# KPN issues hybrid bonds

07 Mar 2013 08:00 CET/CEST

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KPN has successfully priced a dual tranche hybrid bond transaction, consisting of a EUR 1.1 billion tranche with a 6.125% coupon and a GBP 400 million tranche with a 6.875% coupon.

The EUR tranche is a subordinated bond with a perpetual maturity and can first be redeemed in 2018. The GBP tranche is a subordinated bond with a 60 year maturity and can first be redeemed in 2020. The hybrid bonds will be listed on NYSE Euronext Amsterdam.

The hybrid bond issuance is part of the capital raise announced by KPN on 20 February 2013, which consists of a EUR 3 billion rights offering and up to EUR 2 billion of hybrid capital instruments that are expected to receive 50% equity recognition. The proceeds of today's transaction will be approximately EUR 1.56 billion, which will complete a substantial part of the targeted EUR 2 billion hybrid capital issuance.

The proceeds of these hybrid bonds, together with the proceeds of any further hybrid bonds and the net proceeds of the proposed EUR 3 billion rights offering, will be used to strengthen KPN's capital structure, repay drawings under its credit facility as well as upcoming bond redemptions, and continue to invest in KPN's operations.

The expected ratings for the subordinated bonds are BB by Fitch, Ba1 by Moody's and BB by S&P. KPN expects that the rating agencies will recognize 50% of the hybrid bonds as equity following completion of the capital raise.

Deutsche Bank, Goldman Sachs and J.P. Morgan acted as joint structuring advisors and together with BNP Paribas and The Royal Bank of Scotland as joint bookrunners. Barclays and Société Générale acted as co-lead managers.

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