



## EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

*Koninklijke KPN N.V. invites its shareholders to a General Meeting of Shareholders to be held at KPN's head office, Maanplein 55, The Hague, The Netherlands, on Tuesday November 6<sup>th</sup>, 2007, 12:00 am (CET).*

### **Agenda**

1. Opening and announcements
2. Explanation regarding the extension of Mr. A.J. Scheepbouwer's employment contract until July 1<sup>st</sup> 2011 as Chairman of the Board of Management
3. Proposal to approve the arrangement in shares as long-term incentive element of Mr. Scheepbouwer's remuneration package
4. Closure of the meeting

### **Explanatory notes to the agenda**

#### **Item 2**

The Supervisory Board of KPN is very pleased that Mr. Scheepbouwer intends to stay on as Chairman of the Board of Management and CEO of KPN for the next four years. The current employment contract which would end 1 July 2009 will be extended until 1 July 2011. The Supervisory Board is fully confident that KPN's strong management team, under the leadership of Mr. Scheepbouwer, will succeed in executing KPN's strategic transformation from a traditional telecom operator to a next generation communication services company. Mr. Scheepbouwer's wealth of experience of both KPN and the global telecoms landscape continues to be a major asset in successfully driving KPN forward.

#### **Item 3 – Resolution**

Within the remuneration package of Mr. Scheepbouwer the base salary, short term incentive and retirement bonus remain at the same level as the current contract and are therefore unchanged since 2001.

The proposal for the long-term incentive element is based on remuneration in shares. The proposed arrangement is based on an annual award of KPN shares to Mr. Scheepbouwer, which Mr. Scheepbouwer can not sell until July 2011. The performance period of the shares is one year. As a consequence thereof Mr Scheepbouwer will have the ownership of the shares at the end of each year. The value of shares to be awarded is linked to KPN's relative position in the so-called TSR-ranking in the relevant year. KPN benchmarks itself against a group of 14 European telecommunication companies on TSR (Total Shareholder Return), which is the measure for the shareholder value created by the company. The TSR-ranking is the relative position of KPN in this benchmark.

The value of the share package awarded to Mr. Scheepbouwer, increases if KPN holds a higher position on the TSR-ranking. This value will be EUR 1.500.000 in case of an average position on the TSR-ranking. In case of a higher position the value will increase gradually, up to a maximum of EUR 3.000.0000 at a first position. Please refer to page 97 of the Annual Report 2006 for an explanation on the calculation method of the value of the shares at grant date. If KPN holds a position on the TSR-ranking lower than the 10th position, no shares will be granted.

The proposal implies two changes in Mr. Scheepbouwer's current long-term incentive package. Firstly, at this moment Mr. Scheepbouwer is entitled to an award in stock options for an amount of EUR 2.000.000. This arrangement will be cancelled as soon as the proposed arrangement takes effect. Secondly, the current value of the long term incentive element amounts to 60% (on target) of the base salary. With the proposed arrangement this value will amount to 150% in case of an average position on the TSR-ranking. The Supervisory Board is entitled to adjust the award on the basis of TSR-ranking if the outcome thereof would be unfair in light of the company's results. According to the Supervisory Board, the proposed long term incentive supports the creation of shareholder value and provides a competitive offer for Mr. Scheepbouwer in light of his individual responsibilities, experience and performance. It is therefore proposed to the General Meeting of Shareholders to approve the arrangement as described in the above.