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**EXPLANATORY NOTES TO THE  
PROPOSED AMENDMENT OF THE ARTICLES OF ASSOCIATION  
KONINKLIJKE KPN N.V.,  
having its registered office in The Hague, the Netherlands.**

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Part of the proposal dated 1 March 2012,  
as it will be presented for a decision at the  
Company's General Meeting of Shareholders to be held on 12 April 2012.

**ALLEN & OVERY**

## **EXPLANATORY NOTES TO THE PROPOSED AMENDMENT OF THE ARTICLES OF ASSOCIATION FOR KONINKLIJKE KPN N.V. (KPN), as it will be presented for a decision at the General Meeting of Shareholders to be held on 12 April 2012**

### **1. General**

The Amendment of the Articles of Association in question is first of all intended to make several adjustments to KPN's Articles of Association which have been prompted by the following changes in the law:

- the Act of 30 June 2010 (which took effect on 1 July 2010) to amend Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*) and the Financial Supervision Act (*Wet op het financieel toezicht*) to implement the EU Directive on the exercise of certain rights of shareholders in listed companies (the **Shareholders' Rights Act** (*Wet aandeelhoudersrechten*));
- the Act of 30 June 2010 (which took effect on 1 July 2010) to amend Book 2 of the Dutch Civil Code in connection with the introduction of a right for the works councils of public limited companies to state their positions concerning major decisions by management boards and decisions appointing, suspending and dismissing managing directors and supervisory directors, as well as concerning remuneration policies (the **Definition of Position by and Right to Speak of Works Councils Act** (*Wet standpuntbepaling en spreekrecht ondernemingsraad*)); and
- the Act of 28 October 2010 (which took effect on 1 January 2011) to amend the Securities Giro Transactions Act (*Wet giraal effectenverkeer (Wge)*) entailing increased protection for clients of brokers with respect to financial instruments and effectuation of more far-reaching dematerialisation of securities (the **Amended Securities Giro Transactions Act** (*Wet wijziging Wge*)).

It is further proposed to determine the minimum number of members of the Board of Management at two.

Finally, several amendments are being proposed which are more technical in nature or which are in keeping with the practical situation within the Company. In addition, provisions which are included in the current Articles but which are now considered 'inoperative' (see, for example, Articles 7, 8 and 9 (old)) will be deleted in the proposed Amendment of the Articles; this will result in almost complete renumbering of the other articles, each of which will be referred to below as '*new article*'.

### **2. Shareholders' Rights Act**

The Shareholders' Rights Act primarily affects the subjects regulated in the current Articles 40 (*new Article 36*), 44 (*new Article 40*) and 45 (*new Article 41*) of the Articles of Association.

The Shareholders' Rights Act states, for instance, that a general meeting must be convened no later than on the forty-second day before the date of the meeting. It is proposed to actually include this time period in *new Article 36* paragraph 2. Also, the regulations amended by the Shareholders' Rights Act concerning the substance of the convocation notice are being incorporated into *new Article 36* paragraph 3. These regulations are consistent with what is already normal practice at KPN.

Meeting documents no longer need to be made available for inspection at a paying agent which is located in the Netherlands and designated in the convocation notice; Article 40 paragraph 7 (old) will therefore be deleted.

The Shareholders' Rights Act requires that there be a fixed record date for a general meeting *and* that this date be the twenty-eighth day before the date of the meeting. Use of a record date is thus no longer at the Board of Management's discretion; it is mandatory. *New* Article 40 paragraph 2 will be adjusted to conform to this, and Article 44 paragraph 5 (old) will be deleted.

In connection with the mandatory record date, shareholders can no longer be required to deposit and freeze supporting documents (shares) in order to participate in general meetings of shareholders; Article 44 paragraph 4 (old) will therefore be deleted.

A justification requirement has been added, and the ground for refusal (compelling interest of the Company) has been removed, so that the right included in *new* Article 36 paragraph 6 to have issues placed on the agenda is in line with the Shareholders' Rights Act. To easily absorb any future statutory changes, the Articles will refer to the relevant statutory provision (Section 2:114a, Dutch Civil Code) with regard to additional requirements stated for exercising the meeting agenda rights, on the understanding that, even after statutory changes, the capital requirement stated in the Articles for exercising these rights will still be fixed at 1%.

The Shareholders' Rights Act lays down several additional requirements for the use of electronic means of communication to exercise meeting rights and to exercise voting rights before the meeting. See *new* Article 40 paragraphs 4 and 5 and *new* Article 41 paragraph 7. The Board of Management will determine whether and how these means of communication can be used.

The Company is no longer obliged to publish notices for general meetings or announcements declaring dividends or other distributions in a national daily newspaper or the Official Price List. Publication on the Company's website, in combination with a press release, will be sufficient. Furthermore, shareholders that are registered in the shareholders' register can be given notice by email in stead of by letter, provided they consent to this. In light of the foregoing it is proposed to amend *new* Article 42.

### **3. Definition of Position by and Right to Speak of Works Councils Act**

Under the Definition of Position by and Right to Speak of Works Councils Act, KPN's Works Council is entitled to define and explain its position at the General Meeting regarding:

- a proposal to adopt and change the remuneration policy (*new* Article 18 paragraph 1);
- a proposal to approve major decisions by the Board of Management (*new* Article 21 paragraph 1); and
- a nomination put forward by the Supervisory Board to appoint a Supervisory Director (*new* Article 24 paragraph 1).

The Works Council must be given a timely opportunity to define its position before the date of the notice convening the meeting. The foregoing has been incorporated into *new* Article 35. The Works Council is also entitled to explain its position during the General Meeting. In this connection, the Works

Council may attend that part of the General Meeting in which these subjects will be discussed. This right is mentioned in *new* Article 35 paragraph 1. The Act states that the Works Council's failure to take a position will not impair the decision-making process regarding the proposal in question.

#### **4. Amended Securities Giro Transactions Act**

The Amended Securities Giro Transactions Act is intended to increase investor protection in the event the institution where they are keeping their securities accounts becomes insolvent; from now on, not only will the clients of Euroclear-affiliated institutions be protected, but also the clients of other intermediaries. The related revised terminology in the Act is being incorporated into the Articles of Association.

Another goal of the Amended Act is to effectuate more far-reaching dematerialisation of giro transactions than was provided for in the former Act. Consistent with this, this Amendment of the Articles of Association contains a proposal to convert bearer shares into registered deposit shares (see Article 5 paragraph 3 and Article 6). For holders of bearer shares, nothing will change; the shares can still be traded through their securities accounts, and the voting and dividend rights will remain the same. For those currently holding registered shares, this conversion of bearer shares will not change anything, either; these shareholders will continue to be registered under their names in the shareholders' register. By introducing registered deposit shares, KPN will achieve an optimum form of dematerialisation, because KPN's physical collective bearer share certificate, which is now being kept by Euroclear Nederland, can be done away with. Those holding registered deposit shares will not be registered in the shareholders' register; under the Securities Giro Transactions Act, the name and address of Euroclear Nederland or the relevant intermediary can be indicated there.

In connection with the intended conversion of bearer shares into registered deposit shares, several provisions in the Articles of Association will be modified, for example, Article 6 (Deposit shares), *new* Article 8 (Shareholders' registers), *new* Article 14 (Share transfers) and *new* Article 15 (Usufruct. Pledge).

The amendments made to the Securities Giro Transactions Act in connection with the goal of achieving more far-reaching dematerialisation, which in principle make conversion of registered deposit shares impossible, are relevant to KPN as well. Article 6 paragraph 7 (old) still assumes that conversions at the request of Dutch Central Securities Depository (*Necigef*) participants can occur without limitation; in connection with the aforementioned statutory change, the proposal is to include a provision making conversion of shares possible only in accordance with the provisions in the Securities Giro Transactions Act.

Partly because of these amendments, several definitions in Article 1 pertaining to the Securities Giro Transactions Act will be adjusted.

#### **5. Number of members of the Board of Management**

It is proposed to reduce the minimum number of members of the Board of Management from three to two (*new* Article 16 paragraph 1). Although it is the intention to have the Board of Management consist of at least three members, this proposed amendment will give the Supervisory Board more flexibility to make an adequate consideration as to the desired size and composition of the Board of Management in

case of an early retirement of a member of the Board of Management. An amendment connected with this is included in *new* Article 19 paragraph 2.

## **6. Other proposed amendments. Technical and practical amendments**

On 11 June 2008 the law was broadened to make it possible for companies like KPN to purchase (and hold) their own shares up to 50% (previously, 10%) of the issued capital. It is proposed to bring *new* Article 15 paragraph 1(b) into line with this. For the sake of completeness: If the General Meeting of Shareholders grants authority to the Board of Management to decide to acquire (purchase) KPN's own shares, the maximum number of KPN shares to be acquired will be determined. The authority to purchase shares may therefore involve a percentage lower than 50%.

For practical reasons, the way in which registrations are signed in a shareholders' register will be simplified (*new* Article 8 paragraph 1).

In *new* Article 30 paragraph 2 the period within which the Board of Management must draw up the financial statements is brought into line with current legislation.

Euronext has substantially cut back their disclosure requirements and certain regulations have been cancelled (Annex X of the Listing and Issuing Rules). The definitions Official Price List and General Rules are deleted (old Article 1, sub j. and k.). In connection with the cancellation of Annex X Article 12, paragraphs 5 and 6 (old) are deleted.

The manner in which the General Meeting votes will be modified in accordance with the current situation. The chairperson at the meeting will determine the way in which voting occurs (*new* Article 41 paragraph 5).

References to the law are updated where required (*new* Article 7 paragraph 2, *new* Article 21 paragraph 2 sub c, *new* Article 30 paragraph 8, *new* Article 31 paragraph 6 and *new* Article 41 paragraph 8).

## **7. Power of attorney**

The proposed Amendment of the Articles also includes granting a power of attorney to every member of the Board of Management, the Company's Secretary, and every civil-law notary (and deputy civil-law notary), paralegal and notarial assistant at Allen & Overy LLP, Attorneys at Law, Civil-Law Notaries and Tax Consultants, in Amsterdam to have the Deed of Amendment of the Articles of Association executed.

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