance with the tariff reductions by the mobile operators as tariff remedy, BiPT decided on the following glide path (starting November 1, 2006):																				
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<p>On December 18, 2007, BiPT has issued a decision to further reduce the average MTA of BASE and Mobistar and to increase the average MTA of Proximus as of February 1, 2008 in comparison with BiPT's initial decision of August 6, 2006. This decision also includes an extension of the glide path until the end of 2009. The new glide path looks as follows:</p>																						
<table border="1"> <thead> <tr> <th>In EUR/minute</th> <th>1/1/2008</th> <th>1/7/2008</th> <th>1/1/2009</th> <th>1/7/2009</th> </tr> </thead> <tbody> <tr> <td>Proximus</td> <td>8.02 ct</td> <td>7.96 ct</td> <td>7.85 ct</td> <td>7.73 ct</td> </tr> <tr> <td>Mobistar</td> <td>8.84 ct</td> <td>7.96 ct</td> <td>7.85 ct</td> <td>7.73 ct</td> </tr> <tr> <td>BA SE</td> <td>10.36 ct</td> <td>8.75 ct</td> <td>8.62 ct</td> <td>8.49 ct</td> </tr> </tbody> </table>			In EUR/minute	1/1/2008	1/7/2008	1/1/2009	1/7/2009	Proximus	8.02 ct	7.96 ct	7.85 ct	7.73 ct	Mobistar	8.84 ct	7.96 ct	7.85 ct	7.73 ct	BA SE	10.36 ct	8.75 ct	8.62 ct	8.49 ct
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<p>According to BiPT, the MTA-levels as from July 1, 2008 are to be considered as indicative pending the official publication by the ERG workgroup of a common position in relation to symmetric versus asymmetric termination rates. Depending on the outcome of the ERG workgroup, BiPT may decide to revise its decision. BA SE will launch both suspension and annulment proceedings against BiPT's new decision.</p>																						
International roaming on mobile networks	<p>After a lengthy rule-making process, the EU roaming regulation came into force on June 30, 2007. Retail roaming tariffs for calls within the EU are capped at EUR 0.49 (excluding VAT), decreasing to EUR 0.46 and 0.43 after 14 and 26 months respectively for mobile outgoing calls, and to EUR 0.24, 0.22 and 0.19 for incoming calls while abroad in EU countries (all minute tariffs). Average wholesale roaming tariffs will be capped at EUR 0.30, 0.28 and 0.26 as of August 30, 2007, August 30, 2008 and August 30, 2009, respectively. Based on the regulation, our customers have been offered such a 'Euro tariff' prior to July 30, 2007, implemented after one month upon request. Customers that did not opt in to a specific roaming tariff prior to the regulation were automatically switched to the Euro tariff two months after the Euro tariffs were being offered. The European Commission and the national regulatory authorities of the member states actively monitor the implementation of the regulation.</p>																					

Licenses for mobile communications (The Netherlands)

In The Netherlands KPN holds licenses for GSM 900, DCS 1800 and UMTS. The GSM 900 licenses of KPN and Vodafone were to expire on April 1, 2010, but in 2007 the Dutch Minister of Economic Affairs extended the duration of this license from April 1, 2010 to February 25, 2013. For the extension KPN is due to pay an additional license fee of approximately EUR 40 million. As a result, all GSM 900 and DCS 1800 licenses in The Netherlands will expire on the same date (February 26, 2013).

In January 2007, the E-GSM frequencies that were part of Telfort's license were sold and transferred to T-Mobile, upon approval of the Dutch Minister of Economic Affairs. The Dutch telecommunications agency ('Agentschap Telecom') of the Ministry of Economic Affairs has published a control system for verifying the roll-out obligations of the UMTS licenses. Agentschap Telecom announced actual control of the roll-out as of September 2007. The roll-out will be measured at 300 random locations within the area that should be covered. If the license requirements are not met, operators will be given a timeframe to remedy, and will also be subject to fines, which will be determined based on the significance of the difference between the actual and required level of compliance.

Auctions for frequency licenses are expected in 2008 for T-DAB (broadcasting) and in the 2.6 GHz band (mobile communications).

Orange instituted civil proceedings against the State of The Netherlands and KPN claiming damages in relation to the DCS 1800 licensing, for which Orange paid approximately EUR 270 million in an auction. According to Orange, the State allowed the creation of an uneven playing field in the Dutch mobile market, because KPN and Vodafone were not required to pay fees for their GSM 900 frequencies. These claims were rejected in the first instance in 2001, but Orange has lodged an appeal, which is still pending.

Licenses for mobile communications (Germany)

In Germany, the regulator BNetzA offered to sign a contract with E-Plus under which the regulator would be obliged to allocate the right to use the GSM frequencies currently used by E-Plus from December 31, 2012 to December 31, 2016. E-Plus signed the contract in May 2007.

Already last year, BNetzA had allocated further frequencies from the GSM extension band to E-Plus (and O2). This allocation has been challenged in court by Deutsche Bahn and Airdata. On November 30, 2007 the regional court of Cologne rejected the complaints of Deutsche Bahn and Airdata. Accordingly, the frequency allocations are valid in their initial form and E-Plus may further use the E-GSM 900 frequencies. However, it remains unclear whether Deutsche Bahn and Airdata will appeal the decision of the court of first instance.

According to the list of markets which might be subject to ex-ante regulation, the German regulator analyzed the mobile market for call origination (market 15). The German regulator concluded that in this market 15 no mobile operator has significant market power. In the notification procedure of market 15 the European Commission asked the German regulator to elaborate on the service provider obligation in the GSM licenses of T-Mobile, Vodafone and E-Plus, which might run counter to EC law.

In 2007, the regulator started a consultation on the allocation of frequencies in the 1.8 GHz, 2 GHz and 2.6 GHz band. Although most of the frequencies are the subjects of legal proceedings, the regulator intends to auction those frequencies in 2008.

Licenses for mobile communications (Belgium)

In Belgium, under BASE's UMTS license, BASE is required to deploy a UMTS network covering 40% of the Belgian population by December 31, 2006 and 50% by December 31, 2007. Following a verification, BiPT confirmed on July 2, 2007 BASE's UMTS network covers more than 40% of the Belgian population. On May 11, 2007, the Royal Decree authorizing the use of 900 MHz frequencies for UMTS services was

published in the Belgian Official Journal. Under the Royal Decree, the 2G holders of frequencies in the 880-915 MHz and 925-960 MHz bands can use the GSM 900 frequencies for UMTS services as of July 1, 2008. The right to use such 900 MHz frequencies for UMTS is not subject to the imposition of any additional license fee. Because BASE does not have the same number of radio channels in the GSM 900 band as its competitors, BASE has appealed the Royal Decree at the State Council.

Licenses for broadcasting services (The Netherlands)

The license of Digitenne for DVB-T and DVB-H has been amended (between August 2006 and January 2007) in relation to the allocated frequencies, to allow nation wide coverage in The Netherlands. Objections of third parties thereto have been rejected by the Dutch Minister of Economic Affairs, but this decision is under appeal before the court of Rotterdam. Annulment of the decision could potentially endanger further rollout.

LEGAL AND ORGANIZATIONAL STRUCTURE

The following table sets forth the name and jurisdiction of incorporation of, and our ownership and voting interest (if different) in, our principal operating subsidiaries and other principal interests as of February 29, 2008.

Name of Subsidiaries and other principal interests	Country of incorporation	Percentage ownership/ voting interest as per December 31
KPN ICT Services B.V.:	The Netherlands	100.0
Getronics N.V.	The Netherlands	~99.0
KPN B.V.:	The Netherlands	100.0
KPN EuroRings B.V.	The Netherlands	100.0
Infonet Nederland B.V.	The Netherlands	100.0
XS4ALL Holding B.V.	The Netherlands	100.0
Green ISP B.V.	The Netherlands	100.0
iBasis Inc.	USA	51.0
Telfort B.V.	The Netherlands	100.0
Sympac B.V.	The Netherlands	100.0
KPN Telecommerce B.V.:	The Netherlands	100.0
SNT Nederland B.V.	The Netherlands	100.0
SNT Deutschland A.G.	Germany	100.0
KPN Mobile Holding B.V.:	The Netherlands	100.0
E-Plus Mobilfunk Geschäftsführungs GmbH	Germany	100.0
– E-Plus Mobilfunk GmbH & Co.KG	Germany	22.5
KPN Mobile N.V.:	The Netherlands	100.0
– KPN Mobile International B.V.	The Netherlands	100.0
– BASE N.V./S.A.	Belgium	100.0
– Versatel Belgium N.V.	Belgium	100.0
– Tele 2 Belgium N.V.	Belgium	100.0
– E-Plus Mobilfunk GmbH & Co.KG	Germany	77.5

Organizational structure 2007

In January 2007, KPN announced a new organizational structure in The Netherlands built around customer segments rather than products, creating a customer centric organization. KPN's former Fixed division (Fixed) and KPN Mobile The Netherlands (Mobile) were reorganized into Consumer, Business and Wholesale & Operations Segments. Consequently, KPN's financial reporting changed to reflect the new organizational structure.

The organizational integration is a further evolution of KPN's strategy to increase customer focus in a telecommunications world in which distinctions between technologies are fading rapidly and in which customers increasingly are looking for integrated propositions. The new organizational structure in The Netherlands provides us with the opportunity for an integrated customer approach. We can offer integrated services, both as a multimedia company in the Consumer market (fixed, mobile, TV and Internet) and as a managed ICT company in the Business market. KPN is one of the first in the market with such an integrated approach. We expect this will contribute to further profitable market share and revenue growth.

The acquisition of Getronics strengthens KPN's ICT strategy in the Business market.

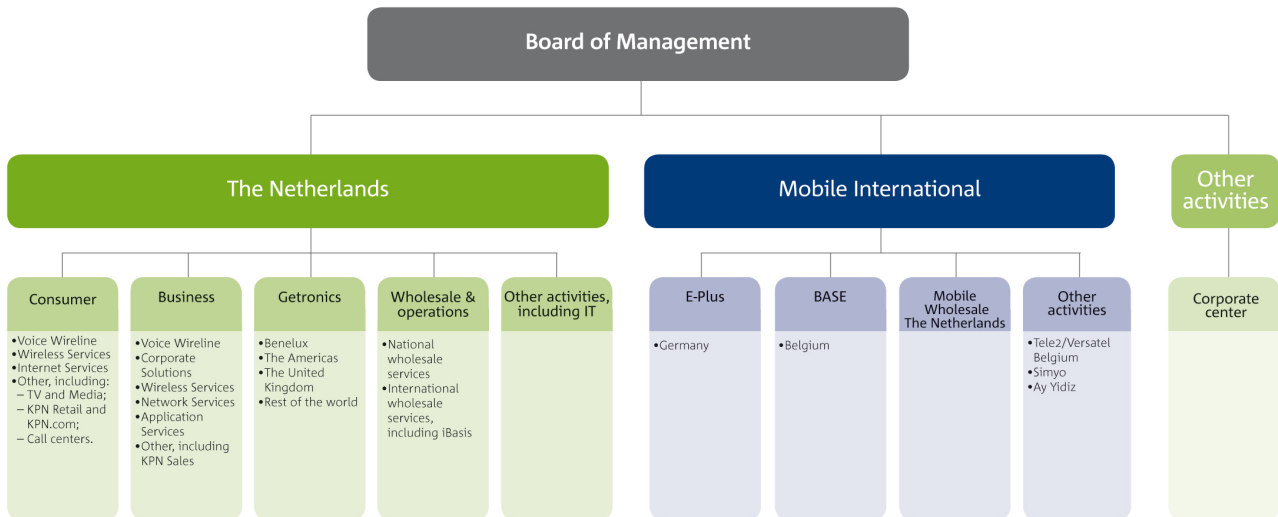
In 2007 we defined Getronics as a separate segment within The Netherlands on the same reporting level as the Business segment. Getronics has international operations which are managed from its headquarters in Amsterdam, The Netherlands. In 2008 we expect further integration between Getronics and the Business segment and the disposal of certain non-core Getronics activities.

KPN's international voice wholesale business, which is included in the Wholesale & Operations segment, merged into iBasis in 2007. KPN has a 51% equity interest in iBasis. iBasis' results of operations are consolidated in the Wholesale & Operations segment.

KPN's new integrated organization in The Netherlands consists of five segments: Consumer, Business, Getronics, Wholesale & Operations and Other activities including IT The Netherlands. The Segments for Consumer, Business and Getronics operate with a strong market and customer focus, whereas the Wholesale & Operations Segment provides network services to both internal KPN segments and external wholesale customers with a strong emphasis on operational excellence.

Outside The Netherlands, the Mobile International division contains the subsidiaries E-Plus in Germany, BASE and Tele2/Versatel in Belgium and, given the similar nature of the business, our Dutch mobile wholesale activities.

The next overview reflects our organizational structure as of December 31, 2007.



ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Board of Management

The Board of Management, supervised and advised by the Supervisory Board, manages our strategic, financial and organizational matters and appoints senior managers. The Supervisory Board appoints and discharges members of the Board of Management and establishes their individual remuneration within the boundaries of the remuneration policies approved by the Annual General Meeting (see the ‘Remuneration report’ in the Annual Report for more detailed information on remuneration) and the recommendations by the Remuneration and Organizational Development Committee. On the basis of the Dutch Civil Code, our articles of association and the by-laws of the Board of Management, certain decisions of the Board of Management require the approval of the Supervisory Board. These decisions include approval of the annual plan and budget, approval of resolutions that exceed certain thresholds, expanding the business materially affecting the existing business and the closing of any business if this results in a material change for a considerable number of employees. A complete overview of such decisions is included in the by-laws of both our Supervisory Board and Board of Management which are available on our website www.KPN-corporate.com under the section Investor Relations, Corporate Governance. The by-laws of the Board of Management were most recently updated in 2005.

Our Board of Management consists of five members: the Chairman of the Board, the Chief Financial Officer, and the Managing Directors of the different segments.

The current members of our Board of Management are:

Name	Date of birth	Position	Appointed on
A.J. Scheepbouwer	July 22, 1944	Chairman of the Board and Chief Executive Officer	November 1, 2001
M.H.M. Smits	September 14, 1961	Member of the Board and Chief Financial Officer	August 9, 2004, September 11, 2004 respectively
E. Blok	August 3, 1957	Member of the Board and Managing Director Business Segment, Getronics Segment and Wholesale & Operations Segment	June 1, 2006
S.P. Miller	September 6, 1958	Member of the Board and Managing Director Mobile International	June 1, 2006
J.B.P. Coopmans	February 9, 1965	Member of the Board and Managing Director Consumer Segment	September 11, 2006

Mr. A.J. Scheepbouwer was appointed Chairman of our Board of Management and Chief Executive Officer on November 1, 2001. His employment contract terminates on July 1, 2011. From 1976 to 1988, Mr. Scheepbouwer was President of the Airfreight division of Pakhoed Holding N.V. (Pandair Group). In 1988, he was appointed as Managing Director of PTT Post, then part of the Dutch national post and telecommunications operator, Koninklijke PTT Nederland N.V. In 1992, Mr. Scheepbouwer joined the Board of Management of Koninklijke PTT Nederland N.V. In June 1998, the mail, express and logistics activities were demerged from Koninklijke PTT Nederland N.V. and incorporated as a separate company, TPG N.V., of which Mr. Scheepbouwer became Chief Executive Officer. From June 1998 until September 9, 2001, he was a member of our Supervisory Board. He is currently chairman of the Supervisory Board of Havenbedrijf Rotterdam N.V., chairman of the Supervisory Board of Medisch Centrum Rijnmond-Zuid, and a member of the Supervisory Board of, and an investor in, RFS Holland Holding B.V.

Mr. M.H.M. Smits was appointed member of the Board of Management on August 9, 2004 and has been the Chief Financial Officer since September 11, 2004. He is former member of the Board of Management and Chief Financial Officer of Vendex KBB N.V. Before that he had held various (financial) management positions at Unilever. He is currently a member of the Supervisory Board of Delta Lloyd N.V. and a member of the Supervisory Board of Euronext N.V.

Mr. E. Blok was appointed as a member of the Board of Management on June 1, 2006 and was responsible for our Fixed division until January 1, 2007. Since that date he has been responsible for our Business Segment and Wholesale & Operations Segment in The Netherlands, and as from October 2007 for our Getronics Segment. Mr. Blok joined KPN in 1983 and had held various management positions, including positions as director of KPN's departments Carrier Services, Corporate Networks and Fixed Net Operator, and he was responsible for Corporate Strategy & Innovation. Most recently he was Chief Operating Officer for our Fixed division. He was previously, from April until December 2004, a member of our Board of Management. Mr. Blok is a member of the Supervisory Board of Getronics N.V., a member of the Advisory Board of New Venture, a member of the Board of ICT-Office and non executive member of the Board of iBasis.

Mr. S.P. Miller was appointed as a member of the Board of Management on June 1, 2006. Until January 1, 2007, he was (as Managing Director of our Mobile division) responsible for all our mobile activities in The Netherlands, Germany, Belgium and abroad. Since that date he is responsible for all our Mobile International activities (outside The Netherlands), as well as all our mobile wholesale activities in The Netherlands. Mr.

Miller held various senior management and positions in the (pay)television, media and IT industry in South Africa and Europe, including M-Net (South-Africa), MIH (The Netherlands/South-Africa), Nethold (The Netherlands), Vesta (South-Africa) and Leaderman (Belgium/Luxembourg). In November 1998, he was appointed CEO of KPN Orange, now BASE. Since then he has held various positions in KPN's mobile activities, including those of CEO of KPN Mobile The Netherlands and KPN Mobile International, and member of the Board of Management of KPN Mobile N.V. and Hutchison 3G UK Ltd. In May 2005 he was appointed CEO of KPN's international mobile activities, E-Plus and BASE. He currently is chairman of the Supervisory Board of E-Plus and chairman of the Board of BASE.

Mr. J.B.P. Coopmans was appointed as a member of the Board of Management on September 11, 2006. As of January 1, 2007, he is responsible for our Consumer Segment in The Netherlands. Mr. Coopmans has held various (commercial) management positions at Unilever. In 1998 he was appointed Managing Director of DiverseyLever. In September 2000 he was appointed chairman of the Board of IgloMora and as of 2004 he was chairman of the Board of Unilever de Mexico.

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

Supervisory Board

The composition of the Supervisory Board changed at the 2007 Annual General Meeting of Shareholders. Mr. Halberstadt stepped down after having served three consecutive terms of four years and was therefore not available for re-appointment in accordance with best practice provision III.3.5 of the Dutch Corporate Governance Code. Upon nomination by the Supervisory Board, the General Meeting of Shareholders appointed Mrs. Colijn-Hooymans as member of the Supervisory Board. The nomination was subject to the enhanced right of recommendation of the Company's Central Works Council that supported the nomination. As a new member Mrs. Colijn-Hooymans attended an introduction program in which the Company, its activities and its governance as well as the tasks and responsibilities of a Supervisory Board member were explained. Mr. Bischoff and Mr. Streppel stepped down, as they had reached the end of their four-year term of office. Upon nomination by the Supervisory Board, the General Meeting of Shareholders reappointed Mr. Bischoff and Mr. Streppel for a second term of four years.

Composition of the Supervisory Board in 2007

Name	Date of birth	Start of term	End of term	Committees
A.H.J. Risseeuw (Chairman)	November 9, 1936	May 2, 2001, April 12, 2005*	2009	Chairman Nominating and Corporate Governance Committee; Member Remuneration and Organizational Development Committee
D.G. Eustace (Vice-chairman)	July 3, 1936	April 27, 2000, April 15, 2004*	2008	Chairman Audit Committee

Composition of the Supervisory Board in 2007

Name	Date of birth	Start of term	End of term	Committees
M. Bischoff	April 22, 1942	May 12, 2003, April 17, 2007*	2011	Member Audit Committee
C.M. Colijn-Hooymans	August 28, 1951	April 17, 2007	2011	Member Audit Committee
D.I. Jager	April 30, 1943	April 25, 2002, April 11, 2006*	2010	Chairman Remuneration and Organizational Development Committee; Member Nominating and Corporate Governance Committee
M.E. Van Lier Lels	October 19, 1959	May 2, 2001, April 12, 2005*	2009	Member Remuneration and Organizational Development Committee; Member Nominating and Corporate Governance Committee
J.B.M. Streppel	October 11, 1949	May 12, 2003, April 17, 2007*	2011	Member Audit Committee

* Reappointment

Mr. A.H.J. Risseeuw was first appointed as member of the Supervisory Board on May 2, 2001, and he is the Chairman of the Supervisory Board since September 10, 2001. His current (second) term expires in 2009. Mr. Risseeuw chairs the Nominating and Corporate Governance Committee and is a member of the Remuneration and Organizational Development Committee. He has held various management positions with Dutch international companies and is the former President of Getronics N.V. He is Chairman of the Supervisory Boards of Groeneveld Groep B.V. and Intergamma B.V. and member of the Supervisory Board of Blokker Holding B.V. and a member of the Advisory Council of Deloitte The Netherlands. Mr. Risseeuw is a Dutch citizen.

Mr.D.G. Eustace was first appointed as member of the Supervisory Board on April 27, 2000, and he is the Vice Chairman of the Supervisory Board since September 10, 2001. His current (second) term expires in 2008. Mr. Eustace is the Chairman of the Audit Committee.

Mr. Eustace is the former Vice Chairman of the Board of Management and Chief Financial Officer of Royal Philips Electronics N.V. He currently is the Chairman of the Supervisory Board of AEGON N.V. and VNU Group B.V., and a member of the Advisory Council of Rothschild. In 2006 he stepped down as Chairman of the Board of Smith & Nephew Plc. Mr. Eustace is a British and Canadian citizen. In January 2007, Mr. Eustace was appointed member of the Supervisory Board of Stork N.V.

Mr. M. Bischoff was appointed as member of the Supervisory Board on May 12, 2003 and his current (second) term expires in 2011. He is a member of the Audit Committee. Mr. Bischoff, a former member of the Management Board of DaimlerChrysler, is currently Chairman of the Supervisory Board of Daimler AG. Furthermore, he is a member of the Supervisory Boards of Fraport AG, SMS GmbH and Voith AG and a non-executive member of the Board of Directors of Nortel Networks Corp., Nortel Networks Ltd., and Unicredit. Mr. Bischoff is a German citizen.

Mrs. C.M. Colijn-Hooymans was appointed as member of the Supervisory Board on April 17, 2007 and her term expires in 2011. She is a member of the Audit Committee. Mrs. Colijn-Hooymans is a member of the

Management Board of TNO and a member of the Supervisory Board of Rabobank Vallei en Rijn. Furthermore, she is a member of the Board of the Radboud Foundation (Radboud University and Radboud University Medical Centre) and a member of the Dutch government's Advisory Council for Science and Technology. Mrs. Colijn-Hooymans is a Dutch citizen.

Mr. D.I. Jager has been a member of the Supervisory Board since April 25, 2002 and his current (second) term expires in 2010. Mr. Jager is the Chairman of the Remuneration and Organizational Development Committee, and a member of the Nominating and Corporate Governance Committee. He held various management positions at Procter & Gamble in Europe, Asia and the United States and was Chairman of the Board, President and/or Chief Executive Officer from January 1995 through June 2000. Mr. Jager currently is an independent consultant and private investor. He is Chairman of the Supervisory Board of Royal Wessanen N.V. and serves on the Boards of Chiquita Brands International Inc. and Polycom Inc. as a non-executive board member. Mr. Jager is both a US and Dutch citizen and resides in the United States.

Ms. M.E. Van Lier Lels was first appointed as member of the Supervisory Board on May 2, 2001 and her current (second) term expires in 2009. She is a member of the Remuneration and Organizational Development Committee, as well as the Nominating and Corporate Governance Committee. Ms. Van Lier Lels has held various management positions with Dutch international companies and is the former Chief Operating Officer of Schiphol Group. She is a member of the Supervisory Boards of Getronics N.V., USG People N.V., Connexxion Holding N.V., TKH Group N.V. and Maersk B.V. and the chairman of the Supervisory Board of Slavenburg Holdings B.V. She is a member of the Audit Committee of the Algemene Rekenkamer and a member of the Advisory Council for Science and Technology. Ms. Van Lier Lels is a Dutch citizen.

Mr. J.B.M. Streppel was appointed as member of the Supervisory Board on May 12, 2003 and his current (second) term expires in 2011. He is a member of the Audit Committee. Mr. Streppel is a member of the Board of Management and Chief Financial Officer of AEGON N.V. and a member of the Supervisory Board of Van Lanschot N.V. He is a member of the Committee of Listed Companies of Euronext (Amsterdam), Chairman of the Shareholders Communication Channel, a member of the Monitoring Committee Corporate Governance Code and Chairman of the Board of Duisenberg School of Finance and Holland Financial Center. Mr. Streppel is a Dutch citizen.

In 2008, Mr. Eustace is due to step down from the Supervisory Board, as he will reach the end of his four-year term of office and has decided not to stand for reappointment at the 2008 Annual General Meeting of Shareholders. The Supervisory Board expresses its warm gratitude for the contribution that Mr. Eustace has given to the Supervisory Board and to the Company in general, over the past 8 years.

The vacancy that has arisen following the resignation of Mr. Eustace is to be filled in line with the Profile of the Supervisory Board. In consultation with the Board of Management and the Central Works Council and based on an evaluation of its composition the Supervisory Board considers the nomination of a candidate for appointment at the 2008 Annual General Meeting of Shareholders.

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

The Supervisory Board oversees strategic and organizational policymaking by the Board of Management and the way in which it manages and directs our operations and affiliated/associated companies. It oversees and supervises the Board of Management. Members of the Supervisory Board are appointed by the Annual General Meeting of Shareholders upon binding nomination by the Supervisory Board. The Central Works Council has an enhanced right of recommendation with respect to one third of the Supervisory Board, meaning that the Supervisory Board must nominate those recommended unless it is of the opinion that 1) any such person would be unsuitable to fulfil the duties of a Supervisory Board member; or 2) such appointment would cause the Supervisory Board to be improperly constituted.

According to our Articles of Association, our Supervisory Board must consist of at least five and not more than nine members. Our Supervisory Board currently consists of seven members. Members of the Supervisory Board resign according to a schedule set by the Supervisory Board. They step down at the first General Meeting of Shareholders following their four-year term of office. Under the by-laws of the Supervisory Board, they can be reappointed twice, leading to a maximum term of office of twelve years. See the 'Report by the Supervisory Board' in the Annual Report for the rotation schedule.

The Supervisory Board has determined its 'profile', defining the basic principles for the composition of the Supervisory Board. All nominees for the election to the Supervisory Board must fit within this profile. According to this profile, the Supervisory Board must be composed in such a way that members of the Supervisory Board are able to operate independently of each other and of the Board of Management.

The by-laws of the Supervisory Board contain, among other things, rules regarding the members' duties, powers, working methods and decision-making, what decisions by the Board of Management it must approve, training and conflict handling. The by-laws of the Supervisory Board were most recently updated in 2005. The by-laws are available on our website www.kpn.com under the section Investor Relations, Corporate Governance.

Committees of the Supervisory Board

Three committees assist the Supervisory Board: an Audit Committee, a Remuneration and Organizational Development Committee and a Nominating and Corporate Governance Committee. The committees, which consist of members of the Supervisory Board, report their findings to the Supervisory Board, which is finally responsible for all decision making. The committees themselves are not empowered to make decisions. The activities of the committees are governed by written charters, available on our website www.kpn.com under the section Investor Relations, Corporate Governance.

Audit Committee

The Audit Committee consists of four Supervisory Board Members, Mr. Eustace (Chairman), Mr. Bischoff, Mr. Streppel and Mrs Colijn-Hooymans (as of July 2007). Prior to the appointment of Mrs Colijn-Hooymans, the Audit Committee consisted of three Supervisory Board Members.

The Audit Committee's task is to supervise, in particular, the quality of the accounting and financial reporting practices, including quarterly and annual reporting, accounting and financial reporting policies and procedures, the quality of the internal control system and internal audit function, the independent external audit of the Financial Statements, the performance and evaluation of the external auditor and the compliance with relevant legislation and regulations. The task of the Audit Committee in the area of financial reporting and accounting practices is to provide reasonable assurance that the financial disclosures prepared by management adequately reflect KPN's financial condition, results of operations, cash flows and long-term commitments. We consider Mr. Eustace and Mr. Streppel to be our financial experts within the meaning of the Dutch Corporate Governance Code and Rule 10 A-3 under the Securities Exchange Act of 1934, as amended. All members of the Audit Committee are independent within the meaning of Rule 10A-3 and for purposes of the listing standards of the NYSE as they are applicable to KPN.

Remuneration and Organizational Development Committee

The Remuneration and Organizational Development Committee currently has three members, Mr. Jager (Chairman), Mr. Risseeuw and Ms. Van Lier Lels.

The task of the Remuneration and Organizational Development Committee is to assist the Supervisory Board regarding the development and appropriate application of remuneration policies for our Board of Management, including the remuneration of the members of the Board of Management for the coming year; the individual bonuses of members of the Board of Management on the basis of the policy framework for performance related pay, achieved targets and goals; allocation policies for options and shares (to members

of the Board of Management and to other KPN senior management) and the conditions under which options and shares are granted; and the remuneration of members of the Supervisory Board for submission to the Supervisory Board and to the General Meeting of Shareholders. For a discussion of the activities of this committee in the year under review, see the 'Report by the Supervisory Board' in the Annual Report.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee currently has three members:

Mr. Risseeuw (Chairman), Mr. Jager, and Ms. Van Lier Lels.

The task of the Nominating and Corporate Governance Committee is to assist the Supervisory Board with respect to the nomination of the Board of Management and the Supervisory Board and the oversight of development policies for senior management, as well as the Company's corporate governance policies. For a discussion of the activities of this committee in the year under review, see the 'Report by the Supervisory Board' in the Annual Report.

Potential conflicts of interest

No member of the Board of Management or Supervisory Board has any actual or potential conflict of interest in respect of their duties to the Issuer and their private interests and/or other duties that is material in the context of an issue of Notes under the Programme. For the sake of completeness, refer to 'Transactions with directors and related parties' on page 190 of the Annual Report for details of the material transactions between the issuer and members of the Board of Management or the Supervisory Board.

BOARD PRACTICES

Corporate governance: Compliance with the Dutch Corporate Governance Code

We have pursued a consistent policy of compliance with the Dutch Corporate Governance Code (the 'Dutch Corporate Governance Code') that was published by the Tabaksblat Committee on December 9, 2003.

The Dutch Corporate Governance Code has its statutory basis in Book 2 of the Dutch Civil Code and applies to companies with their registered office in The Netherlands whose shares are listed on a stock exchange either domestically or abroad. The Dutch Corporate Governance Code is based on the apply-or-explain principle and defines a company as a long-term form of collaboration between the various parties involved. The Board of Management and the Supervisory Board have overall responsibility for considering the interests, generally with a view to ensure the continuity of the enterprise. In doing so, the Company endeavors to create long-term shareholder value and the Board of Management and Supervisory Board should take account of the interests of the different stakeholders.

We support the principles of the Dutch Corporate Governance Code and we are almost fully compliant with its best practice provisions. It should be noted that we do not fully apply provisions II.2.2 (*if the Company, notwithstanding best practice provision II.2.1, grants unconditional options to management board members, it shall apply performance criteria when doing so and the options should, in any event, not be exercised in the first three years after they have been granted*), II.2.6 (*a management board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the Company has not appointed a compliance officer, to the chairman of the supervisory board*), III.7.3 (*containing a similar rule for Supervisory Board members*) and II.2.7 (*the maximum remuneration in the event of dismissal is one year's salary (the 'fixed' remuneration component)*).

We do not apply provision II.2.2 in full on the options we granted to Mr. Scheepbouwer. We agreed with him, at the time of his appointment, that our Supervisory Board could annually grant him unconditional options. As contractually agreed at the time of appointment, these stock options are not linked to

performance. We do, however, apply provision II.2.1 (*options to acquire shares are a conditional remuneration component, and become unconditional only when the management board members have fulfilled predetermined performance criteria after a period of at least three years from the grant date*) to our other members of the Board of Management. On November 6, 2007, the General Meeting of Shareholders approved the arrangement that Mr. Scheepbouwer, from 2008 and onwards, will be entitled to a long term incentive package based on remuneration in shares, replacing all his annual long term incentive entitlements from 2008 and onwards. For further information, see the 'Remuneration and Organizational Development Report' in the Annual Report. Furthermore, under the same premise that existing rights should be respected, Mr. Blok and Mr. Miller will receive more than one year's ('fixed') salary, contrary to provision II.2.7. Mr. Blok will receive one year's full salary (including short term bonus), whereas Mr. Miller will receive two year's fixed salary, including insurance and pension allowances. Both agreements correspond to the arrangements that were in place before they joined the Board of Management.

Under provisions II.2.6 and III.7.3, we require our members of the Supervisory Board and Board of Management to inform the compliance officer only once every year of their shareholdings in Dutch listed companies (other than KPN) rather than every quarter. We do not believe that there is any merit in informing the compliance officer on a more regular basis, as it does not address the real issue at stake, being that the members of these boards should dedicate sufficient time to their primary function and should not have conflicting interests. Besides, it only increases the administrative burden on both the members of these boards as well as on the compliance officer. Our position vis-à-vis all best practice provisions is available on our website, www.kpn.com, under the section Investor Relations, Corporate Governance and Risk Management and Internal Control.

We remain of the opinion that a governance regime should strike the right balance between transparency of rules and avoidance of bureaucracy caused by excessive detail in order for Dutch companies to remain internationally competitive. Application of sound corporate governance principles is important for a company but it should not be an end in itself. The true aim is to achieve and maintain a culture of honesty and integrity. This aim can, ultimately, be achieved only if the culture and behavior in a company are in all respects positive and transparent.

Other corporate governance requirements

We are listed on the New York Stock Exchange ('NYSE') and qualify as a foreign private issuer under the NYSE stock exchange rules. As such we need to disclose significant differences between NYSE's corporate governance requirements for U.S. issuers and our corporate governance practices in The Netherlands. An overview disclosing these differences is available on our website, www.kpn.com, under the section Investor Relations, Corporate Governance and Risk Management and Internal Control. In addition, on March 22, 2007, we affirmed to the NYSE without qualification that we have an Audit Committee meeting the requirements of SEC rule 10A-3 under the Securities Exchange Act of 1934, as amended.

We are also listed on Euronext Amsterdam, the London Stock Exchange and the Frankfurt Stock Exchange.

On December 17, 2007, KPN announced its intention to delist its American Depositary Receipts ('ADR's') from the NYSE and to delist its ordinary shares from the London Stock Exchange and the Frankfurt Stock Exchange. KPN completed the delisting of its ADR's from the New York Stock Exchange on April 4, 2008. The delisting of the KPN ordinary shares from the London Stock Exchange is expected to become effective on April 24, 2008, and the delisting of the KPN ordinary shares from the Frankfurt Stock Exchange is expected to become effective in the third quarter of 2008.

Legal structure of the Company

Under Section 6, Part 4 of Book 2 of the Dutch Civil Code, the rules for large companies are mandatory for us. As such, we have a two-tier management structure with a Board of Management and a Supervisory Board. Among the powers vested in the Supervisory Board is the power to appoint and remove members of the Board of Management. Some of the resolutions of our Board of Management are also subject to the

approval of the Supervisory Board. Furthermore, shareholders are entitled to approve decisions of the Board of Management that have a company transforming effect, to approve the remuneration policy and share (option) plans for members of the Board of Management, to appoint members of the Supervisory Board upon proposal by the Supervisory Board, and to dismiss the Supervisory Board.

As of December 31, 2006, listed companies are obliged to incorporate information about the corporate structure of the company. None of our shareholders possess special rights and there are no restrictions applicable to the exercise of voting rights. For further information, please see ‘Share capital’ under ‘Shareholders’ rights’, and ‘Restrictions on non-Dutch shareholders’ rights’ in the Annual Report.

Our existing capital resources contain covenants, such as change of control clauses or covenants prohibiting us from entering into any amalgamation, demerger, merger, corporate restructuring or reorganization. This could trigger additional financial obligations or early redemption of outstanding indebtedness. For details of our capital resources covenants, please see ‘Liquidity and capital resources – Capital resources covenants’ in the Annual Report.

The Dutch Financial Supervision Act (*Wet op het financieel toezicht (Wft)*) came into effect on December 31, 2006. Since then, The Netherlands Authority for the Financial Markets (AFM) has supervised the financial reporting by Dutch listed companies for financial years starting on or after January 1, 2006.

On January 1, 2007, new Dutch legislation came into place to facilitate, among others, decision-making by electronic means of communication at general meetings of shareholders. KPN strongly supports the involvement of its shareholders and has a principally positive stance towards services that support this involvement. This new legislation has been incorporated in our Articles of Association. The Articles were last amended on May 3, 2007.

Controls and procedures statement under the Sarbanes-Oxley Act

For this statement, please see ‘Risk Management’ in the Annual Report.

MAJOR SHAREHOLDERS

General

The table below sets forth, as of the period indicated, the percentage of shares beneficially owned by the members of our Supervisory Board and our Board of Management.

Title of class	Identity of person/group	At February 29, 2008
Ordinary shares	Current members of Board of Management and our Supervisory Board	less than 0.02%

Capital Group International, Inc. and Capital Research and Management Company have each notified the AFM that their respective holdings are less than 5% (June 27, 2007: 4.97%) and more than 15% (January 8, 2007: 15.07%) of the ordinary shares of KPN. We have not entered into material agreements with any of these companies. These companies are investment companies, which may have shareholdings in other companies with which we contract in the ordinary course of business. To the best of our knowledge, such contracts, if any, were not influenced by any of these shareholders.

As of December 31, 2007, 75 ADR record holders held 13,792,476 ordinary shares in the form of American Depository Shares, representing 0.75% of our outstanding ordinary shares.

As of December 31, 2007, approximately 11% of our outstanding ordinary shares were held by Dutch investors.

The State of The Netherlands

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

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

Other shareholders

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

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

According to its Articles of Association, the statutory goal of the Foundation Preference Shares B KPN (the 'Foundation') is to protect our interests (which includes the interests of our stakeholders, such as customers, shareholders and employees), by, among other things, protecting us from influences that may threaten our continuity, independence and identity. Consequently, in the event of any circumstances where the company is subject to influences as described above, the Board of the Foundation may decide to exercise the call option (as described below) and where relevant taking public security considerations into account, with a view to enabling the company to determine its position in relation to the circumstances as referred to above, and seek alternatives. The Board of the Foundation is of the opinion that under normal circumstances it should not exercise its voting rights for longer than a limited period. The Board of the Foundation considers it undesirable for the Board of Management to ignore a shift in the balance of power in the general meeting of shareholders over an extended period of time per event. It is furthermore undesirable that the Board of Management should (be able to) use anti-takeover measures to further the personal interests of individuals involved with the company.

The members of the Board of the Foundation are Mr. J.H. Schraven (Chairman), Mr. J. den Hoed RA (vice-Chairman), Mr. P. Bouw, Mr. P. Wakkie and Mr. H. Zwarts. Our Board of Management and the members of the Board of the Foundation share the view that the Foundation is independent from us in accordance with Appendix X to the Listing and Issuing Rules of the Stock Exchange of Euronext Amsterdam.

The views of the Board of the Foundation, summarised above, have been published at the Foundation's own web-site (www.prefs-KPN.nl).

We have a put option to place with the Foundation a number of our 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 us 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. Our Board of Management can decide to request the Foundation to pay the remainder. Such decision is subject to the approval of the Supervisory Board.

FINANCIAL INFORMATION UPDATE FROM NOTES

Historical Financial Information

This Prospectus incorporates by reference the publicly available consolidated audited financial statements of the Issuer for the years ended December 31, 2007, including comparative figures for the financial year ended December 31, 2006 (prepared in accordance with IFRS) and December 31, 2006.

Financial Statements

The Issuer has prepared both statutory and consolidated financial statements in respect of the 2007 and 2006 financial years.

Auditing of Historical Annual Financial Information

As described under '*General Information – Auditors*' below, the auditors of the Issuer have audited the financial statements of the Issuer in accordance with IFRS for the financial years ended December 31, 2007 (including comparative figures as at December 31, 2006 under IFRS) and December 31, 2006 and have issued reports without qualification for each of these years.

Age of Latest Financial Information

The most recent audited financial information is as of December 31, 2007.

Legal Proceedings

We are involved in several legal proceedings, most of which are primarily related to regulatory or other ordinary course of business issues. We do not expect these proceedings to result in liabilities that have a material effect on our financial position. Where it is probable that the outcome of the legal proceedings will be unfavourable for us, and the financial outcome of these proceedings can be reliably estimated, a provision has been accounted for in the consolidated financial statements. In the following paragraphs we describe our main pending proceedings.

SOBI

On July 10, 2001, a writ of summons was served upon us by one of our shareholders, SOBI (Stichting Onderzoek Bedrijfsinformatie, or Foundation for the Research of Business Information). SOBI filed a claim with the Enterprise Chamber (Ondernemingskamer) of the Amsterdam Court of Appeal that seeks the annulment of our annual financial statements for 2000.

On February 10, 2006, the Supreme Court judgment overturned the ruling made by the Enterprise Section of the Amsterdam Court of Appeal. The Supreme Court concluded that the Court of Appeal issued rulings on questions that had not been tabled (such as the classification of the gain related to NTT DoCoMo in the Consolidated Income Statement) and arguments that KPN had put forward had unjustly been ignored. With regard to the explanatory notes on the valuation of goodwill and licenses and the valuation of financial instruments issued to BellSouth, the Supreme Court ordered the Court of Appeal to reconsider and remotivate their verdict.

KPNQwest

We are involved in several legal proceedings related to the bankruptcy of KPNQwest. On September 13, 2006, we were served with a writ of summons by Citibank N.A. and Cargill Financial Markets Plc. claiming EUR 218.9 million, excluding interest and costs, from various former officers and former shareholders, including us, of KPNQwest. Citibank and Cargill claim compensation for damages on a EUR 525 million syndicated loan provided to KPNQwest in 2002 on the basis of misrepresentation and concealment by former management and former shareholders when the loan was provided to KPNQwest. Citibank acted as agent of the syndicate and as a 14.7% principal lender of the syndicated loan. Cargill claims that it acquired 85.3% of the claim by assignments of their part in the syndicated loan by other original lenders. A decision by the District Court is not expected before year end 2008.

Appaloosa Investment Ltd. Partnership I, Palomino Fund Ltd., Appaloosa Management LP filed in June 2005 a complaint against several parties including us in an action to recover unspecified damages for KPNQwest securities purchased outside the class action period, which is November 9, 1999 until May 31, 2002. The complaint alleges that from the time from its initial public offering in November 1999 through April 24, 2002 KPNQwest overstated its reported revenues and profits by entering into capacity swap transactions with third parties and improperly accounted for those transactions. Appaloosa filed an amended complaint. The amended complaint relates to all of the Appaloosa's purchases KPNQwest securities.

The VEB ('Vereniging van Effectenbezitters or Dutch Investors' Association') a private organization for retail investors in The Netherlands requested the Enterprise Chamber of the Amsterdam Court of Appeal to conduct an enquiry into the policy making and the affairs of KPNQwest (in particular the relationship between KPNQwest on the one hand and Qwest and KPN on the other hand) in the period from August 30, 1999 until May 31, 2002. Various parties, including us, filed a defense against the request. The Enterprise Chamber granted the request and ordered an enquiry over the period from January 1, 2002 until May 23, 2002. The Enterprise Chamber may authorize the investigators to inspect relevant books, records and other sources of information and to request the production of evidence of any company closely connected' with KPNQwest. After completion of the report, the Enterprise Chamber may be asked to issue a judgment whether there has been mismanagement ('wanbeleid') and, if so, it can take one or more further measures. Until now the bankruptcy trustees refuse to finance the enquiry.

The VEB requested for preliminary witness hearings. The request has been denied by the District Court of The Hague on May 24, 2007. The VEB has appealed the decision by the District Court of The Hague to deny the request for preliminary witness hearings. A hearing will be held on April 22, 2008.

Significant change in financial or trading position

There has been no significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries, taken as a whole, and there has been no material adverse change in the financial position or prospects of the Issuer, or the Issuer and its subsidiaries taken as a whole, since December 31, 2007.

ADDITIONAL INFORMATION

Consolidated Statement of Changes in Group Equity change

Consolidated Financial Statements

Consolidated Statement of Changes in Group Equity

Amounts in millions of euro

	Number of subscribed shares	Share capital [19]	Share premium [19]	Other reserves [19]	Retained earnings	Equity attribu- table to equity holders	Minority interests [20]	Total Group equity
Balance as of Jan. 1, 2005	2,329,399,969	559	15,307	-280	-9,320	6,266	145	6,411
- Cash flow hedges, net of taxes	-	-	-	11	-	11	-	11
- Realized profit on available- for-sale financial assets	-	-	-	-23	-	-23	-	-23
- Currency translation and other adjustments	-	-	-	9	2	11	-	11
Net income recognized directly in equity	-	-	-	-3	2	-1	-	-1
- Profit for the year	-	-	-	-	1,437	1,437	17	1,454
Total recognized income 2005	-	-	-	-3	1,439	1,436	17	1,453
Share-based compensation	-	-	-	-	9	9	-	9
Exercise of options	-	-	-	28	3	31	-	31
Shares repurchased (including for option plans and repurchase costs)	-	-	-	-1,784	-	-1,784	-	-1,784
Shares cancelled	-181,039,631	-43	-1,209	1,252	-	-	-	-
Shares issued (acquisition SNT)	3,000,031	1	19	-	-	20	-	20
Dividends paid	-	-	-	-	-890	-890	-	-890
Dividend tax	-	-	-	-	-12	-12	-	-12
Acquisition of minority interests	-	-	-	-	-	-	-134	-134
Total changes	-178,039,600	-42	-1,190	-504	-890	-2,626	-134	-2,760
Balance as of Dec. 31, 2005	2,151,360,369	517	14,117	-787	-8,771	5,076	28	5,104
- Cash flow hedges, net of taxes	-	-	-	58	-	58	-	58
- Currency translation and other adjustments	-	-	-	-8	-	-8	-	-8
Net income recognized directly in equity	-	-	-	50	-	50	-	50
- Profit for the year	-	-	-	-	1,583	1,583	-	1,583
Total recognized income 2006	-	-	-	50	1,583	1,633	-	1,633
Share-based compensation	-	-	-	-	11	11	-	11
Exercise of options	-	-	-	32	6	38	-	38
Shares repurchased (including for option plans and repurchase costs)	-	-	-	-1,581	-	-1,581	-	-1,581
Shares cancelled	-222,809,044	-54	-2,017	2,071	-	-	-	-
Shares issued	1	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-982	-982	-11	-993
Sale (Acquisition) of minority interests	-	-	-	-	-	-	-16	-16
Total changes	-222,809,043	-54	-2,017	522	-965	-2,514	-27	-2,541
Balance as of December 31, 2006	1,928,551,326	463	12,100	-215	-8,153	4,195	1	4,196

Consolidated Financial Statements

Consolidated Statement of Changes in Group Equity

Amounts in millions of euro

	Number of subscribed shares	Share capital [19]	Share premium [19]	Other reserves [19]	Retained earnings	Equity attribu- table to equity holders	Minority interests [20]	Total Group equity
- Cash flow hedges, net of taxes	-	-	-	83	-	83	-	83
- Currency translation adjustments	-	-	-	-1	-	-1	-	-1
Net income recognized directly in equity	-	-	-	82	-	82	-	82
- Profit for the year	-	-	-	-	2,652	2,652	-3	2,649
Total recognized income 2007	-	-	-	82	2,652	2,734	-3	2,731
Share-based compensation	-	-	-	-	8	8	-	8
Exercise of options	-	-	-	25	3	28	-	28
Shares repurchased	-	-	-	-1,500	-	-1,500	-	-1,500
Shares cancelled	-85,069,113	-20	-980	1,000	-	-	-	-
Dividends paid	-	-	-	-	-982	-982	-	-982
Tax on share-based compensation	-	-	-	-	7	7	-	7
Minority interest arising from business combinations	-	-	-	-	-	-	30	30
Total changes	-85,069,113	-20	-980	-475	-964	-2,439	30	-2,409
Balance as of December 31, 2007	1,843,482,213	443	11,120	-608	-6,465	4,490	28	4,518

[...] Bracketed numbers refer to the related Notes to the Consolidated Financial Statements, which form an integral part of these Consolidated Financial Statements.

Rights attaching to the Issuer's shares

Our 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, 2007, a total of 1,843,482,213 ordinary shares had been issued.

In December 2005, as part of the sale of a large part of its shareholding, the State of The Netherlands disposed of the special share it previously held in KPN. We acquired the special share for its nominal value of EUR 0.48, as provided for in the articles of association. The Annual General Meeting of Shareholders on April 11, 2006, approved the proposal to amend our articles of association to, among other things, delete the concept of the special share and to convert the special share into two ordinary shares of EUR 0.24 each.

Dutch laws prohibit us to cast a vote on shares we hold. 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’ in the Annual Report. 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. The General Meeting of Shareholders has authorized the Board of Management to issue new shares, which authorization was valid until October 11, 2007. Under Dutch law, the holders of ordinary shares generally have preemptive rights on the issue of new ordinary shares.

Articles of Association

Pursuant to Article 4 of the Issuer’s Articles of Association, its objects and purposes are:

- to participate in and to manage other enterprises and companies, among such, companies that operate in the field of the transmitting, storing and converting of information, as well as to manage and dispose of information;
- to manage and finance subsidiaries, group companies, dependent companies and participations, among which to guarantee the debts of those companies and participations, and further to engage in any activity which may be related or conducive to the objects set out hereinabove.

MATERIAL CONTRACTS

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

THIRD PARTY INFORMATION

Statement of Expert

The auditor’s opinion in respect of the Issuer’s 2007 financial statements is included on page 206 of the 2007 Annual Report, which is incorporated by reference. The auditor’s opinion in respect of the Issuer’s 2006 financial statements is included on page 177 of the 2006 Annual Report, which is also incorporated by reference.

BOOK-ENTRY CLEARANCE SYSTEMS

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

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

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a ‘**banking organisation**’ within the meaning of the New York Banking Law, a ‘**clearing corporation**’ within the meaning of the New York Uniform Commercial Code and a ‘**clearing agency**’ registered pursuant to Section 17A of the Exchange Act. The offices of DTC are situated at 25th Floor 55 Water Street, New York, New York, 10041, United States of America. DTC holds securities that its participants (‘**Participants**’) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (‘**Indirect Participants**’).

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

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (‘**Beneficial Owner**’) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic

statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

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

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

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

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

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in 'street name', and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

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

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and

borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

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

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

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

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

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

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

Transfers of Notes Represented by Registered Global Notes

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

by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

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

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

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes, is of a general nature based on current United Kingdom law and HM Revenue and Customs ('HMRC') practice and is not intended to be exhaustive, dealing only with withholding tax and information reporting regarding interest. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Interest on the Notes

Payment of interest on the Notes

Payments of interest on the Notes may be made without withholding on account of United Kingdom income tax.

However, Noteholders who are individuals may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays (or credits) interest to or receives interest for the benefit of an individual, or who either pays amounts payable on the redemption of Notes that constitute deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of an individual, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5th April 2007. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the individual is resident.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

NETHERLANDS TAXATION

General

The following summary describes the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.

This summary is based on the tax legislation, published case law, treaties, regulations and published policy, in force as of the date of this Prospectus, though it does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address The Netherlands tax consequences for:

- (i) holders of Notes holding a substantial interest (*aanmerkelijk belang*) in the Issuer. Generally speaking, a holder of Notes holds a substantial interest in the Issuer, if such holder of Notes, alone or, where such holder is an individual, together with his or her partner (statutory defined term) or certain other related persons, directly or indirectly, holds (i) an interest of 5 percent or more of the total issued capital of the Issuer or of 5 percent or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*) and exempt investment institutions (*vrijgestelde beleggingsinstellingen*); and
- (iii) pension funds or other entities that are exempt from Netherlands corporate income tax.

Withholding tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein provided that the Notes do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of The Netherlands corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*).

Corporate and individual income tax

- (c) Residents of The Netherlands

If a holder is resident or deemed to be resident of The Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of its enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are generally taxable in The Netherlands (up to a maximum rate of 25.5%).

If an individual holder is resident or deemed to be resident of The Netherlands for Netherlands tax purposes (including the individual holder who has opted to be taxed as a resident of The Netherlands), income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates of The Netherlands income tax act 2001 (up to a maximum rate of 52%), if:

- (i) the holder has an enterprise or an interest in an enterprise, to which enterprise the Notes are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Notes, taxable income with regard to the Notes must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. At present, this deemed return on income from savings and investments has been fixed at a rate of 4% of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of

the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Notes less the fair market value of certain qualifying liabilities on 1 January and 31 December, divided by two. The fair market value of the Notes will be included as an asset in the individual's yield basis. The deemed return on income from savings and investments of 4% will be taxed at a rate of 30 per cent.

(d) Non-residents of The Netherlands

If a holder is not a resident nor deemed to be a resident of The Netherlands for Netherlands tax purposes (nor has opted to be taxed as a resident of The Netherlands), such holder is not taxable in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, unless:

- (i) the holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands to which permanent establishment or a permanent representative the Notes are attributable; or
- (ii) the holder is entitled to a share in the profits of an enterprise that is effectively managed in The Netherlands, other than by way of securities or through an employment contract, and to which enterprise the Notes are attributable; or
- (iii) the holder is an individual and such income or gains qualify as income from miscellaneous activities in The Netherlands, which include the performance of activities in The Netherlands with respect to the Notes that exceed regular, active portfolio management.

If the holder is a corporate entity, that corporate entity is subject to a maximum corporate income tax rate of 25.5%. If the holder is an individual, that holder is subject to a maximum individual income tax rate of 52%.

Gift and Inheritance taxes

(a) Residents of The Netherlands

Generally, gift and inheritance taxes will be due in The Netherlands in respect of the acquisition of the Notes by way of a gift by, or on the death of, a holder that is a resident or deemed to be a resident of The Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

A holder of The Netherlands nationality is deemed to be a resident of The Netherlands for the purposes of The Netherlands gift and inheritance tax, if he or she has been resident in The Netherlands during the ten years preceding the gift or his or her death. A holder of any other nationality is deemed to be a resident of The Netherlands for the purposes of The Netherlands gift tax if he or she has been resident in The Netherlands at any time during the twelve months preceding the time of the gift. The same twelve-month rule may apply to entities that have transferred their seat of residence out of The Netherlands.

(b) Non-residents of The Netherlands

No gift or inheritance taxes will arise in The Netherlands in respect of the acquisition of the Notes by way of gift by or as a result of the death of a holder that is neither a resident nor deemed to be a resident of The Netherlands for the purposes of The Netherlands gift and inheritance tax, unless:

- (i) such holder at the time of the gift, or at the time of his or her death, has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which permanent establishment or a permanent representative, the Notes are (deemed to be) attributable; or
- (ii) the Notes are (deemed to be) attributable to the assets of an enterprise that is effectively managed in The Netherlands and the donor or the deceased is entitled, other than by way of securities or through

an employment contract, to a share in the profits of that enterprise, at the time of the gift or at the time of his or her death; or

- (iii) in the case of a gift of the Notes by a holder who at the date of the gift was neither a resident nor deemed to be a resident of The Netherlands, such holder dies within 180 days after the date of the gift, while at the time of his or her death being a resident or deemed to be a resident of The Netherlands.

Value added tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of the cash payment made under the Notes, or in respect of a transfer of Notes.

Other taxes and duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty, will be payable in The Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from the 1st July, 2005, to provide to the tax authorities of another Member State details of payment of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

Also with effect from 1st July, 2005, a number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) (a withholding system in the case of Switzerland) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain United States Federal income tax consequences of the purchase, ownership and disposition of the Notes. This summary is based upon the Internal Revenue Code of 1986, applicable income tax regulations, published rulings, administrative pronouncements and court decisions, as of the date hereof, all of which are subject to change or differing interpretations at any time and possibly with retroactive effect. This summary does not discuss all aspects of United States Federal income taxation that may be relevant to a particular investor in light of the investor's particular circumstances. In particular, this summary does not apply to investors who own, directly or through attribution, 10 per cent. or more of the Company's outstanding voting share capital, or to certain types of investors subject to special treatment under the United States Federal income tax laws (such as tax-exempt organisations (including qualified pension plans), banks, insurance companies, regulated investment companies, brokers, dealers, foreign persons and entities, persons holding Notes as part of a 'hedging' or 'conversion' transaction or as a position in a 'straddle', or persons whose functional currency is not the United States dollar). In addition, this summary does not consider the effect of any foreign, state, local or other tax laws, or any other United States tax consequences other than income tax consequences, that may be applicable to particular investors. This summary does not address any tax consequences applicable to

holders of equity interests in a holder of the Notes. This summary also assumes that the Notes are held as capital assets and that there will be no substitution of another entity in place of the Issuer as principal debtor in respect of the Notes. Each prospective purchaser of the Notes should consult its own tax advisors concerning the application of United States Federal Income Tax laws to its particular situation as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

To ensure compliance with U.S. Treasury Department regulations, we advise you that any tax discussion herein was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding U.S. Federal income tax penalties that may be imposed on the taxpayer. Any such tax discussion was written to support the promotion or marketing of the Notes to be issued pursuant to this Prospectus. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The following summary deals only with holders who purchase Notes at original issuance and is limited to a general discussion of the tax consequences of the purchase, ownership and disposition of Notes. The Final Terms for each series of Notes may describe additional tax consequences, if any, that relate to the specific Notes to be issued. Accordingly, this discussion should be read only in connection with the discussion, if any, of U.S. Federal income tax considerations contained in the Final Terms to which investors are referred and does not, by itself, necessarily discuss all of the material U.S. Federal income tax issues of a particular series of Notes.

This summary deals only with holders who purchase Notes in this offering at the 'issue price' (which will be the price at which a substantial amount of the Notes is sold to persons other than bond houses, brokers or similar persons acting in the capacity of underwriters, agents or shareholders). In addition, this summary assumes the Notes are treated as debt for U.S. Federal income tax purposes.

As used herein, the term '**U.S. Holder**' means a beneficial owner of a Note that is for U.S. Federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate the income of which is subject to U.S. Federal income taxation regardless of its source; or (iv) a trust the administration of which is subject to the primary supervision of a court in the United States and with respect to which one or more U.S. persons have the authority to control all substantial decisions. If a partnership holds Notes, the consequences to a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner in a partnership holding Notes should consult its own tax advisor.

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

Payments of Interest and Discount on the Notes

Stated Interest

Except as described below, the amount of any stated interest payments on a Note will be taxable to a U.S. Holder as ordinary interest income in accordance with such U.S. Holder's method of accounting for U.S. Federal income tax purposes. If an interest payment is denominated in or determined by reference to a '**Foreign Currency**' (a currency other than the U.S. dollar), then special rules, described below under '*Foreign Currency Notes*' apply.

Original Issue Discount

If a U.S. Holder holds Notes which have original issue discount ('**OID**') and which have a maturity of more than one year from their date of issue, such U.S. Holder will generally be required to recognise such OID as ordinary interest income under a constant yield method in advance of the receipt of cash payments to which such income is attributable, regardless of the U.S. Holder's method of accounting. Special rules apply to OID on a Note that is denominated in Foreign Currency. See '**Foreign Currency Notes**'.

A Note has OID to the extent that the Note's 'stated redemption price at maturity' exceeds its 'issue price,' but only if such excess equals or exceeds a specified minimum amount (generally, an amount equal to one quarter of one per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). The stated redemption price at maturity of a Note generally is the sum of all payments provided by the Note other than payments of 'qualified stated interest'. The term '**qualified stated interest**' generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate (or at certain floating rates) that appropriately takes into account the length of the interval between stated interest payments. The issue price of a Note is the first price at which a substantial amount of such issue of Notes has been sold (ignoring sales to bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, agents, or wholesalers).

In general, if the excess of a Note's stated redemption price at maturity over its issue price is less than the specified minimum amount, then such excess constitutes '*de minimis* OID'. Unless the election described below under '*Election to Treat All Interest as OID*' is made, such a Note will not be treated as issued with OID (in which case the following paragraphs under '**Original Issue Discount**' will not apply) and a U.S. Holder of such a Note must include such *de minimis* amount of income as stated principal payments on the Note are made. The amount includible with respect to each such payment will equal the product of the total amount of the Note's *de minimis* OID and a fraction, the numerator of which is the amount of the principal payment and the denominator of which is the stated principal amount of the Note.

Except as described below with respect to Short Term Notes (defined herein), the amount of OID that a U.S. Holder will be required to include in income in a taxable year will be determined by allocating to each day of the taxable year for which the U.S. Holder holds the Note the pro rata daily portions of OID attributable to the 'accrual period.' An accrual period may be of any length selected by the U.S. Holder and the accrual periods may vary in length over the term of the Note as long as (i) each accrual period is no longer than one year, and (ii) each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of OID allocable to each accrual period generally will equal the product of (i) the Note's 'adjusted issue price' at the beginning of such accrual period and (ii) its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period), less the amount of any qualified stated interest payments allocable to such accrual period. The adjusted issue price of a Note at the beginning of the first accrual period is the issue price. Thereafter, the adjusted issue price of a Note is the sum of the issue price plus the amount of OID previously includable in the gross income of the holder reduced by the amount of any payment previously made on the Note, other than payments of 'qualified stated interest'. Thus, under these rules, a U.S. Holder will generally have to include in income increasingly greater amounts of OID over the life of the Note. Special rules apply for calculating OID in short initial or final accrual periods.

If the Issuer has an unconditional option to redeem or prepay a Note before the Note's stated maturity, such option will be presumed to be exercised if, by utilising any date on which such Note may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the terms of the Note (the '**redemption price**') as the stated redemption price at maturity, the yield on the Note would be lower than its yield to stated maturity and the yield to maturity of the Note will be determined based on this earlier maturity date. If such option is in fact exercised or not exercised contrary to the presumption made (*i.e.*, there is a 'change in circumstances'), then the Note would be treated, solely for OID purposes, as if it were retired and reissued on the date of the change in circumstances for an amount equal to the Note's adjusted issue price on that date.

Floating Rate Notes

Floating Rate Notes will be subject to special rules. Generally, if a Floating Rate Note qualifies as a 'variable rate debt instrument' (as defined in applicable Treasury Regulations) then (i) all stated interest with respect to such Floating Rate Note will be qualified stated interest and hence included in a U.S. Holder's income in accordance with such U.S. Holder's normal method of accounting for U.S. Federal income tax purposes, and

(ii) the amount of OID, if any, will be determined under the general OID rules (as described above under ‘*Original Issue Discount*’) by assuming that the variable rate is a fixed rate equal, in general, to the value, as of the issue date, of the floating rate.

If any of the Floating Rate Notes do not qualify as ‘variable rate debt instruments,’ such Floating Rate Notes will be classified as contingent payment debt instruments and will be subject to special rules for calculating the accrual of stated interest and OID.

Additional information concerning the tax consequences of holding a Floating Rate Note may be provided in the applicable Final Terms. Prospective investors should consult their own tax advisors concerning the tax consequences of holding Floating Rate Notes.

Index Linked Notes

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

Short Term Notes

Generally, an accrual basis U.S. Holder of ‘Short Term Notes’ (*i.e.*, Notes having a fixed maturity date not more than one year from the date of issue) is required to accrue OID on Short Term Notes on either a straight-line basis or, at the election of the U.S. Holder, under the constant yield method (based on daily compounding). An individual or other cash basis U.S. Holder of a Short Term Note is generally not required to accrue OID for U.S. Federal income tax purposes unless it elects to do so.

For purposes of determining the amount of OID subject to these rules, applicable Treasury Regulations provide that, unlike the rules applicable to the determination of OID with respect to Notes which are not Short Term Notes, no interest payments on a Short Term Note will be qualified stated interest. Consequently, such interest payments are included in the Short Term Note’s stated redemption price at maturity and therefore may give rise to OID (or acquisition discount) even if the Short Term Notes are not actually issued at a discount. U.S. Holders should consult their own tax advisors as to the application of these rules.

Amortisable Bond Premium

A U.S. Holder that purchases a Note for an amount in excess of the sum of all amounts, other than qualified stated interest, payable on the Note after the purchase date will be considered to have purchased the Note at a premium (‘**bond premium**’) and will not be required to include any OID in income with respect to such Note. A U.S. Holder generally may elect to amortise the premium over the remaining term of the Note under a constant yield method. For any Floating Rate Note or Index Linked Note that is a ‘variable rate debt instrument’ under applicable income tax regulations, that method is implemented by constructing an ‘equivalent fixed rate instrument’, as provided in applicable Treasury Regulations. The amount amortised in any year reduces both the U.S. Holder’s adjusted basis in the Note and interest income from the Note. Any excess bond premium allocable to an accrual period is deductible by the holder for that accrual period. The amount deductible, however, is limited by the amount of the holder’s prior income inclusions on the instrument, and any excess is carried forward to the next accrual period. In addition, in the case of instruments that have alternative payment schedules that are predicated on the unilateral exercise of an option by the issuer or the holder, the amount of bond premium that is amortisable in an accrual period is calculated by assuming that both the issuer and the holder will exercise or not exercise options in a manner that maximises the holder’s yield. Thus, a holder may be required to amortise bond premium by reference to the stated maturity, even if it appears likely that the Note will be called. The Treasury Regulations also contain rules applicable if such contingency occurs or fails to occur contrary to the assumption utilised.

U.S. Holders not making an election to amortise bond premium are not required to reduce the adjusted basis of their Notes and consequently may recognise less gain or more loss upon their disposition. The election to amortise bond premium, once made, applies to all debt instruments held or subsequently acquired by the electing U.S. Holder on or after the first day of the taxable year to which the election applies and may not be revoked without the consent of the IRS. Holders should consult their own tax advisors concerning the consequences, means and advisability of making this election.

Election to Treat All Interest as OID

Subject to certain limitations, a U.S. Holder of a debt instrument generally may elect to treat all interest that accrues on the instrument as OID. Interest for this purpose includes stated interest not previously included in income, OID (including any *de minimis* OID), and acquisition discount, adjusted for amortisable bond premium and acquisition premium. If a U.S. Holder makes this election for a Note with amortisable bond premium, the election is treated also as an election under the amortisable bond premium provisions, described above, and the electing U.S. Holder will be required to amortise bond premium currently for all of the U.S. Holder's other debt instruments with amortisable bond premium. U.S. Holders of Notes should consult their own tax advisors concerning the consequences, means and advisability of making such an election.

Non-U.S. Holders

Non-U.S. Holders will generally not be subject to U.S. Federal income tax on payments of principal, interest (including OID) and premium (if any) on any Note unless such principal, interest or premium payment is effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States.

Disposition of a Note

U.S. Holders

Except as discussed above, upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest not previously included in income, which will be taxable as such) and such U.S. Holder's adjusted tax basis in such Note. A U.S. Holder's adjusted tax basis in a Note generally will equal such U.S. Holder's initial investment in such Note increased by any OID included in income and any accrued market discount included in income and decreased by the amount of any payments that are not deemed qualified stated interest payments and amortisable bond premium applied to reduce interest with respect to such Note. Such gain or loss generally will be long-term capital gain or loss if the Note was held for more than one year. Deduction of capital losses for U.S. Federal income tax purposes is subject to limitations.

Non-U.S. Holders

Non-U.S. Holders generally will not be subject to U.S. Federal income taxation on gain or income unless (a) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year and has certain other connections with the United States or (b) such gain is effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States.

Foreign Tax Credit Sourcing Rules

Interest and OID on the Notes should be treated as income from sources outside the United States for purposes of the foreign tax credit limitation.

Gain or loss recognised on the sale, exchange or retirement of a Note by a U.S. Holder generally will constitute income from sources within the United States.

U.S. Holders of Notes should consult their own tax advisors concerning the source of income or loss with respect to the Notes and the application of the foreign tax credit limitation generally.

Foreign Currency Notes

The following summary relates to Notes that are denominated in a currency or basket of currencies other than the U.S. dollar (**'Foreign Currency Notes'**).

Payments of Interest in a Foreign Currency

A U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including OID or market discount and reduced by amortisable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Note during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. A U.S. Holder may elect, however, to translate such accrued interest income using the spot rate on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate on the last day of the taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder may translate such interest using the spot rate on the date of receipt. U.S. Holders should consult their own tax advisors concerning the consequences, means and advisability of making such an election.

A U.S. Holder who receives a payment of interest in Foreign Currency may recognise exchange gain or loss (which will be treated as ordinary income or loss) with respect to accrued interest income on the date such income is received. The amount of ordinary income or loss recognised will equal the difference, if any, between the U.S. dollar value of the Foreign Currency payment received (determined using the spot rate on the date such payment is received) in respect of such accrued interest and the U.S. dollar value of the income inclusion with respect to such accrued interest (as determined above).

Special rules apply to market discount and bond premium received on Foreign Currency Notes. U.S. Holders of Notes should consult their own tax advisors regarding such special rules.

Foreign Currency Discount Notes

OID for any accrual period on a Note that is denominated in a Foreign Currency will be determined in the Foreign Currency and then translated into U.S. dollars in the same manner as stated interest accrued before receipt, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder may recognise exchange gain or loss (which will be treated as ordinary gain or loss) measured by the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued.

Foreign Currency Gain or Loss on Sale, Exchange or Retirement

If a U.S. Holder receives Foreign Currency on a sale, exchange or retirement of a Note, the amount realised will be based on the U.S. dollar value of the Foreign Currency on the date the payment is received or the instrument is disposed of (or deemed disposed of). Gain or loss realised upon the sale, exchange or retirement of a Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between the U.S. dollar value of the Foreign Currency principal amount of a Note, determined using the spot rate on the date such payment is received or such Note is disposed of, and the U.S. dollar value of the Foreign Currency principal amount of such Note, determined

using the spot rate on the date the U.S. Holder acquired such Note. Such Foreign Currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of such Note.

Payment of Interest or Principal in Dollars

If a U.S. Holder receives such payment in U.S. dollars, the receipt of payment should be treated as though payment were made in the Foreign Currency and such Foreign Currency immediately exchanged for U.S. dollars. With respect to the deemed payment in Foreign Currency, the rules described above should apply. With respect to the deemed exchange of Foreign Currency for U.S. dollars, additional currency exchange gain or loss would be realised to reflect the difference between (i) the U.S. dollar value of the Foreign Currency at the spot rate in effect on the payment date, and (ii) the actual amount of U.S. dollars received.

Backup Withholding and Information Reporting

U.S. Holders

In general, information reporting and ‘backup withholding’ may be required with respect to principal and interest payments, and proceeds from certain sales of an obligation prior to maturity, made within the United States and the accrual of OID to a non-corporate U.S. Holder if such holder fails to (i) furnish a taxpayer identification number, (ii) certify that such holder is not subject to backup withholding or (iii) otherwise comply with applicable requirements of the backup withholding rules.

Non U.S. Holders

Information reporting and backup withholding generally will not apply to payments made to a Non-U.S. Holder made outside the United States unless the Issuer or the relevant paying agent has reason to know that such holder is a United States person. Principal and interest on a Note paid by the U.S. office of a custodian, nominee or agent of the beneficial owner, or the payment by the U.S. office of a broker of the proceeds of a sale or exchange of a Note will be subject to backup withholding and information reporting unless the beneficial owner complies with the certification procedures for non-United States persons, or otherwise establishes an exemption from information reporting.

If interest payments are collected outside of the United States by a foreign office of a custodian, nominee or other agent on behalf of a beneficial owner of a Note, backup withholding or information reporting by such custodian, nominee or other agent generally will not be required with respect to interest payments made to such owner. However, if such custodian, nominee or other agent is a United States person or a U.S. controlled person (as herein defined), information reporting and, in certain cases, backup withholding will be required with respect to interest payments made to such owner unless such custodian, nominee or other agent has documentary evidence in its records that such owner is not a United States person and does not have reason to know that such evidence is false, or the beneficial owner otherwise establishes an exemption from information reporting and backup withholding.

Payment of the proceeds on the retirement or sale of a Note outside the United States or to or through a foreign office of a broker generally will not be subject to information reporting and backup withholding. However, if such broker is a United States person or a U.S. controlled person information reporting and, in certain cases, backup withholding will apply to such payment unless, in general, such broker has documentary evidence in its records that the owner is not a United States person and does not have reason to know that such evidence is false or the beneficial owner otherwise establishes an exemption from such reporting.

For purposes of the above, ‘**U.S. controlled person**’ means: (i) a controlled foreign corporation for U.S. Federal income tax purposes; (ii) a foreign person 50 per cent. or more of whose gross income for the three year period ending with the close of its taxable year preceding the year of payment is effectively connected

with a U.S. trade or business; or (iii) a foreign partnership if, at any time during its tax years, one or more of its partners are U.S. persons who in the aggregate hold more than 50 per cent. of the income or capital interest of the partnership or if, at any time during its taxable year, it is engaged in the conduct of a trade or business within the United States.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have in an Amended and Restated Programme Agreement dated September 20, 2005 (the '**Amended and Restated Programme Agreement**') as supplemented by a Supplemental Programme Agreement dated August 9, 2006 (the '**First Supplemental Programme Agreement**'), a Second Supplemental Programme Agreement dated April 18, 2007 (the '**Second Supplemental Programme Agreement**') and a Third Supplemental Programme Agreement dated April 8, 2008 (together with the Amended and Restated Programme Agreement, the First Supplemental Programme Agreement and the Second Supplemental Programme Agreement, the '**Programme Agreement**'), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under '*Form of the Notes*' and '*Terms and Conditions of the Notes*' above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection herewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions with a view to supporting the market price of the relevant Notes during and after the offering of the Tranche at a level higher than that which might otherwise prevail. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may support the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to support the market price of the Notes at a level higher than that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof.

To the extent that the provisions of Directive 2003/6/EC of the European Parliament and of the Council (the '**Market Abuse Directive**') are required to be observed, in connection with the issue of any Tranche of Notes, the Dealer or Dealers named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes (provided that, in the case of any Tranche of Notes to be listed or admitted to trading on Euronext Amsterdam or another regulated market, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any such stabilisation action may begin on or after the date on which adequate public disclosure of the final terms (in the case of Notes convertible or exchangeable into shares or into other securities equivalent to shares) or terms (in all other cases) of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

To the extent that the provisions of the Market Abuse Directive are not required to be observed in connection with the issue of any Tranche of Notes, then in connection with the issue and distribution of any Tranche of Notes, the Dealer or Dealers named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there may be no obligation on the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all relevant laws and regulations. If so required by applicable law or regulation, stabilising will in any event be brought to an end within 30 days after the Closing Date applicable to such Notes.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (iii) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (c) it is outside the United States and is not a U.S. person;
- (iv) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (v) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is two years after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;
- (vi) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;
- (vii) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (viii) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

‘THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ‘SECURITIES ACT’), OR ANY U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A ‘QUALIFIED INSTITUTIONAL BUYER’ (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING (OR HOLDING) THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL

BUYERS OR (2) IT IS AN INSTITUTIONAL ‘ACCREDITED INVESTOR’ (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN ‘INSTITUTIONAL ACCREDITED INVESTOR’); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).’;

- (ix) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (a)(i) in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

‘THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ‘SECURITIES ACT’), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.’; and

- (x) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or

agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in private transactions that are exempt from registration under the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see '*Form of the Notes*'.

The IAI Investment Letter will state, among other things, the following:

- (i) that the Institutional Accredited Investor has received a copy of the Prospectus and such other information as it deems necessary in order to make its investment decision;
- (ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Prospectus and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;
- (iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;
- (iv) that the Institutional Accredited Investor is an 'Accredited Investor' within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;
- (v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$100,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$100,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (**‘Regulation S Notes’**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$100,000 (or the approximate equivalent thereof in any other currency). The Issuer has agreed that, for so long as any of the Notes are ‘restricted securities’ within the meaning of Rule 144(a)(3) under the Securities Act, to the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, it will furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

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

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **‘Relevant Member State’**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **‘Relevant Implementation Date’**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **‘Non-exempt Offer’**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms

contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;

- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an ‘**offer of Notes to the public**’ in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression ‘**Prospectus Directive**’ means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Bearer Zero Coupon Notes and other Notes which qualify as savings certificates as defined in the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) may only be transferred or accepted through the mediation of either the Issuer or a Member of Euronext Amsterdam N.V. with due observance of the Savings

Certificates Act and its implementing regulations (including registration requirements), provided that no mediation is required in respect of (i) the initial issue of those Notes to the first holders thereof, (ii) any transfer and delivery by individuals who do not act in the conduct of a profession or trade, and (iii) the issue and trading of those Notes, if they are physically issued outside The Netherlands and are not distributed in The Netherlands in the course of primary trading or immediately thereafter.

Each Dealer has represented and agreed that any Notes with a maturity of less than 12 months and a denomination of less than EUR 50,000 will only be offered in or outside The Netherlands to professional market parties as defined in the Financial Supervision Act (*Wet op het financieel toezicht*) and the decrees issued pursuant thereto.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the 'FIEL'). Accordingly each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any other additional restrictions set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes under the Programme have been duly authorised by a resolution of the Board of Management of the Issuer dated August 24, 1998. This resolution was lawfully approved by the Supervisory Board on September 1, 1998. An increase of the maximum aggregate nominal amount of the Programme from U.S.\$5,000,000,000 to U.S.\$10,000,000,000 was duly authorised by a resolution of the Board of Management of the Issuer dated June 19, 2000. The resolution was lawfully approved by the Supervisory Board on June 26, 2000.

A further increase of the maximum aggregate nominal amount of the Programme from U.S.\$10,000,000,000 to €10,000,000,000 was duly authorised by a resolution of the Board of Management of the Issuer dated March 1, 2007. The resolution was lawfully approved by the Supervisory Board on April 3, 2007.

The renewal of the Programme (including changing the maximum aggregate nominal amount from €10,000,000,000 to an unlimited amount) and the issue of the Notes have been duly authorised by a resolution of the Board of Management of the Issuer dated March 20, 2008. The resolution was lawfully approved by the Supervisory Board on March 27, 2008. All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of The Netherlands have been given for the issue of Notes and for the Issuer to undertake and perform its obligations under the Programme Agreement, the Agency Agreement and the Notes.

Listing and admission to trading

Application has been made to Euronext Amsterdam for Notes issued under the Programme and up to the expiry of 12 months from the date of this Prospectus to be admitted to trading on Euronext Amsterdam.

Documents Available

So long as Notes are capable of being issued under the Programme for the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available free of charge in English from the registered office of the Issuer and from the specified offices of the Principal Paying Agent:

- (i) an English translation of the most recent Articles of Association of the Issuer;
- (ii) the annual reports of the Issuer for the years ended 2006 and 2007 (containing the audited financial statements of the Issuer, which include the consolidated financial statements), in each case together with the audit reports prepared in connection therewith;
- (iii) the Programme Agreement and the Agency Agreement (which contains the forms of the global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons);
- (iv) a copy of this Prospectus;
- (v) each set of Final Terms in respect of Notes which are listed or admitted to trading on any market; and
- (vi) in the case of each issue of listed Notes subscribed pursuant to a syndication agreement, the syndication agreement (or equivalent document).

Clearing and Settlement Systems

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and the Securities Clearing Corporation of Euronext Amsterdam. The appropriate Common Code, ISIN and Fondscode for each Tranche of Notes allocated by Euroclear, Clearstream, Luxembourg and the Securities Clearing Corporation of Euronext Amsterdam, and any other relevant security code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries, taken as a whole, and there has been no material adverse change in the financial position or prospects of the Issuer, or the Issuer and its subsidiaries taken as a whole, since December 31, 2007.

Litigation

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

Auditors

The auditors of the Issuer are PricewaterhouseCoopers Accountants N.V. ('PWC'). The individual auditors of PWC are members of The Netherlands Institute for Registeraccountants ('NIVRA'). PWC have audited the financial statements of the Issuer, prepared in accordance with IFRS for the financial years ended December 31, 2007 and December 31, 2006 and issued reports without qualification for each of these years. The auditors of the Issuer have no material interest in the Issuer. The business address of PWC is P.O. Box 30715, 2500 GS The Hague, The Netherlands.

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

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Commercial Register

The Issuer is registered in the Commercial Register of Haaglanden under No. 02045200.

Issuer's Website

The Issuer's website address is www.kpn.com. Information on the Issuer's website does not form part of this Prospectus and may not be relied upon in connection with any decision to invest in any Notes.

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GLOSSARY OF TERMS

ADR

American Depository Receipt

ADS

American Depository Share

ADSL

Asymmetric Digital Subscriber Line

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

All-IP

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

AMPU

Average Minutes Per User

Weighted AMPU are calculated by taking the weighted average of the monthly AMPU during the year. The monthly AMPU is calculated by dividing total traffic volumes during a month by the average number of customers in that month. Each month is weighed according to the average number of customers in that month.

ARPU

Average Revenue Per User

ARPU is the sum of connection fees, monthly fixed subscription revenues, traffic revenues and gross service provider revenues less related discounts during a one-month period, divided by the average number of customers during that month. Gross service provider revenues represent revenues generated by third-party providers. We account for the net part as gross service provider revenues. Gross service provider revenue is mainly generated by E-Plus.

ATM

Asynchronous Transfer Mode

ATM is a transfer mode in which the information is organized into cells. It is asynchronous in the sense that the recurrence of cells containing information from an individual user is not necessarily periodic.

Backbone

Central processing point.

BiPT

Belgisch instituut voor Postdiensten en Telecommunicatie

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

Bitstream access

Unbundled access to KPN's metallic local loops using DSL and ATM technology over KPN's copper infrastructure. A BitStream access connection consists of an xDSL broadband connection combined with an ATM Permanent Virtual Circuit.

Broadband

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

Bundesnetzagentur (former RegTP)

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

Carrier Select

Method to opt for a different operator by entering an access code.

Churn

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

CityRing

Fiber optic access network for data and Internet traffic in and across several Dutch cities.

Co-location

The provision of space and technical facilities (such as power supply and air-conditioning) for a customer's telecommunications equipment on the service provider's premises, in the framework of interconnection or special access.

Content

The information presented on Internet sites, including its structure.

CPS**Carrier (Pre)Selection**

With CPS, a customer is no longer required to dial the Carrier Select Code. The end user can dial the Carrier Select Code via an interactive Voice Response System.

Customer base

Customer base figures of our mobile operators consist of the number of end users as of the end of a period. The figures include data-only and PC connections, but exclude connections suitable for machine-base traffic. The customer base also comprises inactive prepaid users, who have had neither incoming nor outgoing traffic for three months, but have not met disconnection criteria.

DCS**Digital Cellular System**

Mobile telephone network based on the GSM standard.

DSL**Digital Subscriber Line**

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

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

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

DWDM**Dense Wavelength Division Multiplexing**

Use of DWDM allows providers to offer services such as e-mail, video, and multimedia carried as Internet protocol (IP) data over asynchronous transfer mode (ATM) and voice carried over SDH. Despite the fact that these formats—IP, ATM, and SDH—provide unique bandwidth management capabilities, all three can be

transported over the optical layer using DWDM. This unifying capability allows the service provider the flexibility to respond to customer demands over one network.

EDGE

Enhanced Data rates for GSM Evolution

Enhanced data rates for GSM evolution. EDGE is a behind-the-scenes technology, pushing GPRS download speeds to above 100 kbps.

Ecapacity-VPN (E-VPN) or IP-VPN

Connects two or more offices using IP-VPN.

EuroRing

Fiber optic network for data and Internet traffic, running through several European cities.

GPRS

General Packet Radio Service

Particularly suited for voice, text and images. GPRS is an application that enables data packet switching via the GSM network as well as via the existing voice communication. GPRS will complement the existing CSD (Circuit Switched Data) of the GSM system. GPRS is based on the Global System for Mobile communications.

Gross churn ratio

Gross churn ratio is defined as the number of end-user relations terminated as a percentage of the average subscriber base. The ratio includes postpaid customers discontinuing the usage of our services due to involuntary churn (e.g. disconnections due to non-payment) and voluntary churn (e.g. customers switching to other operators) as well as prepaid customers whose call credits were not recharged in the past 13 months.

GSM

Global System for Mobile communications

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

Hirka

Our traditional backbone network.

HSDPA

High-Speed Downlink Packet Access

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

ICT

Information, Communication and Technology

i-mode

Mobile data services originally developed and launched by NTT DoCoMo.

IP-VPN

Internet Protocol – Virtual Private Network

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

ISDN

Integrated Services Digital Network

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

ISP**Internet Service Provider**

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

Lambda

Our national fiber optic network in The Netherlands.

LAN**Local Area Network**

A LAN is a network designed to move data between stations within a campus.

Local Loop

The system, being a wired connection from a telephone company's central office in a locality to its customers' telephones at homes and businesses, was originally designed for voice transmission only using analog transmission technology on a single voice channel. Today, a computer modem converts analog signals and digital signals. With ISDN or DSL, Local Loop can carry digital signals directly and at a much higher bandwidth than for voice only.

Market share

The operator's share in the total industry revenues in a country.

MDF**Main Distribution Frame**

Allows other telecommunications companies to access the local network, enabling them to connect with their customers through our main distribution frame.

MetroRings

City-level networks.

MMS**Multimedia Message Service**

MMS is the ability to send messages comprising a combination of text, sounds, images and video to MMS capable handsets.

MoU**Minutes of Use**

Minutes of Use is calculated by taking the weighted average of the monthly MoU during the year. The monthly MoU is calculated by dividing total traffic volumes during a month by the average number of customers in that month. Each month is weighed according to the average number of customers in that month.

MPLS**Multi Protocol Label Switching**

Allows customers to classify and prioritize applications over their network according to their own business needs, while providing them with a high level of performance, security and reliability.

MTA tariff**Mobile Terminating Access tariff**

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

MVNO**Mobile Virtual Network Operator**

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

NMa**Nederlandse Mededingingsautoriteit**

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

OPTA**Onafhankelijke Post en Telecommunicatie Autoriteit**

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

Portal

Platform offering service providers and their customers access to fixed or mobile data services.

PSTN**Public Switched Telephone Network**

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

SDH**Synchronous Digital Hierarchy**

A digital technology for synchronous data transmission on optical media at very high speeds (155 Kbps and higher).

SDSL**Symmetrical Digital Subscriber Line**

SDSL transports only data and no traditional voice. SDSL uses similar speeds for up and download.

SIM card**Subscriber Identity Module card**

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

SMS**Short Message Service**

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

SoHo/SME

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

Spam

Unsolicited emails, usually to many recipients. Nor a message written for and mailed to one individual known to the sender neither a reply to an email is spam, unless that 'reply' is resent endlessly.

UMTS**Universal Mobile Telecommunications System**

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

VPN**Virtual Private Network**

A virtual network constructed from logic connections that are separated from other users.

VoDSL**Voice over DSL**

Voice telephony and broadband Internet together.

VoIP**Voice over IP**

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

WiFi**Wireless Fidelity**

For an explanation, reference is made to WiMax and WLAN.

WiMax**Worldwide Interoperability for Microwave Access**

WiMax is a standards-based wireless technology providing high-throughput broadband connections over long distances that can be used for a number of applications, including “last-mile” broadband connections, hotspots and high-speed enterprise connectivity for business. It is conceptually similar to WiFi, but has certain improvements aimed at a better performance and permitting usage over much greater distances.

WLAN**Wireless Local Area Network**

Through this wireless connection, Internet access is provided at the speed of broadband.

WLR**Wholesale Line Rental**

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

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