

Information about the company

Business overview – Mobile International

In addition to The Netherlands, KPN is a provider of mobile telecommunications services in Western Europe with a particular focus on Germany and Belgium. KPN delivers mobile telecommunications services ranging from standard voice and value-added services (call waiting, call forwarding, voicemail and message services like text messages and MMS) to advanced data services (mobile broadband Internet).

KPN expects person-to-person communication services (voice, text messaging, e-mail) to remain the main source of revenues for mobile operators in the coming years, with advanced data services becoming increasingly important. In addition, the large number of mobile-only users reflects the trend towards growing use of mobile networks at the expense of fixed networks. Mobile International comprises the mobile wholesale activities in The Netherlands and all other mobile services outside The Netherlands.

UMTS was introduced in Germany in 2004. UMTS enhances the functionality of mobile data services (e.g. mobile Internet) by adding video and increased transmission speeds. KPN expects the introduction of UMTS-based services to accelerate the use of advanced data services in the coming years.

Strategy

It is Mobile International's objective to expand and continue growth in the European mobile business, despite regulatory tariff cuts and competition. Thereto, it will continue its successful challenger strategy.

Mobile International will further exploit synergies in wholesale between The Netherlands, Belgium and Germany, and leverage wholesale partnerships on each of our networks in the current footprint. Mobile International also aims to expand the business model into other Western European countries exemplified by the announcement in January 2008 of our MVNO launch in Spain.

For details on how customer data are calculated, please see 'Key Information'.

E-Plus Segment

We are active in the German mobile telecommunications market through our mobile network operator E-Plus. During 2007, E-Plus' customer base increased to 14.8 million customers. In a competitive German mobile market, we succeeded in expanding our service revenue market share by over a full percentage point to approximately 14.0% (2006: 12.9%).

Strategy

The strategy revision was aimed at accelerating growth and to put E-Plus on a solid path to profitability. The strategy centered on a number of initiatives:

- E-Plus moved away from a 'push' (reliance on handset and dealer subsidies) to a 'pull' strategy (attractive and simple tariffs inciting the prospective customer to ask for our products rather than rely on the reseller's advice). E-Plus' new brands 'BASE' (flat fee), 'Simyo' (Internet only) and 'Ay Yıldiz' (Turkish community) are delivering significantly improved AMPUs and ARPUS in comparison to the E-Plus brand. Also for the 'E-Plus' brand, handset subsidies were tightened;
- MVNO-type contracts were signed and implemented with well-known German partners such as Medion (Aldi Talk), Freenet and Conrad to focus on new distribution channels besides captive channels; and
- we are expanding our captive distribution, with 251 stores at the end of 2007 compared to 197 at the end of 2006.

With the growth strategy the focus is on increasing our customer base, revenues and market share on the one hand and profitability on the other. We succeeded in 2007 in attracting more than 2.1 million new customers. Our focus on partnerships such as with Medion meant that a large share of this growth was with prepaid customers. The number of postpaid customers as of December 31, 2007 was 6.3 million representing a 43% share of our customer base (2006: 47%), whereas we served 8.5 million prepaid customers as of December 31, 2007.

Strategy going forward; 2008-2010

E-Plus aims to outperform the competition in a growing German market. To that end, E-Plus will focus on mid/high value customers and increase data revenues share, now that the demand is growing. It will also exploit its customer base via cross/upselling and value added services.