

Factsheet LTI plan rules

26 February 2014



Factsheet LTI plan rules 2014 and onwards

Fundamentals

- ❑ Grant date → the first trading day after the AGM.
- ❑ Number of conditional shares:
 - for CEO → based on 135% of base pay (on-target) with deferred dividend payment
 - for other Board members → based on 90% of base pay (on-target) with deferred dividend payment
 - based on the average share price of the first trading day after the AGM.
- ❑ Vesting → the granted conditional stock right shall vest three years after the grant date.
- ❑ Vesting schedule per line item (other than TSR) → threshold performance 25%, on-target performance 100% and maximum performance 200%.
- ❑ Performance conditions stock right with individual vesting per line item
 - 25% on relative TSR versus peer group
 - 25% on Free Cash Flow
 - 25% on Earnings Per Share
 - 12.5% on sustainability / environmental targets
 - 12.5% on stakeholder / customer targets
 - Vesting non-financial targets will be subject to achieving a cumulative net profit during the vesting period of three years (i.e. qualifier for vesting)
 - Targets set annually by Supervisory Board in line with strategic plan.
- ❑ Blocked period of two years after vesting
 - Exception: sale of shares for immediate payment of payroll tax and social security is permitted
 - Dividends are paid out during blocked period.

TSR Target

- ❑ Peer group and vesting schedule for TSR performance:

Belgacom SA	Tele2 AB
BT Group Plc	TeliaSonera AB
Deutsche Telekom AG	Telekom Austria AG
Mobistar SA	Vodafone Group Plc
Orange SA	Swisscom AG
TDC A/S	Royal KPN NV

TSR position	Proposed vesting % 2014 onwards
1	200%
2	175%
3	150%
4	125%
5	100%
6	75%
7	No vesting
8	No vesting
9	No vesting
10	No vesting
11	No vesting
12	No vesting

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Special situations

Correction possibilities

- ❑ Correction mechanisms for Supervisory Board prior to vesting:
 - Stock right may be amended to maintain same economic value in case of share split/merger, repayment on shares, issuance of shares, rights issue, merger/demerger without Change of Control
 - Annulment (in whole or in part) if decisions relating to the Stock Plan were taken based on incorrect or incomplete information provided by management.
- ❑ Correction mechanisms for Supervisory Board after vesting:
 - The outcome may be adjusted upwards or downwards if, according to standards of fairness and reasonability, such outcome would be unacceptable or otherwise contrary to the interests of the company
 - Claw-back in case of incorrect information.

Termination of employment

- ❑ Grant shall be annulled if employment ends
 - Exception: incapacitation for work, death, retirement or (at option of Supervisory Board) termination through no fault of the Participant, in which case 1/36th part for every full calendar month that the employment lasted, starting from the grant date, shall remain, and remain subject to the vesting conditions.

Change of Control / Company Transforming Transactions

- ❑ Change of Control before vesting:
 - Immediate vesting, at 100% vesting percentage (i.e. on-target), pro rata for the time passed in the plan during the vesting period of 3 years (i.e. 1/3 in year one, 2/3 in year two, full in year three)
 - No blocked period
 - If sale to acquirer no longer possible, shares may be sold to Company.
- ❑ Change of Control after vesting, during blocked period:
 - Blocked period ends
 - If sale to acquirer no longer possible, shares may be sold to the Company.
- ❑ Article 2:135, par. 7 applicable → repayment of profits due to change of control, company transforming transactions.

Changes/amendments to the LTI plan

- ❑ The Supervisory Board reserves the right unilaterally to amend the LTI plan and the conditions under which Stock Rights were granted
 - The prior approval of the KPN AGM shall be required for any material amendment of the LTI plan and of the conditions under which Stock Rights were granted to members of the Board of Management.