

Critical accounting policies and estimates

KPN's significant accounting policies are set out on pages 129 to 137 of the Consolidated Financial Statements. The preparation of our financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts in our Consolidated Financial Statements.

We base our estimates about the carrying values of assets and liabilities that are not readily apparent from other sources on historical experience, independent valuations and various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe the accounting policies and estimates that are most critical in the preparation of our consolidated financial statements and which require subjective or complex judgments from management are the following:

- impairments of goodwill and other long-lived assets;
- useful lives of long-lived assets and valuation of acquired assets;
- income taxes;
- pensions and other post-retirement benefits;
- provision for litigation and contingencies; and
- financial instruments.

Impairments of goodwill and other long-lived assets

The inherent management estimates and assumptions used in determining whether an impairment charge should be recognized are as follows:

- determining our cash generating units;
- timing of impairments tests;
- projecting cash flows for determining recoverable amounts or fair values; and
- determining discount rates.

Determining cash generating units

Goodwill

Goodwill is allocated to cash-generating units for the purpose of impairment testing. KPN performed preliminary purchase price allocations for Getronics, iBasis and Tele2/Versatel Belgium. With respect to Getronics, goodwill is allocated to the entire Getronics Segment and partly to the Business Segment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

At December 31, 2007 our total goodwill amounted to EUR 5,781 million. The allocation to cash generating units is shown below.

In millions of euro	2007	2006	2005
Cash-generating unit:			
E-Plus	4,041	4,041	4,026
BASE	59	28	28
Mobile Wholesale The Netherlands ²	63	63	98
Mobile International Other Segment	19	-	-
Consumer Segment ²	338	195	173
Business Segment ²	201	64	20
Getronics Segment ¹	770	-	-
Wholesale & Operations Segment ^{2,3}	277	178	252
Other	13	-	14
Total goodwill	5,781	4,569	4,611
- of which held for sale	-	-	-40
Balance as of December 31	5,781	4,569	4,571

1) The Getronics Segment consists of the following cash generating units: the America's (including North America, Canada and Latin America), Benelux (including The Netherlands, Belgium and Luxembourg), the United Kingdom and the Rest of the World. Goodwill is allocated to this group of cash generating units.

2) By applying IFRS 8, goodwill is reallocated following the new reporting segments based on the relative fair values.

3) iBasis is regarded as a separate cash generating unit within the Wholesale & Operations Segment.

Other long-lived assets

In accordance with IFRS, we assess the impairment of intangible fixed assets (such as our licenses) and property, plant and equipment at the lowest cash generating unit. For the majority of our assets we determined that the segment level is the lowest cash generating unit. Assets to retire or to sell are tested separately.