

Performance level	Pay-out level (as a % of target bonus pay-out)
Below threshold	0%
Threshold – Target	25% – <100%
Target	100%
Target – Maximum	>100% – 150%
Above maximum	150%

A personal modifier between 0.5 and 1.5 is used to award the performance on individual objectives; its determination is partly discretionary. There is no payout below a certain threshold of the financial performance. The Supervisory Board has the discretion to adjust the final bonus payment to take into account management achievements which created value for the company, but which were not included in the bonus items.

For the 2007 bonus, which will be paid-out in 2008, performance on revenues and other income at the Corporate level was below target, while performance on profit before taxes well exceeded the maximum level. Performance on revenues of the Consumer Segment and Business Segment was well above target. EBITDA of the Consumer Segment and Business Segment are on target. For Mobile International the revenues and EBITDA were below the threshold.

Long-term incentives

Design principles and objectives: to align the objectives of the Board of Management to the value creation objectives of the shareholders, conditional rights on KPN shares are awarded under a Performance Share Plan as an integral part of the pay for performance principles. The alignment of the long term incentive opportunity with a Performance Share Plan reflects the market developments and encourages retention of key employees. The annual target grant levels for members of the Board of Management are set as a percentage of their base pay:

- for the CEO: in 2007 a target grant level of 60% of base pay (38% related to the applicable Performance Share Plan grant and 22% related to the applicable option grant) and for 2008 a target grant level (equity-settled) of 150% of base pay; and
- for other members of the Board of Management: in 2007 a target grant level up to 75% of base pay.

Performance Share Plan ('PSP'): the PSP was reviewed at the end of 2006 in light of changing Dutch tax regulations that became effective as of January 2007. As a result, the type of settlement from the PSP plan changed from equity-settled to cash-settled as of 2007 onwards and was approved at the AGM on April 17, 2007. For further details refer to note 3 of the financial statements for the description and valuation of the option- and share plans.

Vesting and other conditions of the Performance Share Plan: the conditionally granted PSP award for members of the Board of Management (excluding the CEO) will vest after three years if the employee is still employed with KPN. The vesting is subject to whether the Company achieves a pre-set level of Total Shareholder Return relative to a peer group of telecommunication companies with which the Company competes. An alternative vesting schedule is applicable for the CEO. For the award under the PSP in 2006 (vesting in 2009), participants will be obliged to hold on to the (net number of) shares obtained upon vesting of the Performance Shares for a period of at least two years. An exception to the two-year holding period is made with respect to shares that were sold upon vesting to cover the tax obligation on the vested shares. The 2007 PSP awards obtained upon vesting of the Performance Shares will be settled in cash and no holding restrictions apply.

The vesting of performance shares is based on KPN's ranking among peer companies at the end of the performance period. The vesting of performance stock options (under the performance stock option plan that was operated until 2006) is also based on KPN's ranking among peer companies at the end of the performance period. The Company will be ranked based on its total return to shareholders, relative to the Total Shareholder Return (TSR) of the peer group. The following companies are included in this peer group:

Belgacom	Portugal Telecom SA
BT Group Plc	Swisscom
Carso Global Telecom (until 2006)	Telecom Italia Spa
Deutsche Telekom	Telefónica S.A.
France Télécom	Telekom Austria
Hellenic Telecom (from 2007 onwards)	Telenor
Mobistar (until 2006)	TeliaSonera AB
NTT DoCoMo Inc. (until 2006)	Vodafone Group Plc

The peer group used for Relative Total Shareholder Return reflects the relevant competitive market in which KPN competes for investor preference. This peer group is different from the

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employment market peer group, which is used to determine remuneration levels for the CEO and members of the Board of Management. The reference groups may change if an individual company no longer qualifies to be taken into account.

The following vesting schedule is applied to performance options and performance shares for the Performance Stock Option Plan (PSOP) 2005 and the PSP 2006:

Position	Vesting %
Position 16 to 13	No vesting takes place
Position 12 to 9	50% of the options/shares vest
Position 8 to 5	100% of the options/shares vest
Position 4 to 1	200% of the options/shares vest

As of the end of 2007, KPN held the third position with respect to the 2005 option grant, which leads to a vesting percentage of 200% of the options that vest in April 2008. As of the end of 2007, KPN holds the fifth position concerning the 2006 share grant. This position is not an indication of KPN's final ranking after the three-years performance period (2006-2008).

As a result of the review of the TSR peer group, the number of companies in the peer group decreased from 16 to 14. Subsequently, the vesting schedule changed for 2007 and onwards. The following vesting schedule is applied to performance shares for the PSP 2007:

Position	Vesting %
Position 11 to 14	No vesting takes place
Position 10	50% of the shares vest
Position 9	66% of the shares vest
Position 8	83% of the shares vest
Position 7	100% of the shares vest
Position 6	117% of the shares vest
Position 5	133% of the shares vest
Position 4	150% of the shares vest
Position 3	166% of the shares vest
Position 2	183% of the shares vest
Position 1	200% of the shares vest

At the end of 2007, KPN held the fifth position with respect to the 2007 share-based grant. This position is no indication of KPN's final ranking after the three-years performance period (2007-2009).

In addition to the PSP award, for Mr. Miller, a separate long-term incentive arrangement applies as agreed in his previous position before joining the Board of Management. The arrangement is based on E-Plus and BASE EBITDA for the years 2005 through 2008. Mr. Miller would be entitled to a pay-out after three years up to a maximum of EUR 5 million.

The incentive scheme will run until the end of 2008. In the event of reaching maximum performance earlier, the maximum bonus will be payable after the year end closing and sign off on the accounts by the auditors.

Benefits

Pensions

The CEO receives a defined benefit pension based on a final pay structure with a retirement age of 65 and an attainable pension equals to 70% of his last fixed salary. The defined benefit pension of the CEO was fully funded at the start of his employment in 2001. No service charges to the pension provision are allocated because the fixed salary remains unchanged.

A new defined contribution pension plan was introduced for the Board of Management in 2006 effective January 1, 2006. Future Board of Management members will be eligible for this defined contribution pension plan with a contribution based on the fiscal defined contribution table that corresponds with a retirement age of 65 and an annual accrual rate of 2.25%.

Those members that were already on the Board of Management prior to January 1, 2006 will continue to participate in the previous pension plan. This was a hybrid pension plan, which combined a base defined benefit career-average component with a supplementary defined contribution component. This plan has a defined benefit indexed career-average module up to a maximum salary level of EUR 45,378 and an age-related defined contribution module for salary levels above EUR 45,378. The annual accrual rate in the career average module equals 2% with a normal retirement age of 62. A temporary defined benefit career-average pension between retirement age 62 and age 65 is applicable with an annual accrual rate of 2%. As a transitional arrangement, an adjustment was made to the retirement age, from age 62 to age 65, and the annual accrual rates (assumptions) were adjusted accordingly from 2% to 2.25%.