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**EXPLANATION OF  
THE PROPOSED AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION OF  
Koninklijke KPN N.V.,  
having its official seat in 's-Gravenhage.**

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pertaining to the proposal dated 21 February 2005  
that will be submitted to the general meeting of shareholders  
to be held on 12 April 2005.

**ALLEN & OVERY**  
AMSTERDAM

**EXPLANATION OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF ROYAL KPN N.V. ("KPN") dated 21 February 2005, to be submitted for the approval of the general meeting of shareholders to be held on 12 April 2005.**

**General**

It is proposed to amend the articles of association of KPN in order to bring them into line with the act on amendment of Book 2 of the Netherlands Civil Code, in respect of the amendment of the so-called 'large company rules' (*Wijziging van Boek 2 van het Burgerlijk Wetboek in verband met de aanpassing van de structuurregeling*) that entered into force as per 1 October 2004 and the Netherlands Corporate Governance Code (the "**Code**").

Finally, some technical amendments are proposed.

**Delivery of bearer ordinary shares**

In accordance with article 26 of the Securities Bank Giro Transfer Act (*Wet giraal effectenverkeer*), KPN may make the delivery (*uitlevering*) of bearer ordinary shares impossible pursuant to a resolution of the Board of Management that has been approved by the Supervisory Board and with due observance of a waiting period of 6 months after announcement of such resolution. (Article 6 paragraph 10)

**Remuneration of the Board of Management**

Pursuant to the provisions of the Code, KPN is required to have a policy on the remuneration of the Board of Management. This remuneration policy must be adopted by the general meeting, on the proposal of the Supervisory Board. It is proposed to include a provision in the articles of association of KPN to this effect. (Article 22 paragraph 1 (new))

The remuneration itself will be determined by the Supervisory Board. However, if the remuneration also consists of schemes under which shares or rights to subscribe for shares are granted, proposals in respect of such schemes are subject to the approval of the general meeting. (Article 22 paragraphs 2 and 3 (new))

### **By-laws of the Board of Management**

Article 23 paragraph 3 shall be amended to reflect the fact that the drawing up of by-laws of the Board of Management is no longer optional, but mandatory. KPN has already drawn up by-laws for the Board of Management which have been published on its website.

### **Approval of resolutions of the Board of Management**

Pursuant to article 25 paragraph 1 (new), certain resolutions of the Board of Management shall be subject to the approval of the general meeting. This regards resolutions entailing a significant change in the identity or character of KPN or its business, as referred to in section 107a Book 2 of the Netherlands Civil Code.

### **Profile of the Supervisory Board**

Pursuant to the Code, the Supervisory Board must adopt a profile on its size and composition. This provision is included in article 27 paragraph 2 (new).

### **Appointment, suspension and dismissal of members of the Supervisory Board**

In accordance with section 158 subsection 4 Book 2 of the Netherlands Civil Code members of the Supervisory Board are appointed by the general meeting at a nomination of the Supervisory Board (article 28). The general meeting can resolve to appoint a member of the Supervisory Board in accordance with the nomination of the Supervisory Board, by an absolute majority of the votes cast.

The general meeting and the central works council may recommend candidates to the Supervisory Board to be nominated as members of the Supervisory Board. For this purpose, the Supervisory Board must inform the general meeting and the central works council in time, when, why and in accordance with what profile a vacancy has to be filled in its midst. With regard to one third of the total number of members of the Supervisory Board, the central works council has a stronger right of recommendation (*'versterkt recht van aanbeveling'*), entailing that the Supervisory Board shall put a person recommended by the central works council on the nomination, unless (i) the Supervisory Board objects to the recommendation because it suspects that the recommended person shall be unsuitable for the exercise of the duties of a member of the Supervisory Board or that the Supervisory Board shall not be composed properly in case of appointment in accordance with the recommendation and (ii) the Enterprise Chamber of the Amsterdam Court of Appeal declares the objection well-founded. If the Enterprise

Chamber declares the objection well-founded, the central works council can make a new recommendation.

The general meeting can, by an absolute majority of the votes cast, representing at least one third of the issued capital, reject the nomination of the Supervisory Board. If the general meeting resolves to reject the nomination by an absolute majority, while this majority does not represent at least one third of the issued capital, a new meeting will be convened where the nomination can be rejected by an absolute majority of the votes cast, regardless of what part of the issued capital is represented by such majority.

A new section B shall be added to article 28, containing provisions regarding the decision-making in the general meeting of shareholders on the appointment of members of the Supervisory Board.

The general meeting can, by an absolute majority of the votes cast, representing at least one third of the issued capital, take a vote of no confidence in (*'het vertrouwen opzeggen in'*) the Supervisory Board. A resolution referred to in the previous sentence shall not be passed until after the Board of Management has notified the central works council of the proposed resolution and the reasons therefore. If the central works council defines a position on the proposal, the Board of Management shall inform the Supervisory Board and the general meeting thereof. The central works council can have its position explained in the general meeting of shareholders. If the general meeting resolves to take a vote of no confidence in the Supervisory Board, this resolution shall result in the immediate resignation of all members of the Supervisory Board. In that case the Board of Management shall forthwith request the Enterprise Chamber of the Amsterdam Court of Appeal to temporarily appoint one or more members of the Supervisory Board. The Supervisory Board shall take action to the effect that, within the term stated by the Enterprise Chamber, a new Supervisory Board is constituted in accordance with the provisions of article 28 (new) of the articles of association regarding the appointment of members of the Supervisory Board (article 29).

### **Information to the Supervisory Board**

A new provision will be included in the articles of association of KPN, stating that the Board of Management must, at least once a year, inform the Supervisory Board of the main aspects of KPN's strategic policy, its general and financial risks and its management and auditing systems in writing. (Article 31 paragraph 3 (new))

## **By-laws of the Supervisory Board**

Article 32 paragraph 10 shall be amended to reflect the fact that the drawing up of by-laws of the Supervisory Board is no longer optional, but mandatory. KPN has already drawn up by-laws for the Supervisory Board which have been published on its website.

## **Supervisory Board Committees**

According to the Code, the Supervisory Board should have at least an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee.

In relation thereto, new provisions will be included in the articles of association of KPN, stating that the Supervisory Board may designate one or more committees from among its members, which shall have the responsibilities specified by the Supervisory Board. (Article 32 paragraph 11 (new))

## **Indemnity**

It is common knowledge that the exposure for directors of companies for liability suits, incurring significant defence costs and possibly excessive damages, is considerably larger. Under these circumstances, it is reasonable to protect the Board of Management and the Supervisory Board from these exposures in a way similar to what is common practice in the United States for listed companies. The risks covered by the indemnity provision proposed to be included in the articles of association cannot be fully covered by the existing liability insurance while at the same time coverage is continually decreasing due to developments in the insurance business.

It is proposed to include a new article 33, stating the indemnity by KPN of each member of the Board of Management and each member of the Supervisory Board (each of them a "**Director**") against any and all liabilities, claims, judgements, fines and penalties incurred by the Director as a result of any civil, criminal or administrative action, brought by any party other than KPN itself or its group companies, in relation to acts or omissions in or related to his capacity as a Director.

Any expenses incurred by the Director in connection with any action referred to above shall be reimbursed by KPN, but only upon receipt of a written undertaking by that Director that he shall repay such expenses if a competent Court should determine that he is not entitled to be indemnified.

The Director will not be indemnified with respect to claims in so far as they relate to the gaining in fact of personal profits, advantages or remuneration to which he was not legally entitled, or if the Director shall have been adjudged to be liable for wilful misconduct (*'opzet'*) or intentional recklessness (*'bewuste roekeloosheid'*). The indemnity shall not cover "internal liability" as referred to in section 9, Book 2 of the Netherlands Civil Code, i.e. liability of a Director towards KPN itself. The indemnity shall furthermore not apply to the extent claims and expenses are reimbursed by insurers.

The provisions of Article 33 shall apply to the members of the Board of Management and the members of the Supervisory Board in office as such on the date of taking effect of the amended articles of association, as well as the members of the Board of Management and the members of the Supervisory Board who are appointed as such after this date. (Article 33 paragraph 8 (new))

### **Adoption of the financial statements. Report of the Supervisory Board**

The difference between the adoption and approval of the financial statements no longer exists. The financial statements shall be adopted by the general meeting and no longer by the Supervisory Board. This shall be included in article 34 paragraph 6 and article 38 paragraph 2 (b). The Supervisory Board shall annually prepare a report to be added to the financial statements and the annual report of the Board of Management.

### **Dividends**

Within the scope of the policy on additions to reserves and on dividends of KPN, a proposal to pay dividends on ordinary shares shall be dealt with separately. Consequently, the determination of dividends on ordinary shares will be an item on the agenda of the annual general meeting of shareholders. (Article 35 paragraph 3 (new) and article 38 paragraph 2 (e) (new))

On the special share and on the preference shares B no other distributions will be made out of the profits than those in accordance with article 35 paragraph 1. (Article 35 paragraph 3 (new))

### **Release from liability of the members of the Board of Management and of the Supervisory Board**

The release from liability of the members of the Board of Management and of the Supervisory Board shall be put on the agenda of the annual general meeting of shareholders as two separate items. (Article 34 paragraph 7 (new) and article 38 paragraph 2 (c) and (d) (new))

**Right to request items to be put on the agenda**

Article 40 paragraph 8 of the articles of association of KPN is amended and will state that, in addition to holders of shares representing, individually or in aggregate, at least 1% of the issued capital, also holders of shares representing, individually or in the aggregate, at least a value of EUR 50,000,000 according to the Official Price List, have the right to request the Board of Management or the Supervisory Board to place items on the agenda of the general meeting of shareholders.

These requests have to be honoured by the Board of Management or the Supervisory Board on the condition that (i) important company interests (*'zwaarwichtige belangen van de vennootschap'*) do not dictate otherwise and (ii) the request is received by the Board of Management or the chairman of the Supervisory Board in writing at least 60 days before the date of the general meeting of shareholders.

**Proxy to effect the amendments to articles of association**

The proposed amendments shall also include the granting of a power of authority to each member of the Board of Management, to Mr. M.G. Roovers, Mr. J. Spanbroek and to each junior civil-law notary and notarial assistant of Allen & Overy LLP, attorneys, civil-law notaries and tax consultants in Amsterdam, to apply for the required ministerial certificate of no objection to the draft notarial deed of amendment of articles of association, and to have the notarial deed of amendment of articles of association executed.

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