

# First Quarter Results 2010

27 April 2010

# Safe harbor

## **Non-GAAP measures and management estimates**

This presentation contains a number of non-GAAP figures, such as EBITDA and free cash flow. These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures.

KPN defines EBITDA as operating result before depreciation and impairments of PP&E and amortization and impairments of intangible assets. Note that KPN's definition of EBITDA deviates from the literal definition of earnings before interest, taxes, depreciation and amortization and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS. In the net debt/EBITDA ratio, KPN defines EBITDA as a 12 month rolling average excluding book gains, release of pension provisions and restructuring costs, when over € 20 mn. Free cash flow is defined as cash flow from operating activities plus proceeds from real estate, minus capital expenditures (Capex), being expenditures on PP&E and software, and excluding tax recapture at E-Plus.

The term 'Service revenues' refers to wireless service revenues.

All market share information in this presentation is based on management estimates based on externally available information, unless indicated otherwise. For a full overview on KPN's non-financial information, reference is made to KPN's quarterly factsheets.

## **Forward looking statements**

Certain statements contained in this presentation constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the impact of regulatory initiatives on KPN's operations, its and its joint ventures' share of new and existing markets, general industry and macro-economic trends and KPN's performance relative thereto, and statements preceded by, followed by or including the words "believes", "expects", "anticipates" or similar expressions.

These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside KPN's control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the 2009 Annual Report.

# Agenda

Chairman's review	Ad Scheepbouwer, Chairman and CEO
Financial review	Carla Smits-Nusteling, CFO
Operating review	Ad Scheepbouwer, Chairman and CEO
Concluding remarks	Ad Scheepbouwer, Chairman and CEO



## Highlights Q1

Solid Q1 results, focus on EBITDA, cash flow and market shares

- Continued EBITDA growth Dutch Telco business
- Revenue growth and solid profitability at Mobile International
- MTA proposals published for the Netherlands and Belgium
- KPN obtained 2x10MHz of 2.6GHz spectrum in the Netherlands
- Continued focus on shareholder returns, € 1bn share buyback started
- 2010 and 2011 outlook confirmed

## Financial highlights Q1

- Financial performance
  - Revenues and other income of € 3,277m, down 3.5% y-on-y
  - EBITDA of € 1,323m, up 7.2% y-on-y
  - Capex of € 335m
  - FCF of € 228m, including tax prepayment
  - Earnings per share of € 0.28, up 47% y-on-y
  
- Continued focus on shareholder returns
  - € 1.0bn share repurchase program started in 2010, 25% done so far
  - Final dividend for 2009 of € 0.46 per share paid in April, in total € 0.6bn

# Outlook

Outlook for 2010 and 2011 confirmed

	Reported 2009	Outlook 2010
Revenues and other income	€ 13.5bn	In line with 2009
EBITDA	€ 5.2bn Incl. real estate: € 56 mn	> € 5.5bn Incl. real estate: Not material
Capex	€ 1.8bn	< € 2bn
Free cash flow <sup>1</sup>	> € 2.4bn	> € 2.4bn
Dividend per share	€ 0.69	€ 0.80

## Outlook 2011

Growth in EBITDA,  
free cash flow and  
dividend per share

Dividend per share  
at least € 0.85 for  
2011

<sup>1</sup> Free cash flow defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture E-Plus

# Frequency auctions - The Netherlands and Belgium

Pursuing new spectrum as a cost efficient opportunity to upgrade networks

## The Netherlands

- KPN has obtained 2 x 10MHz of spectrum in the 2.6GHz band
  - Total consideration of € 0.9m
- MNO's, Tele2 and a combination of UPC/Ziggo have also obtained spectrum
- 5 parties took part in the auction, leaving spectrum on the shelf
- KPN expects a clear and consistent spectrum policy for future auctions
  - No clarity yet on 800, 900 and 1800MHz frequencies

## Belgium

- Auction in September 2010 for possible fourth entrant, based on 2.1GHz
  - New entrant could receive 900MHz and 1.8GHz spectrum in 2015
- Auction of 190MHz in 2.6GHz spectrum in Q4 2010
  - Operators capped at 2x20MHz
- Current 2G licenses can be extended to 2021
- No clarity on 800MHz frequency yet

# MTA update

Glide paths for the Netherlands and Belgium proposed

## The Netherlands

- New MTA glide path proposed in April 2010

€ ct / min	Current	Sep '10	Sep '11	Sep '12
KPN	7.00	5.00	3.00	1.20
Vodafone	7.00	5.00	3.00	1.20
T-Mobile	8.10	5.00	3.00	1.20

## Belgium

- New MTA glide path proposed in February 2010
  - Decline of asymmetry opposed by KPN Group Belgium

€ ct / min	Current	Jul '10	Jan '11	Jan '12	Jan '13
KPN Group Belgium	11.43	5.60	4.69	2.88	1.07
Mobistar	9.02	4.86	4.10	2.59	1.07
Proximus	7.20	4.45	3.77	2.42	1.07

## Germany

- Tariffs in place until December 2010

€ ct / min	Current	Dec '10
E-Plus,O2	7.14	t.b.d.
Vodafone, T-Mobile	6.59	t.b.d.

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Concluding remarks	Ad Scheepbouwer, Chairman and CEO



# Group results Q1 '10

Strong growth in EBITDA, in spite of revenue headwinds

€ m	Q1 '10	Q1 '09	%
<b>Revenues and other income</b>	<b>3,277</b>	<b>3,396</b>	<b>-3.5%</b>
<b>Operating expenses</b>	<b>2,484</b>	<b>2,764</b>	<b>-10%</b>
— of which Depreciation <sup>1</sup>	348	392	-11%
— of which Amortization <sup>1</sup>	182	210	-13%
<b>Operating profit</b>	<b>793</b>	<b>632</b>	<b>25%</b>
Financial income/expense	-192	-175	9.7%
Share of profit of associates	-10	1	n.m.
<b>Profit before taxes</b>	<b>591</b>	<b>458</b>	<b>29%</b>
Taxes	-142	-141	0.7%
<b>Profit after taxes</b>	<b>449</b>	<b>317</b>	<b>42%</b>
<b>Earnings per share<sup>2</sup></b>	<b>0.28</b>	<b>0.19</b>	<b>47%</b>
<b>EBITDA<sup>3</sup></b>	<b>1,323</b>	<b>1,234</b>	<b>7.2%</b>

- Lower revenues and other income
  - Sale of businesses € 28m
  - Regulatory impact of ~€ 75m
  - € 51m decrease at Getronics
- EBITDA up € 89m as a result of focus on costs
  - Netherlands up € 76m
  - International up € 16m
- D&A down € 72m y-on-y
  - Extended life of mobile masts
  - € 24m impairments in Q1 '09
- Lower effective tax rate at 24% due to change in methodology for calculating E-Plus DTA

<sup>1</sup> Including impairments, if any

<sup>2</sup> Defined as profit after taxes per ordinary share / ADS on a non-diluted basis (in €)

<sup>3</sup> Defined as operating profit plus depreciation, amortization & impairments

# Group cash flow Q1 '10

Free cash flow impacted by tax prepayment and normal seasonality

€ m	Q1 '10	Q1 '09	%
<b>Operating profit</b>	<b>793</b>	<b>632</b>	<b>25%</b>
Depreciation and amortization <sup>1</sup>	530	602	-12%
Interest paid/received	-259	-158	-64%
Tax paid/received	-554	-612	-9.5%
Change in provisions	-84	-42	-100%
Change in working capital <sup>2</sup>	-198	-364	46%
Other movements	1	1	0%
<b>Net cash flow from operating activities</b>	<b>229</b>	<b>59</b>	<b>&gt;100%</b>
<b>Capex<sup>3</sup></b>	<b>335</b>	<b>456</b>	<b>-27%</b>
Proceeds from real estate	7	14	-50%
Tax recapture E-Plus	327	327	0%
<b>Free cash flow<sup>4</sup></b>	<b>228</b>	<b>-56</b>	<b>n.m.</b>
Dividend paid	-	-	-
Share repurchases	101	315	-68%
<b>Cash return to shareholders</b>	<b>101</b>	<b>315</b>	<b>-68%</b>

1 Including impairments, if any

2 Excluding changes in deferred taxes

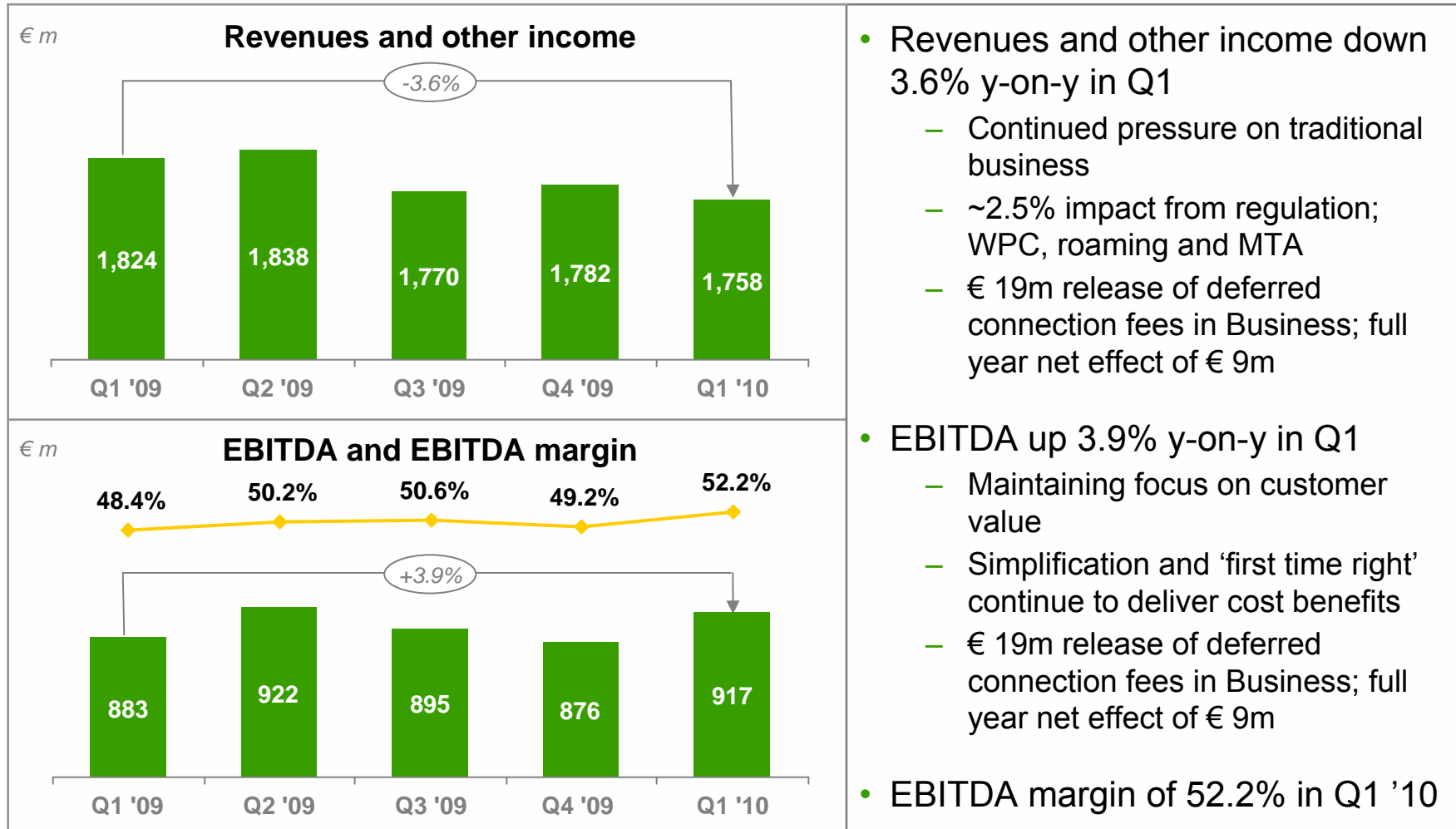
3 Including Property, Plant & Equipment and software

4 Defined as net cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture E-Plus

- Free cash flow of € 228m in Q1 '10, up € 284m
  - Higher operating profit
  - Interest payments up 64% due to bond issue in Q1 '09
  - Lower tax prepayment than last year (€ 543m vs. € 598m)
  - Higher change in provisions relating to reorganizations
  - Q1 '09 negatively impacted by ~€ 150m WC reversal
- Capex of € 335m, down 27% due to phasing within the year at Mobile International
- € 101m shareholder returns, SBB started later than last year
  - 25% of share repurchase program completed to date

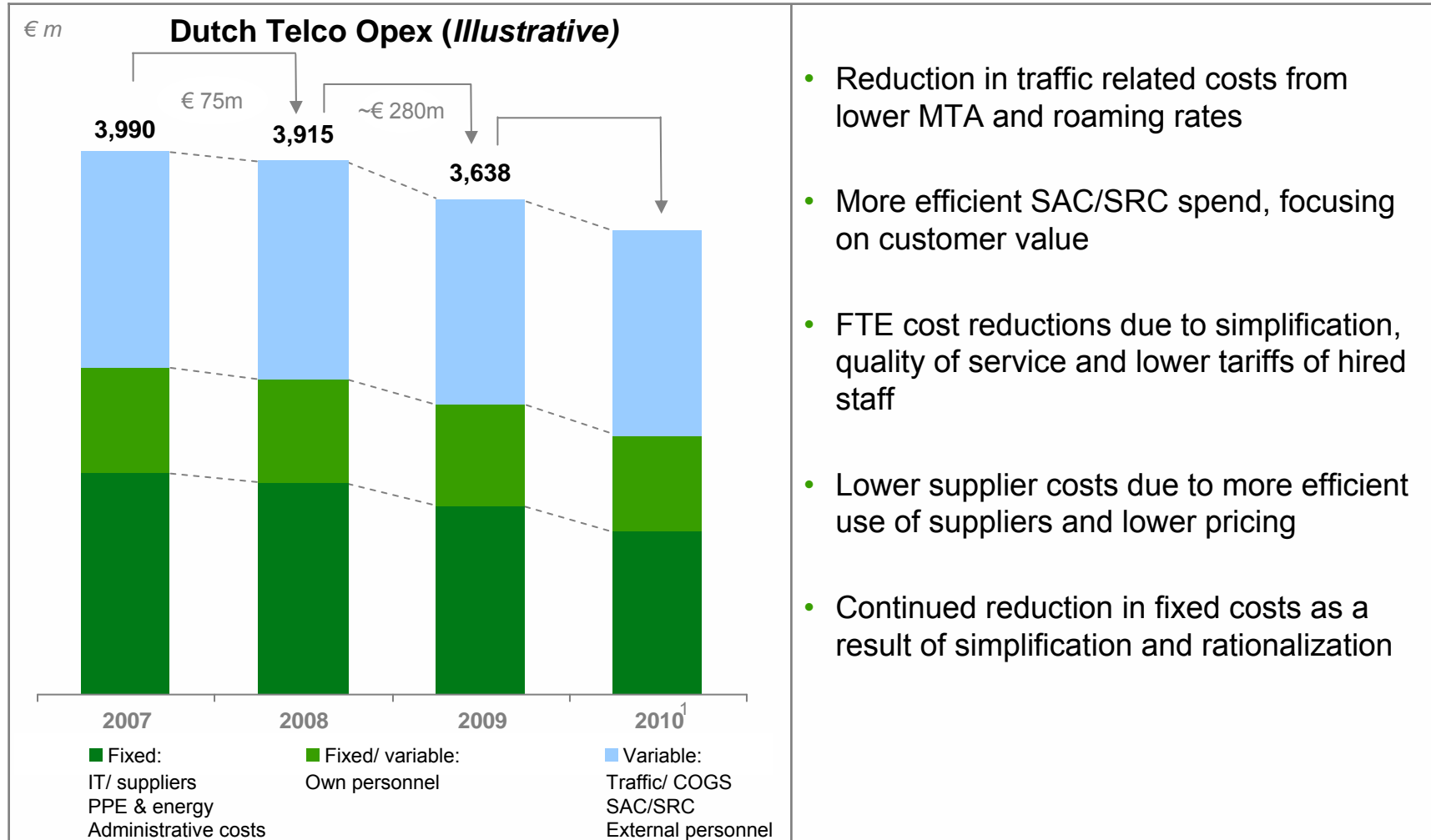
# Analysis - Dutch Telco business

Continued EBITDA growth due to maintained focus on customer value and costs



# Opex development Dutch Telco business

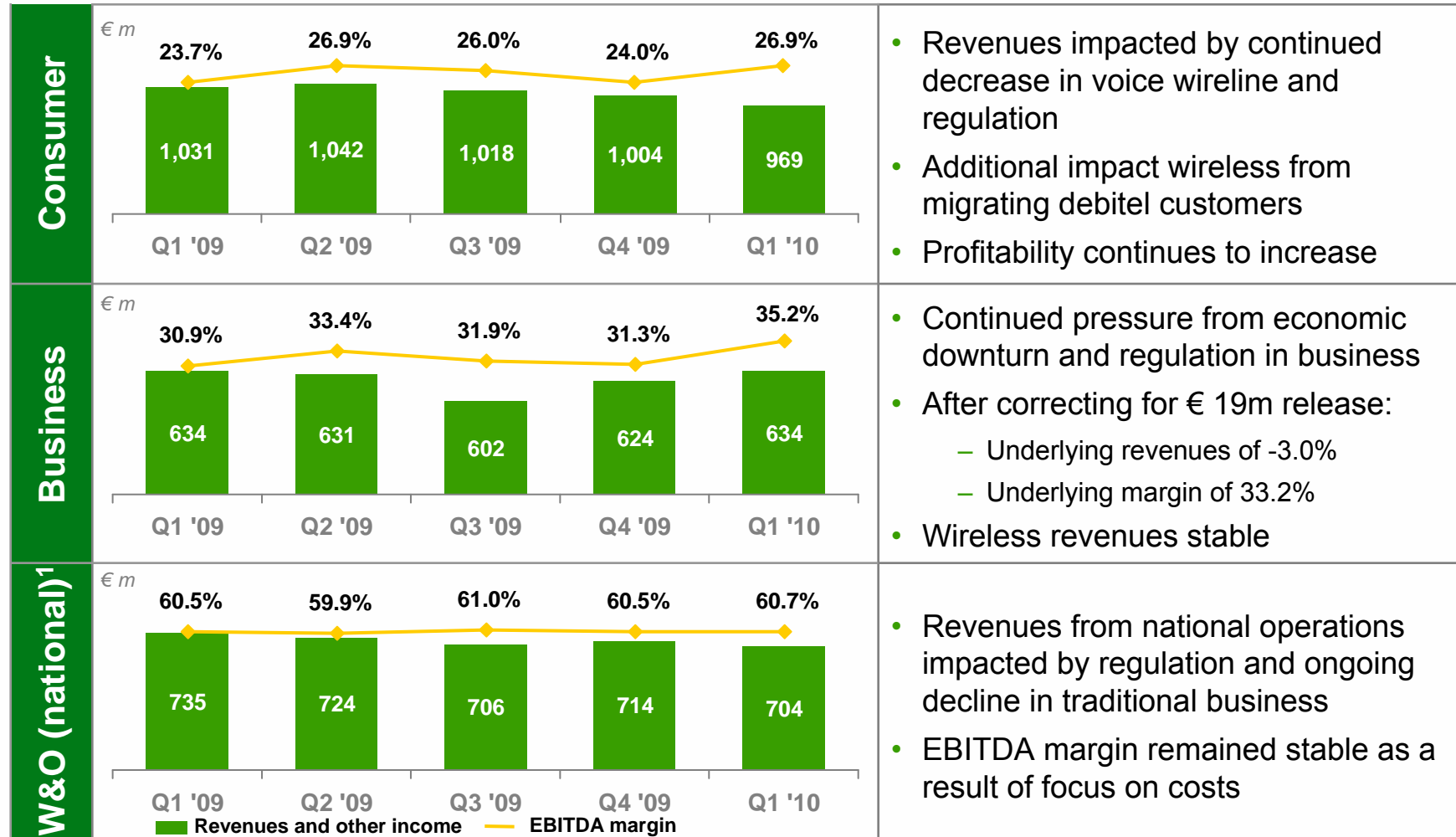
Continued Opex reduction reflected in both fixed and variable costs



1 Management estimates

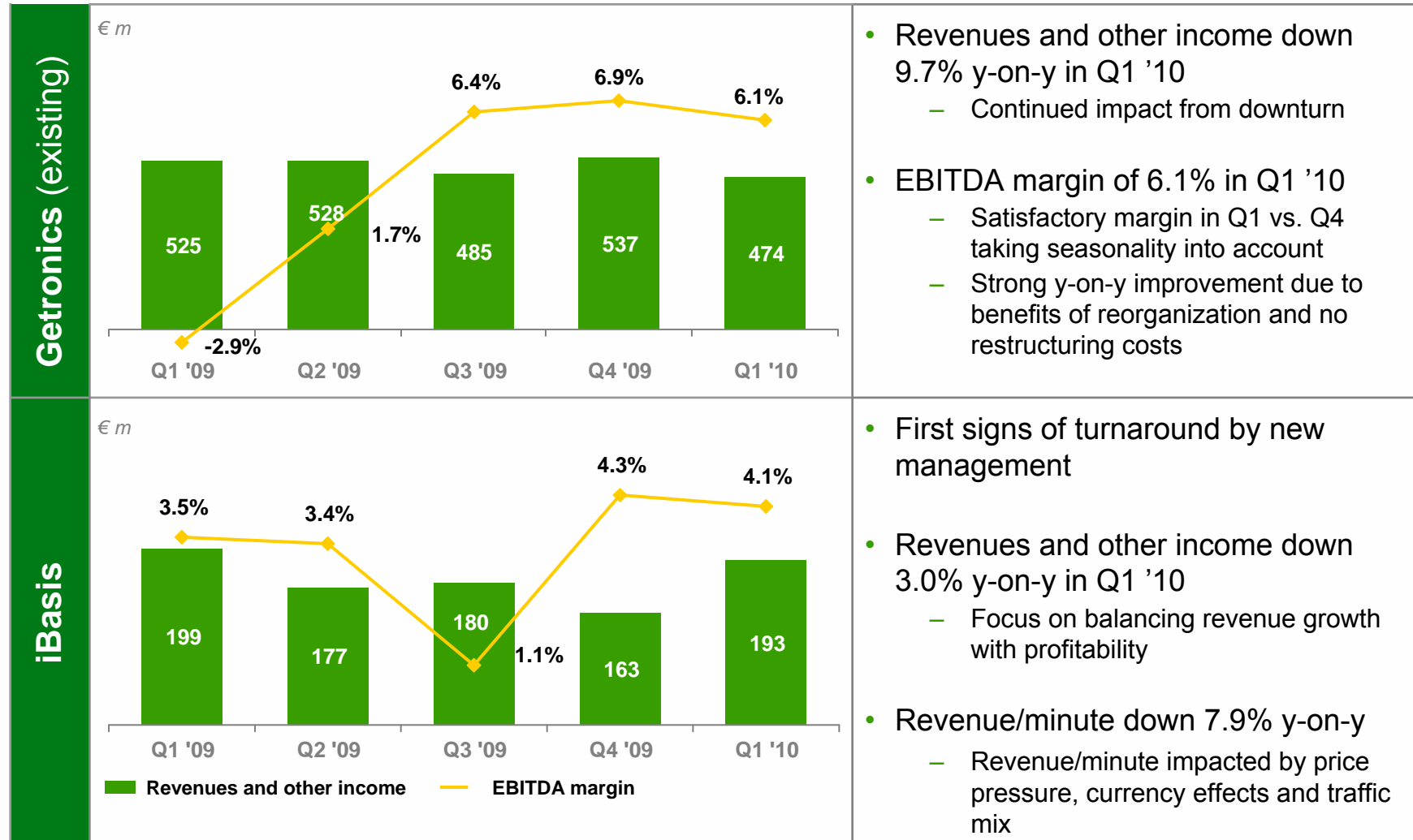
# Financial review - Dutch Telco business by segment

All segments contributing to solid profitability



# Financial review - the Netherlands by segment

Ongoing revenue pressure at Getronics, turnaround iBasis



- Revenues and other income down 9.7% y-on-y in Q1 '10
  - Continued impact from downturn

- EBITDA margin of 6.1% in Q1 '10
  - Satisfactory margin in Q1 vs. Q4 taking seasonality into account
  - Strong y-on-y improvement due to benefits of reorganization and no restructuring costs

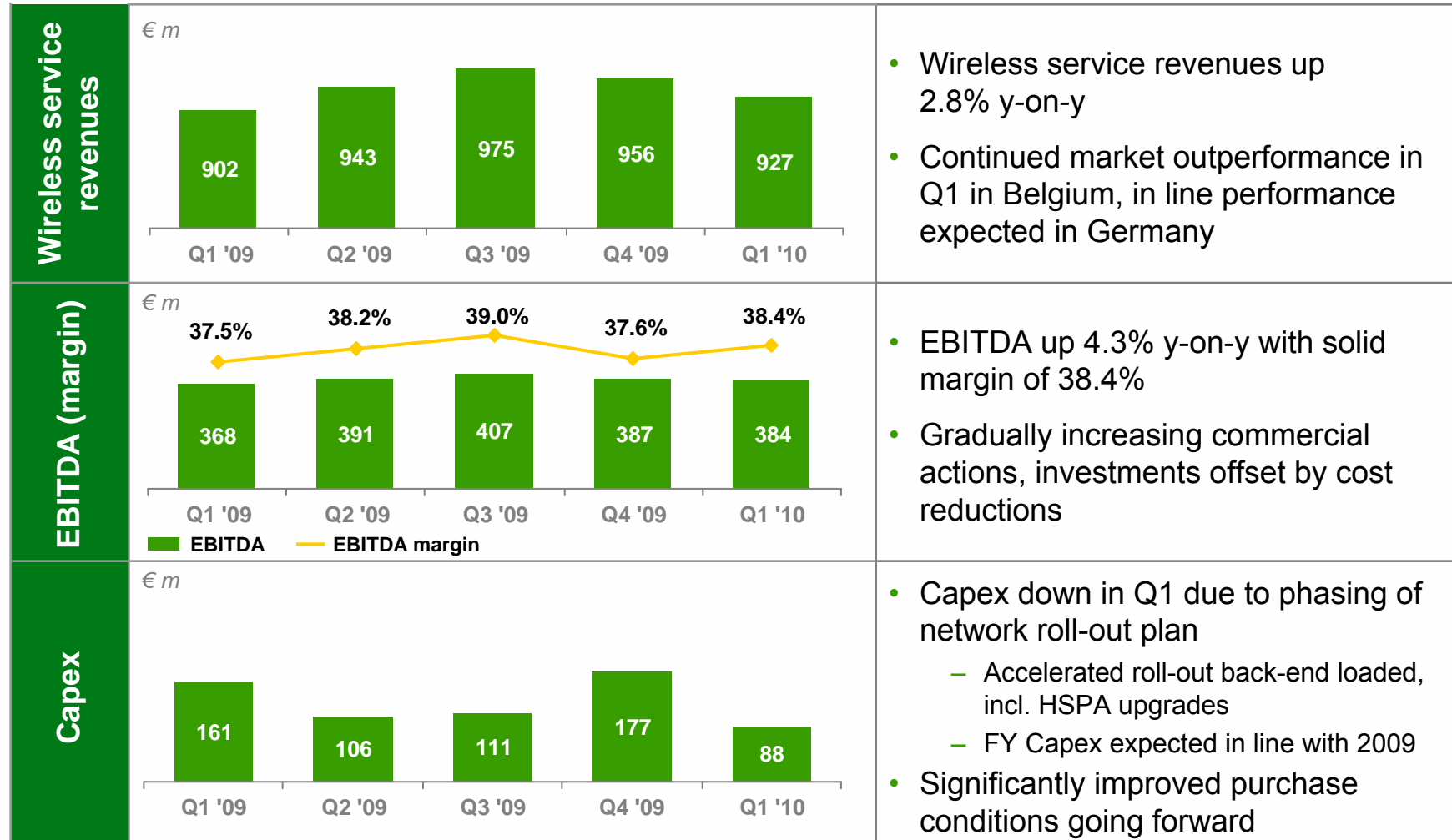
- First signs of turnaround by new management

- Revenues and other income down 3.0% y-on-y in Q1 '10
  - Focus on balancing revenue growth with profitability

- Revenue/minute down 7.9% y-on-y
  - Revenue/minute impacted by price pressure, currency effects and traffic mix

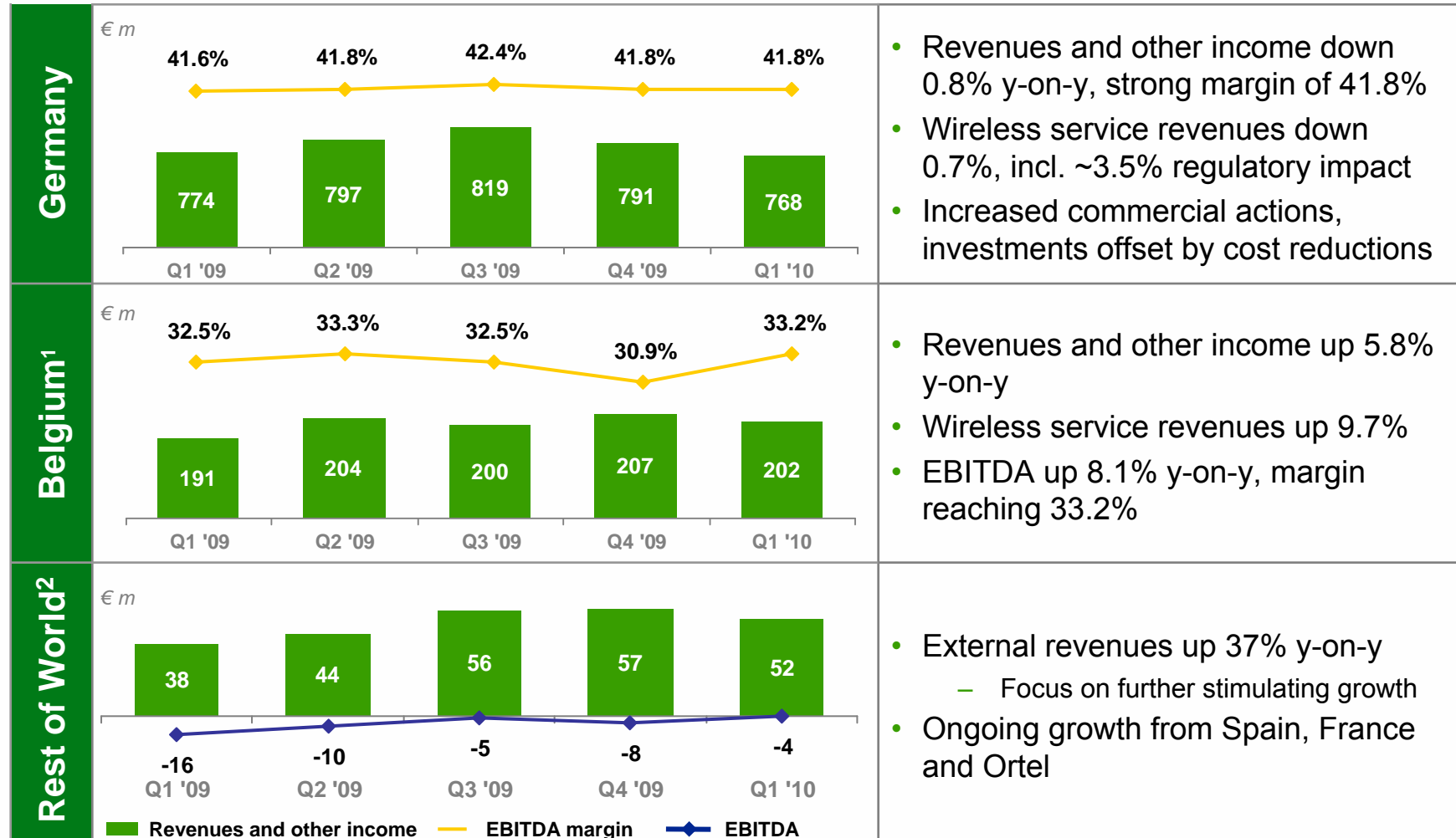
# Analysis - Mobile International

Continued service revenue growth with solid profitability



# Financial review - Mobile International by segment

Continued revenue growth with solid margins



- Revenues and other income down 0.8% y-on-y, strong margin of 41.8%
- Wireless service revenues down 0.7%, incl. ~3.5% regulatory impact
- Increased commercial actions, investments offset by cost reductions

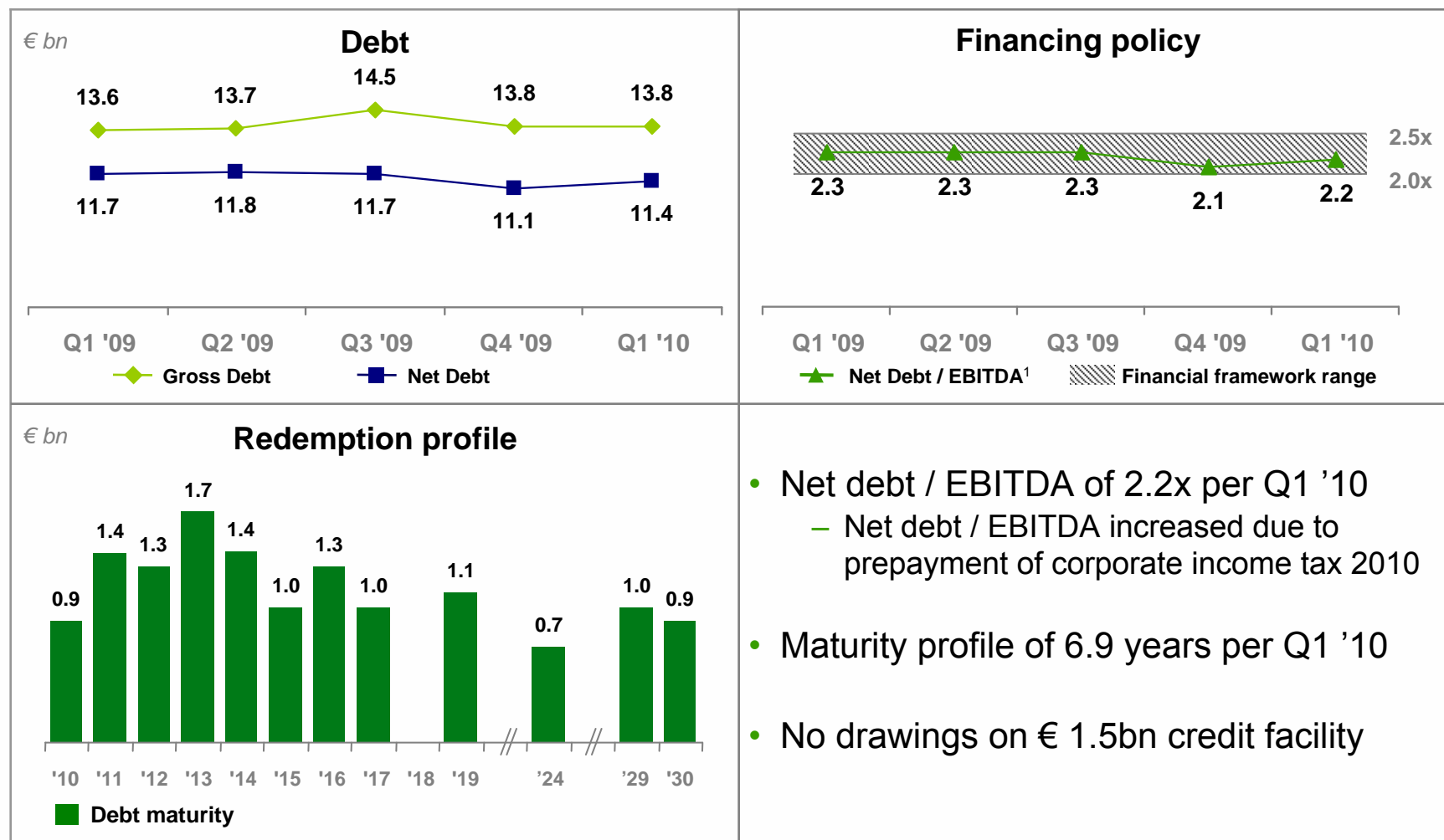
- Revenues and other income up 5.8% y-on-y
- Wireless service revenues up 9.7%
- EBITDA up 8.1% y-on-y, margin reaching 33.2%

- External revenues up 37% y-on-y
  - Focus on further stimulating growth
- Ongoing growth from Spain, France and Ortel

<sup>1</sup> Including fixed Belgian B2B and Carrier business, including the fiber network; divested per 31 March 2010  
<sup>2</sup> External revenues, excluding intercompany

# Group financial profile

No significant changes in financial profile in Q1 2010



<sup>1</sup> Based on 12 months rolling EBITDA excluding book gains/losses, release of pension provisions and restructuring costs, all over € 20 mn

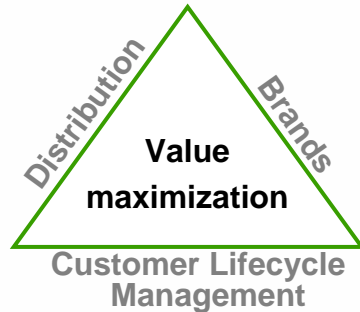
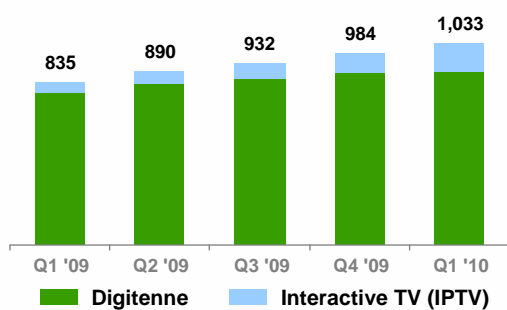

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	<b>The Netherlands</b>
	International
Concluding remarks	Ad Scheepbouwer, Chairman and CEO



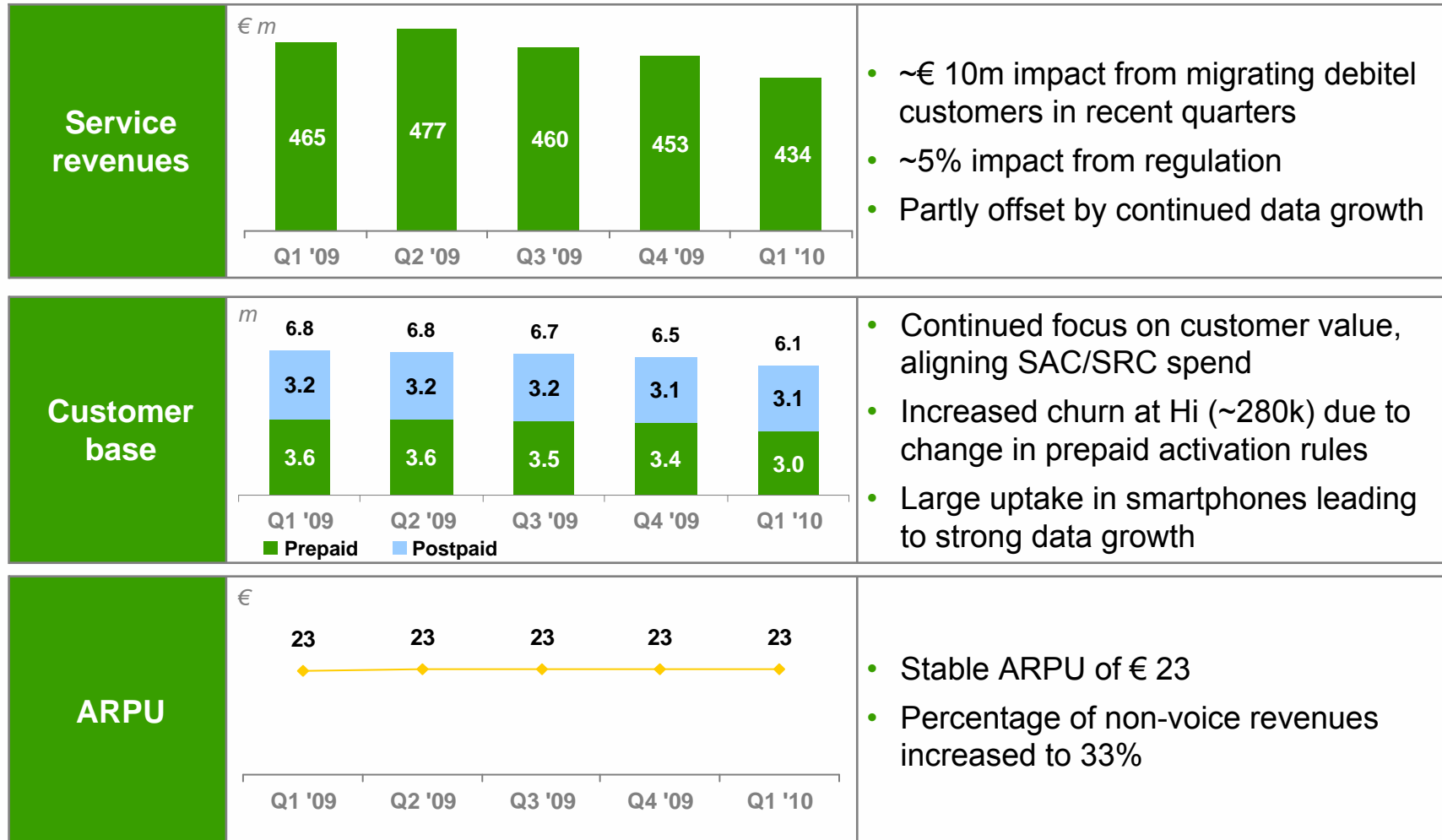
# Consumer market strategy

## Key elements in value maximizing strategy

<div>Strategy</div> <div><ul style="list-style-type: none"><li>Market development with CLM, price /brand differentiation and distribution</li></ul></div>	<div>Mobile data</div> <div><ul style="list-style-type: none"><li>Focus on profitable smartphone segment<ul style="list-style-type: none"><li>KPN has above fair share in smartphone segment</li></ul></li><li>Continued growth in non-sms data revenues, with majority of revenues coming from smartphones</li><li>Less focus on mobile data cards</li></ul></div>	<div>Mobile strategy</div> <div><ul style="list-style-type: none"><li>Optimization of market value vs. market share</li><li>Keeping close eye at market position whilst leading the market with<ul style="list-style-type: none"><li>Aligning SAC / SRC with customer value</li><li>Reducing total SAC / SRC</li></ul></li></ul></div>																								
<div>Network upgrades</div> <div><ul style="list-style-type: none"><li>Network upgrade with VDSL nearing completion<ul style="list-style-type: none"><li>Enabling scale-up of TV</li><li>80% coverage of households with IPTV, 70% with HDTV</li></ul></li><li>Operational performance of fiber improved, currently 31k customers activated</li><li>Best in class mobile network</li></ul></div>	<div>Further develop TV offering</div> <div><table><thead><tr><th>Quarter</th><th>Digitenne</th><th>Interactive TV (IPTV)</th><th>Total</th></tr></thead><tbody><tr><td>Q1 '09</td><td>835</td><td>0</td><td>835</td></tr><tr><td>Q2 '09</td><td>890</td><td>0</td><td>890</td></tr><tr><td>Q3 '09</td><td>932</td><td>0</td><td>932</td></tr><tr><td>Q4 '09</td><td>984</td><td>0</td><td>984</td></tr><tr><td>Q1 '10</td><td>1,033</td><td>0</td><td>1,033</td></tr></tbody></table><ul style="list-style-type: none"><li>Current customer base offers platform for further growth</li></ul></div>	Quarter	Digitenne	Interactive TV (IPTV)	Total	Q1 '09	835	0	835	Q2 '09	890	0	890	Q3 '09	932	0	932	Q4 '09	984	0	984	Q1 '10	1,033	0	1,033	<div>Retain broadband customers</div> <div><ul style="list-style-type: none"><li>Doubling of speeds for broadband customers following VDSL upgrade per 1 April, facilitating retention</li></ul></div>
Quarter	Digitenne	Interactive TV (IPTV)	Total																							
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Q2 '09	890	0	890																							
Q3 '09	932	0	932																							
Q4 '09	984	0	984																							
Q1 '10	1,033	0	1,033																							

# Operating review - Consumer wireless<sup>1</sup>

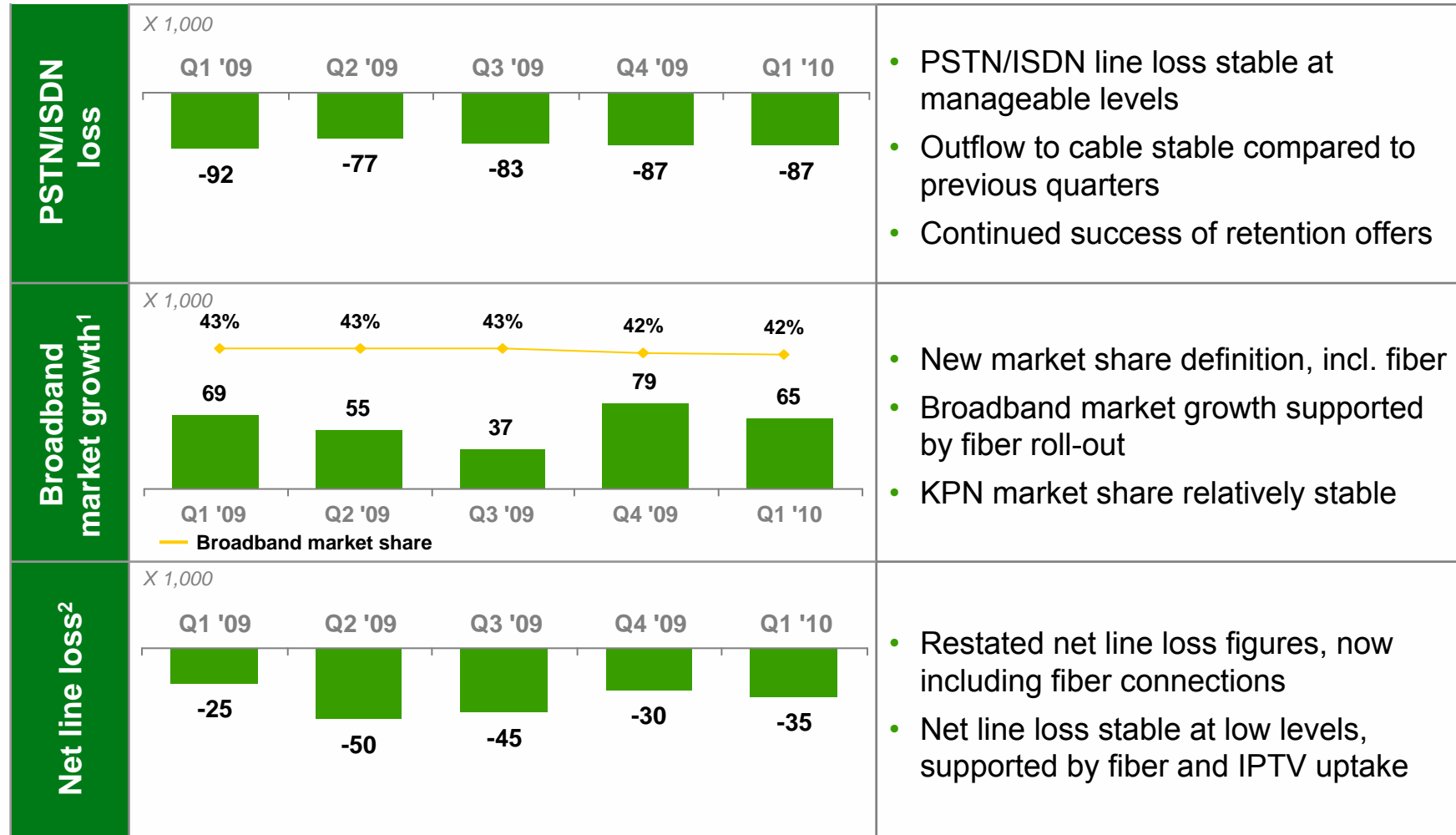
Service revenues down 6.7%, impacted by regulation and debitel migration



<sup>1</sup> Excluding Mobile Wholesale NL

# Operating review - Consumer wireline

Net line loss stable at 35k in Q1, supported by fiber and IPTV uptake

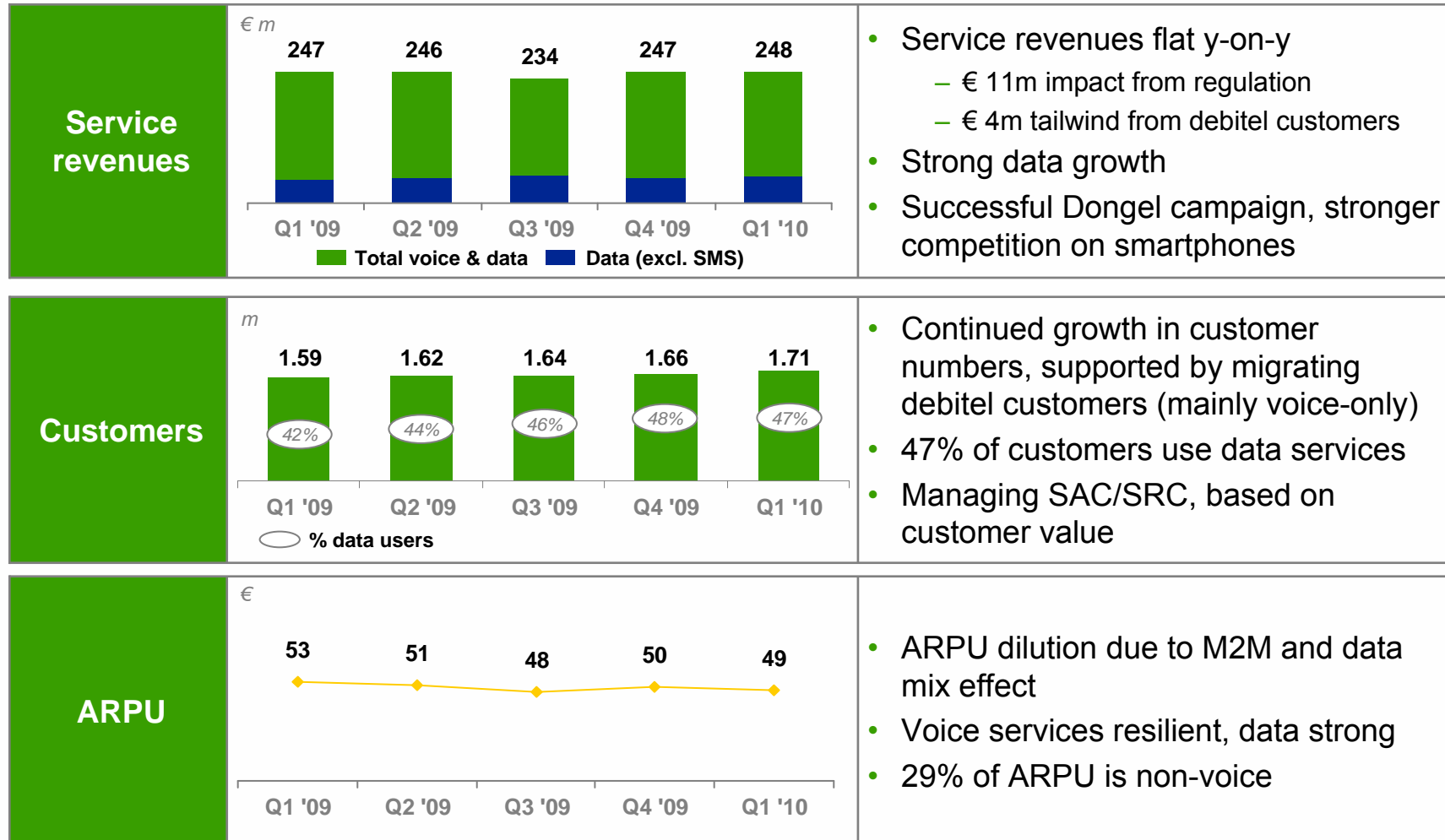


1 Broadband market including fiber; management estimates conform Telecom Paper

2 Quarterly delta in PSTN/ISDN access lines + delta Consumer VoIP, ADSL Only and delta Consumer Fiber

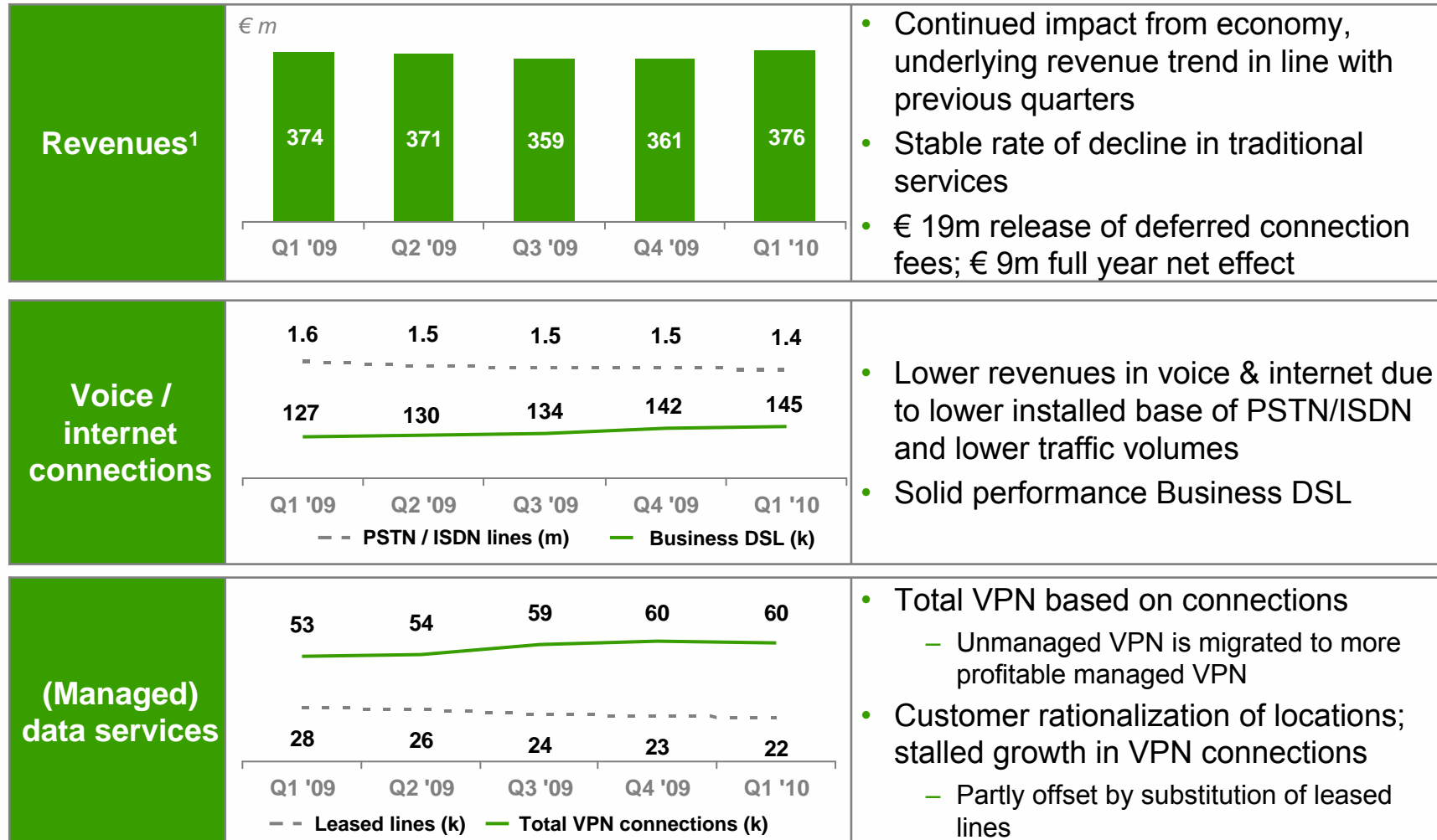
# Operating review - Business wireless

Satisfactory performance of wireless services



# Operating review - Business wireline

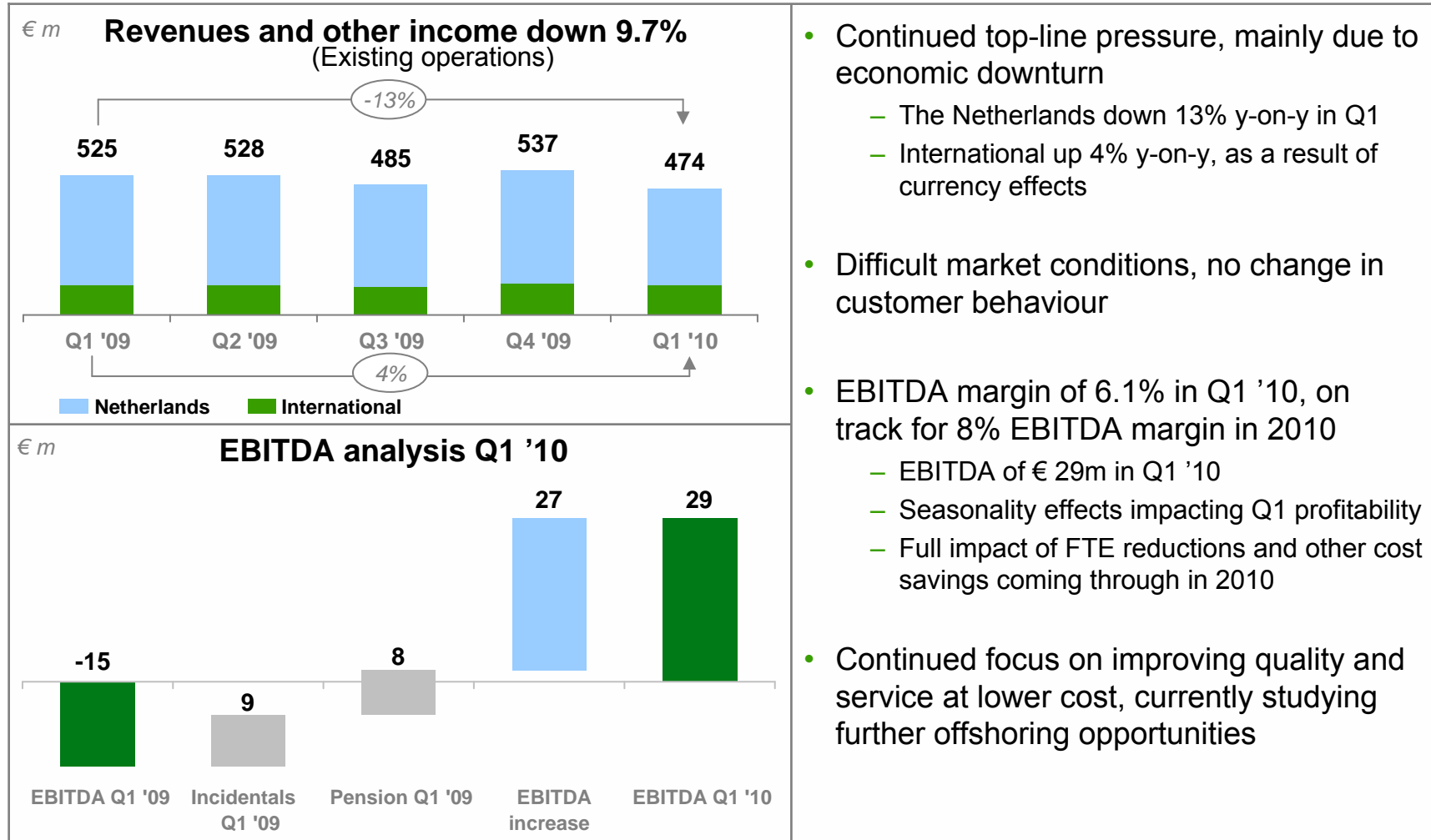
Negative trend in line with previous quarters



<sup>1</sup> Revenues for Voice & Internet wireline and Data network services

# Operating review - Getronics

Impact of economic downturn remains, on track for EBITDA uplift in 2010



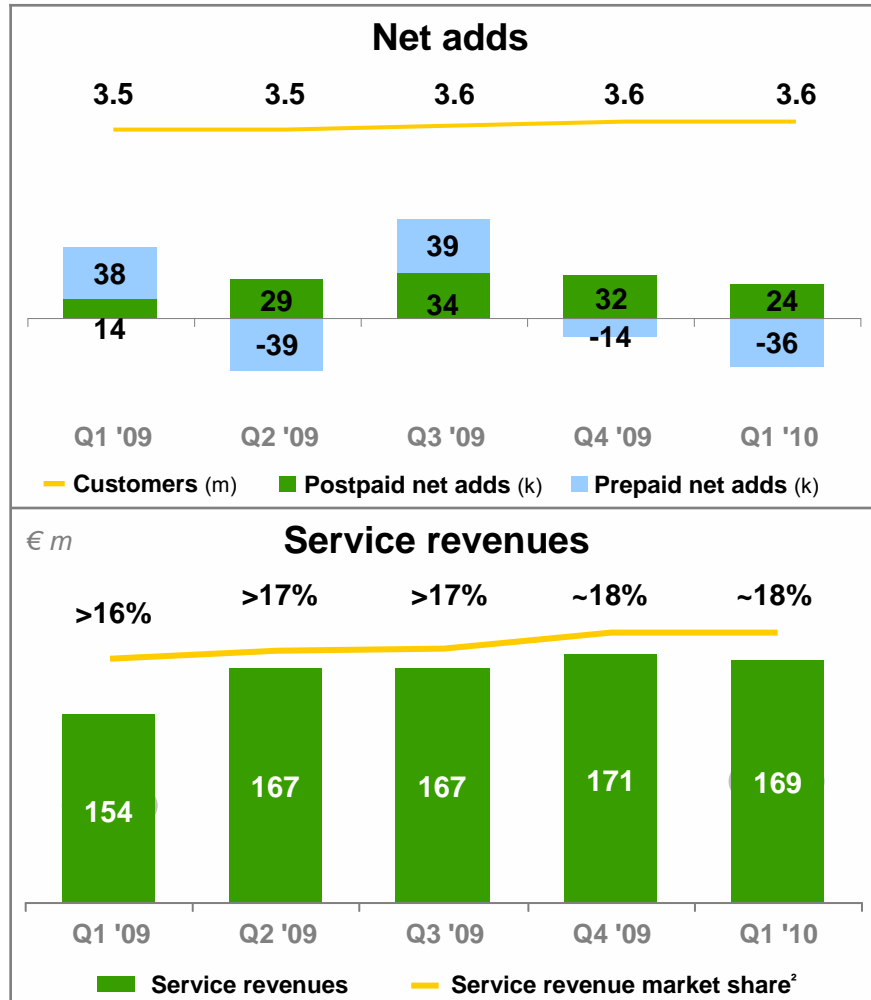
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	<b>International</b>
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# Operating review - Belgium

Service revenues up 9.7%, driven by BASE and regional focus

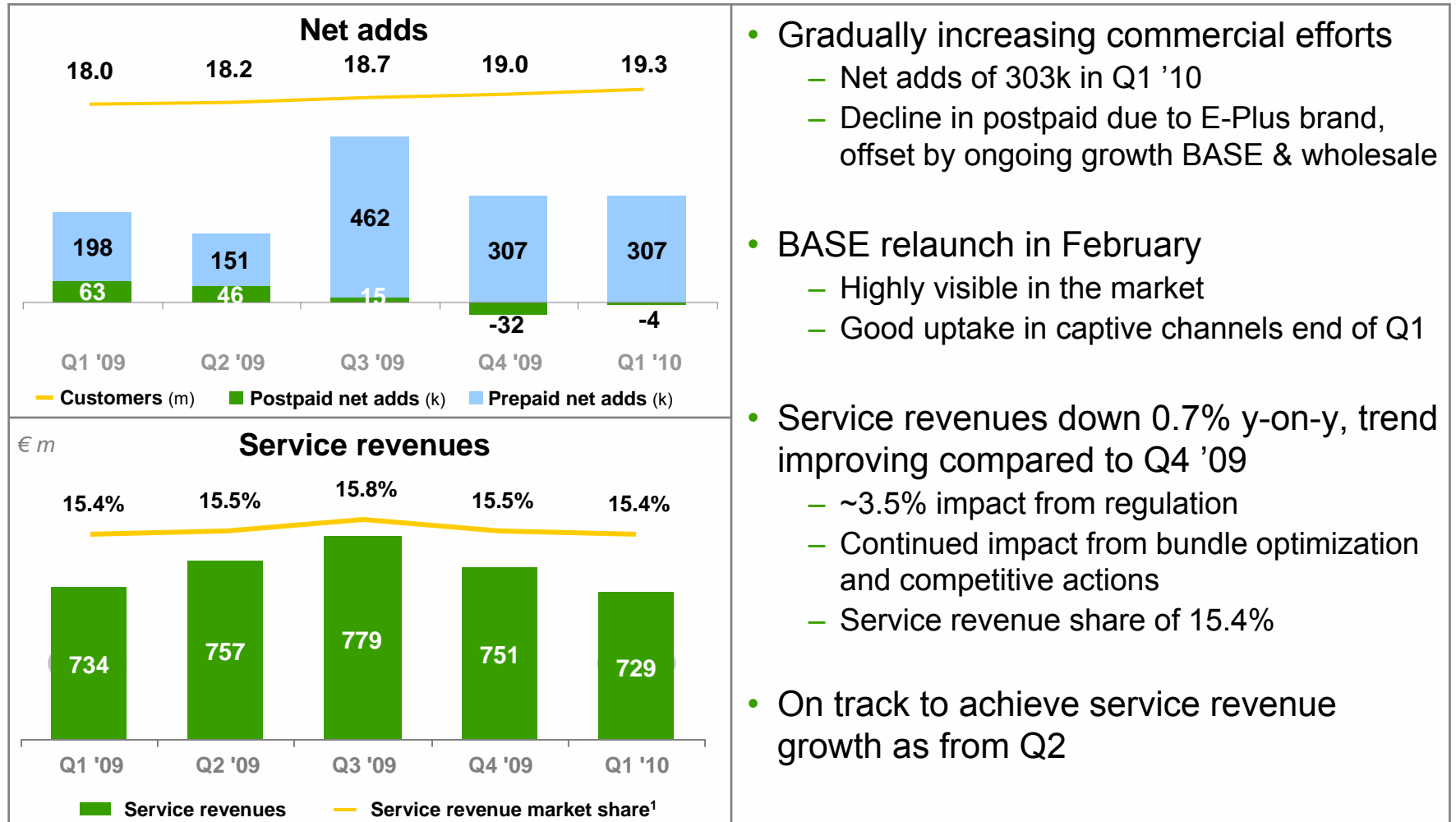


- Continued growth in postpaid net adds following simplified BASE portfolio and segment targeting
  - Portfolio compares favourably with competitor offerings
  - Strengthened distribution and partnerships with regional focus
  - Strong uptake in Walloon area
  - Prepaid decline due to 208k one-off churn
- Service revenues up 9.7% y-on-y
  - Growth in high value customers
  - No impact of MTA reductions in Q1 '10
  - Continued market outperformance, service revenue share up >1%-point y-on-y
- Sale of B2B<sup>1</sup> closed on 31 March 2010

<sup>1</sup> Fixed Belgian B2B and Carrier business, including the fiber network  
<sup>2</sup> Management estimates, based on service revenues

# Operating review - Germany

Gradually increasing commercial efforts to drive future service revenue growth



<sup>1</sup> Management estimates, based on service revenues

# Germany strategic progress

Continued progress in identified strategic cornerstones

## BASE relaunch

- “Mein BASE ” launched in February with strong advertising campaign
- Simple € 0 contract with full flexibility to add, switch & drop components
- Re-engineered commissioning, incentivizing customer lifetime value



## Regionalization

- Refocused organization towards a regional view
- Differentiated and targeted go-to-market approach within each region

## Network roll-out

- Stepping up data investment based on improved investment structure
  - Improved conditions from current and new suppliers
  - Investments now optimized towards wireless data growth
  - Future-ready solutions chosen
- 3G roll-out, accelerated HSPA upgrades and ZTE introduction
  - H1 '10: HSPA upgrades within existing UMTS network
  - H2 '10: Speeding up roll-out of network upgrades

## Operating review - RoW

Focus in 2010 on further stimulating growth

### Spain



- Growth mainly driven by Simyo
- Increased focus on postpaid which drives topline further
- Continued focus on improving terms and conditions from network provider

### France



- Growth from KPN's international brands
  - Simyo: Accelerated growth following recent marketing campaign
  - Ay Yildiz: Regional roll-out, targeting Turkish communities
- Continued focus on improving terms and conditions from network provider

### Ortel

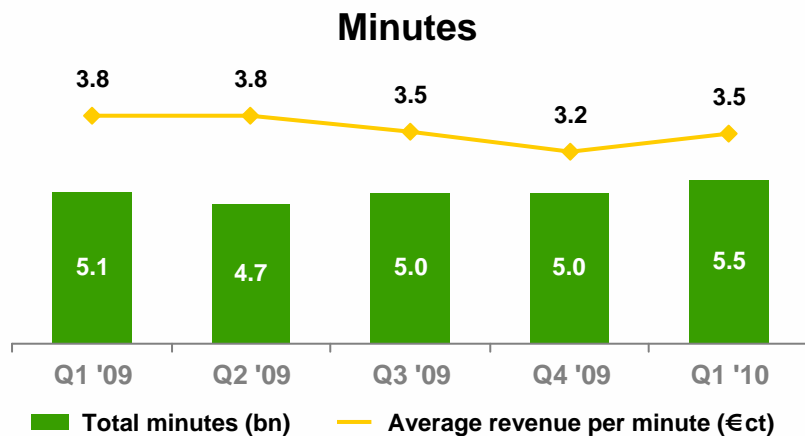


- Growth in revenues and other income despite ongoing competitive pressure in cultural segment
- Ortel France launched on 15 March 2010 to target cultural segments
  - Addressable market of more than 8 million people

## Operating review - iBasis

Focus on revenues and profitability, first signs of turnaround by new management

### Operational performance



- Focus on balancing revenue growth with profitability
- Total minutes up 7.8% y-on-y in Q1 '10, despite decline in retail minutes
- Revenue/minute down 7.9% y-on-y
  - Revenue/minute impacted by price pressure, currency effects and traffic mix

### Progress

- Increased traction of iBasis turnaround
  - Substantial revenue growth improvement Q1 '10 versus Q4 '09
  - Closer cooperation with KPN entities
- Outperforming competition
  - Strong growth in minutes, resulting in a slight market share gain
  - Focus on continued innovation in IP technology, e.g. Premium VoIP and IPX

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## Concluding remarks

- Continued EBITDA growth Dutch Telco business
- Revenue growth and solid profitability at Mobile International
- MTA proposals published for the Netherlands and Belgium
- KPN obtained 2x10MHz of 2.6GHz spectrum in the Netherlands
- Continued focus on shareholder returns, € 1bn share buyback started
- 2010 and 2011 outlook confirmed

# Q&A



# Annex

*For further information please contact*

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# Analysis of results

Key items worth mentioning in results interpretation

€ m		Q1 '10	Q1 '09
Revenue effect MTA tariff reduction	Group	-55	-25
EBITDA effect MTA tariff reduction	Group	-20	-10
Book gain on sale of real estate	W&O	2	8
Restructuring charges	Group	-7	-6
Restructuring charges	Getronics		-3
Release of deferred connection fees <sup>1</sup>	Business	19	
Goodwill impairment	iBasis		-11
Goodwill impairment	Getronics		-13

<sup>1</sup> FY 2010 net effect of € 9m, impacting both revenues and EBITDA

# MTA regulation

## The Netherlands

€ cents per minute	1 July '09	1 Sep '10	1 Sep '11	1 Sep '12
KPN	7.00	5.00	3.00	1.20
Vodafone	7.00	5.00	3.00	1.20
T-Mobile	8.10	5.00	3.00	1.20
Avg. asymmetry	1.10	0.00	0.00	0.00

## Germany

- MTA tariffs valid from 1 April 2009 until 30 November 2010
  - T-Mobile / Vodafone lowered from € 7.92 to € 6.59 cents per minute
  - E-Plus / O<sub>2</sub> lowered from € 8.80 to € 7.14 cents per minute

## Belgium

- On 1 February 2010, Belgian regulator BIPT announced its draft decision on MTA, applicable as from 1 July 2010. The preliminary tariffs are:

€ cents per minute	1 July '08 <sup>1</sup>	1 July '10	1 Jan '11	1 Jan '12	1 Jan '13
BASE	11.43	5.60	4.69	2.88	1.07
Proximus	7.20	4.45	3.77	2.42	1.07
Mobistar	9.02	4.86	4.10	2.59	1.07
Avg. asymmetry	3.32	0.95	0.76	0.38	0.00

<sup>1</sup> Current MTA tariffs, different from former publications due to indexation

## Impact MTA reduction

€ m	Q1 '10		Q1 '09	
	Revenues	EBITDA <sup>1</sup>	Revenues	EBITDA <sup>1</sup>
Germany	-21	-10	-	-
Belgium	-	-	-7	-5
Rest of World	-	-	-	-
<b>Mobile International</b>	<b>-21</b>	<b>-10</b>	<b>-7</b>	<b>-5</b>
Consumer	-18	-8	-11	-4
<i>Of which: Mobile Wholesale</i>	-1	-1	-2	-1
Business	-11	-2	-5	-1
Wholesale & Operations	-9	-	-5	-
<b>The Netherlands</b>	<b>-38</b>	<b>-10</b>	<b>-21</b>	<b>-5</b>
Intercompany	4	-	3	-
<b>KPN Group</b>	<b>-55</b>	<b>-20</b>	<b>-25</b>	<b>-10</b>

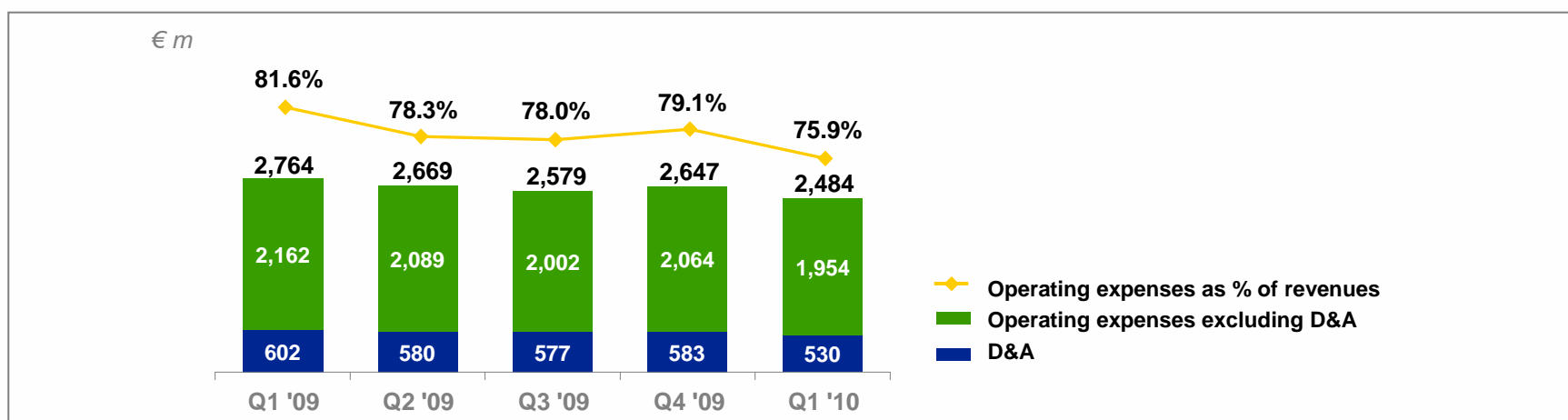
<sup>1</sup> Defined as Operating result plus depreciation, amortization and impairments

# Restructuring charges

€ m	Q1 '10	Q1 '09
Germany	-	-
Belgium	-	-
Rest of World	-	-
<b>Mobile International</b>	<b>-</b>	<b>-</b>
Consumer	-1	1
Business	-	-
Getronics	-	-3
Wholesale & Operations	-3	-2
<b>The Netherlands</b>	<b>-4</b>	<b>-4</b>
Other	-3	-2
<b>KPN Group</b>	<b>-7</b>	<b>-6</b>

# Operating expenses

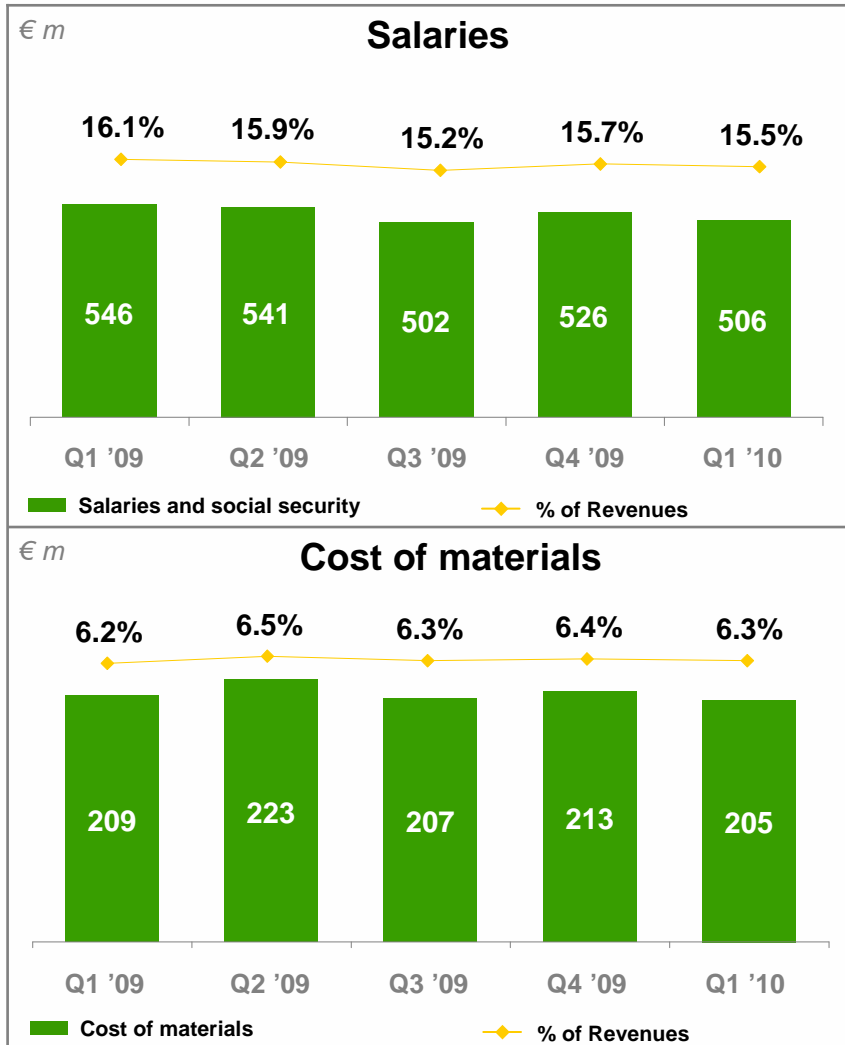
€ m	Q1 '10	Q1 '09	%
Salaries and social security contributions	506	546	-7.3%
Cost of materials	205	209	-1.9%
Work contracted out and other expenses	1,116	1,231	-9.3%
Own work capitalized	-24	-21	14%
Other operating expenses	151	197	-23%
Depreciation <sup>1</sup>	348	392	-11%
Amortization <sup>1</sup>	182	210	-13%
<b>Total</b>	<b>2,484</b>	<b>2,764</b>	<b>-10%</b>



<sup>1</sup> Including impairments, if any

# Analysis operating expenses

## Salaries & Cost of materials



### Y-on-Y decrease

- Reduction of own personnel Dutch Telco business and Getronics

### Q-on-Q decrease

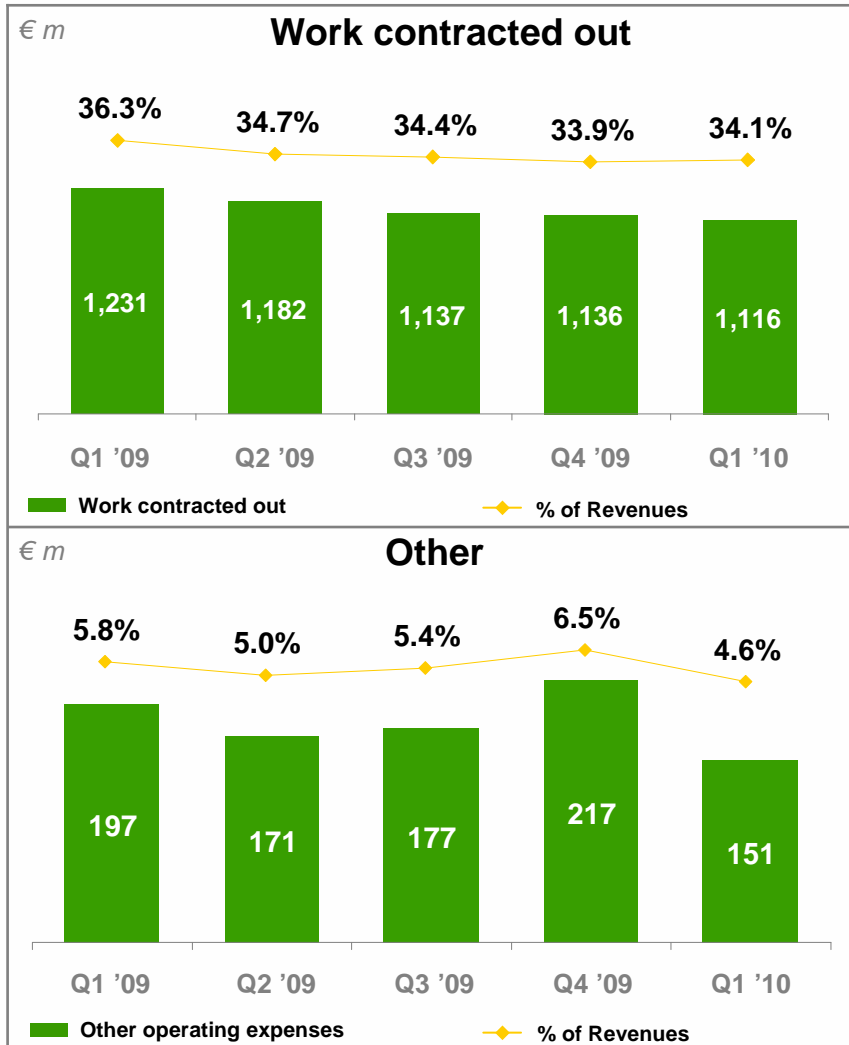
- Reduction of own personnel Dutch Telco business and Getronics

### Q-on-Q decrease

- Lower product costs related to lower revenues in Q1 '10 vs. Q4 '09

# Analysis operating expenses

## Work contracted out & Other



### Y-on-Y decrease

- Lower MTA & roaming costs due to regulatory tariff cuts
- Reduction external personnel Dutch Telco business and Getronics
- Disposal of SNT Belgium and SNT the Netherlands leading to lower external personnel

### Q-on-Q decrease

- Reduction external personnel Getronics
- Disposal of SNT Belgium and the Netherlands leading to lower external personnel

### Y-on-Y decrease

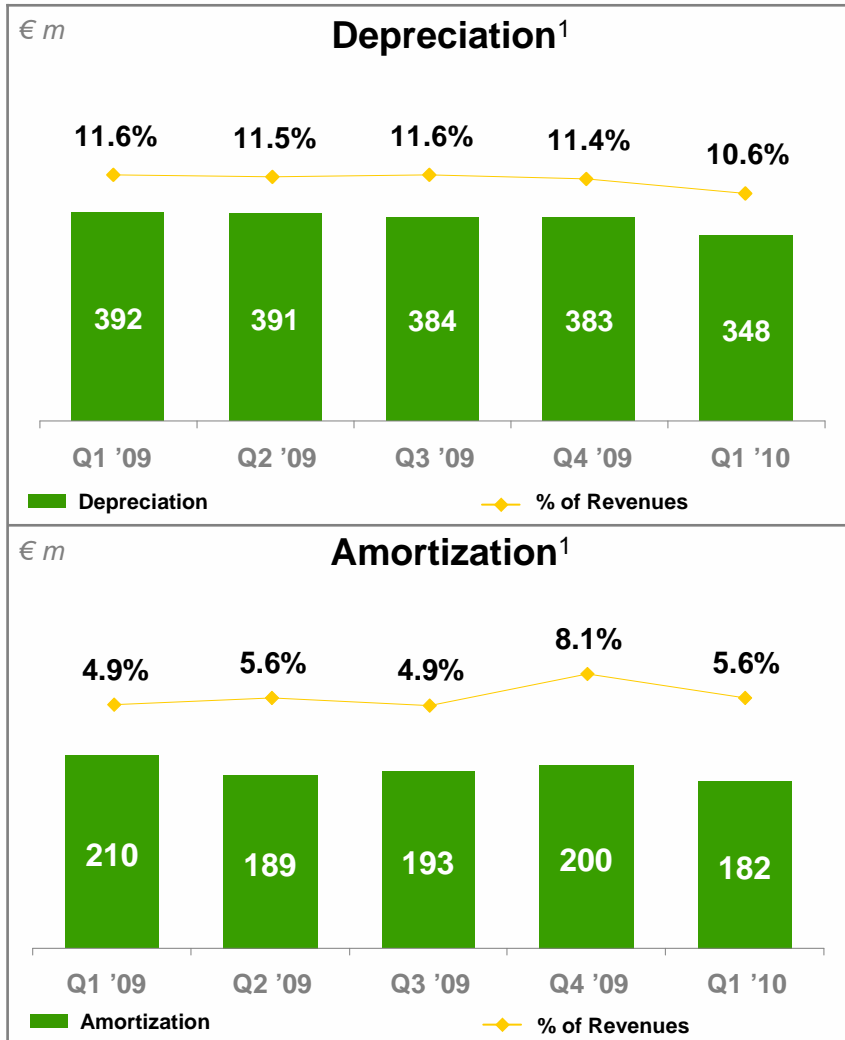
- Disposal of SNT Belgium and the Netherlands
- Less overall marketing costs

### Q-on-Q decrease

- Disposal of SNT Belgium and the SNT Netherlands
- Restructuring charge of € 21m in Q4 '09 vs. € 7m in Q1 '10
- Accrual for unused site rental of € 8m in Q4 '09

# Analysis operating expenses

## Depreciation & Amortization



### Y-on-Y decrease

- Lifetime of mobile masts increased, lowering depreciation charges
- Lower purchase costs of PPE at W&O resulting in lower depreciation charges

### Q-on-Q decrease

- Lifetime of mobile masts increased, lowering depreciation charges

### Y-on-Y decrease

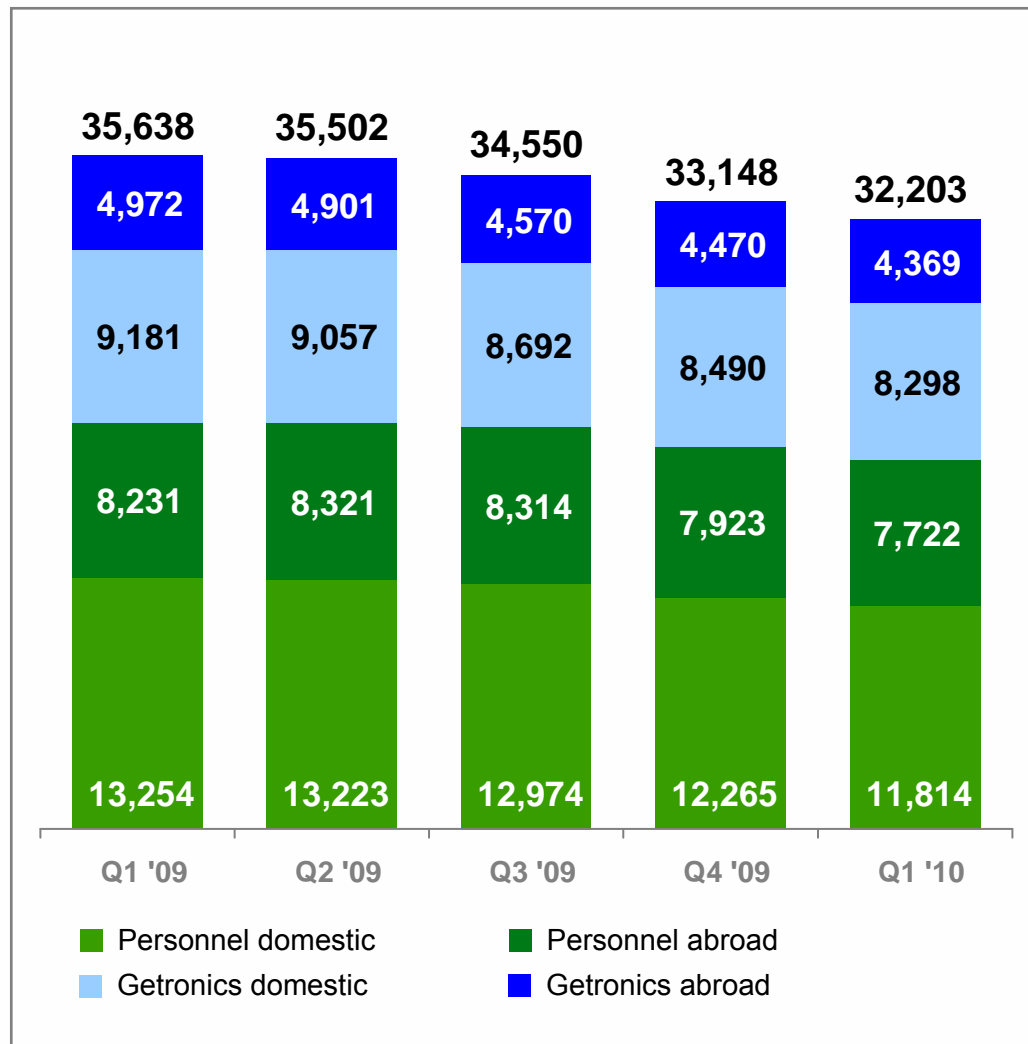
- Goodwill impairment of € 13m at Getronics
- Goodwill impairment of € 11m at iBasis
- Final write-down of Telfort customer base per Q3 '09

### Q-on-Q decrease

- Goodwill impairment of SNT Belgium and SNT the Netherlands in Q4 '09

<sup>1</sup> Including impairments, if any

# Personnel



- Decrease of 3,435 FTE y-on-y
  - Reduction of 1,440 FTE in the Netherlands (excl. Getronics) from all segments and due to divestment of SNT Belgium and SNT the Netherlands (Q4 '09)
  - Reduction of 1,486 FTE at Getronics, mainly from divestments and restructuring
  - Reduction of 509 FTE at KPN abroad, mainly from Belgium, Germany and call centers
- Decrease of 945 FTE in q-on-q
  - Reduction of 451 FTE mainly from Consumer, Business and W&O
  - Reduction of 293 FTE at Getronics
  - Reduction of 201 FTE at KPN abroad, mainly from Belgium and Germany
- Cumulative reduction of 8,512 FTE in the Netherlands since 2005
  - Excluding Getronics and acquisitions
  - Reduction target of 10,000 FTE in the Netherlands by 2010
  - Taking a number of outsourcing decisions in Q2 '10

# Tax

Fiscal units (€ m)	P&L		Cash flow	
	Q1 '10	Q1 '09	Q1 '10	Q1 '09
Dutch activities	-109	-91	-549	-608
Getronics	1	10	-2	-2
German Mobile activities	-23	-50	-1	-1
Belgian Mobile activities	-9	-8	-	-
Other	-2	-2	-2	-1
<b>Total</b>	<b>-142</b>	<b>-141</b>	<b>-554</b>	<b>-612</b>

- Tax prepayment of € 543m in Q1 '10 and € 598m in Q1 '09 to Dutch tax authorities
  - € 549m and € 608m respectively recorded as Dutch cash taxes
  - Discount of € 6m and € 10m respectively recorded as reduction in interest paid
- Effective tax rate decreased from 30.9% in Q1 '09 to 23.8% in Q1 '10
  - Decrease is due to new DTA valuation methodology at E-Plus
  - DTA is expected to remain more or less at the same level, see tax paper published on 26 January 2010 for more information

## Net cash flow from operating activities

€ m	Q1 '10	Q1 '09
<b>Operating Profit</b>	<b>793</b>	<b>632</b>
Depreciation, amortization and impairments	530	602
Interest paid	-259	-158
Income tax paid	-554	-612
Other income	-5	-5
Share based compensation	6	6
Change in provisions	-84	-42
<b>Net cash flow from operating activities</b> <i>before changes in working capital</i>	<b>427</b>	<b>423</b>
Inventory	-9	-3
Trade receivables	-32	76
Other current assets	-203	-187
Current liabilities	46	-250
<b>Change in working capital</b>	<b>-198</b>	<b>-364</b>
<b>Net cash flow from operating activities</b>	<b>229</b>	<b>59</b>
Capex <sup>1</sup>	-335	-456
Proceeds from real estate	7	14
Tax recapture E-Plus	327	327
<b>Free cash flow<sup>2</sup></b>	<b>228</b>	<b>-56</b>

1 Including Property, Plant & Equipment and software

2 Defined as Net cash flow from operating activities plus proceeds from real estate minus Capex, excluding tax recapture at E-Plus

# Total cash flow

€ m	Q1 '10	Q1 '09
<b>Net cash flow from operating activities</b>	<b>229</b>	<b>59</b>
Capex <sup>1</sup>	-335	-456
Acquisitions	-48	-80
Disposals real estate	7	14
Disposals other	78	47
Other	-67	2
<b>Net cash flow from investing activities</b>	<b>-365</b>	<b>-473</b>
Dividends paid	-	-
Share repurchases	-101	-315
Debt financing	-101	1,476
Other	6	1
<b>Net cash flow used in financing activities</b>	<b>-196</b>	<b>1,162</b>
<b>Changes in cash and cash equivalents</b>	<b>-332</b>	<b>748</b>

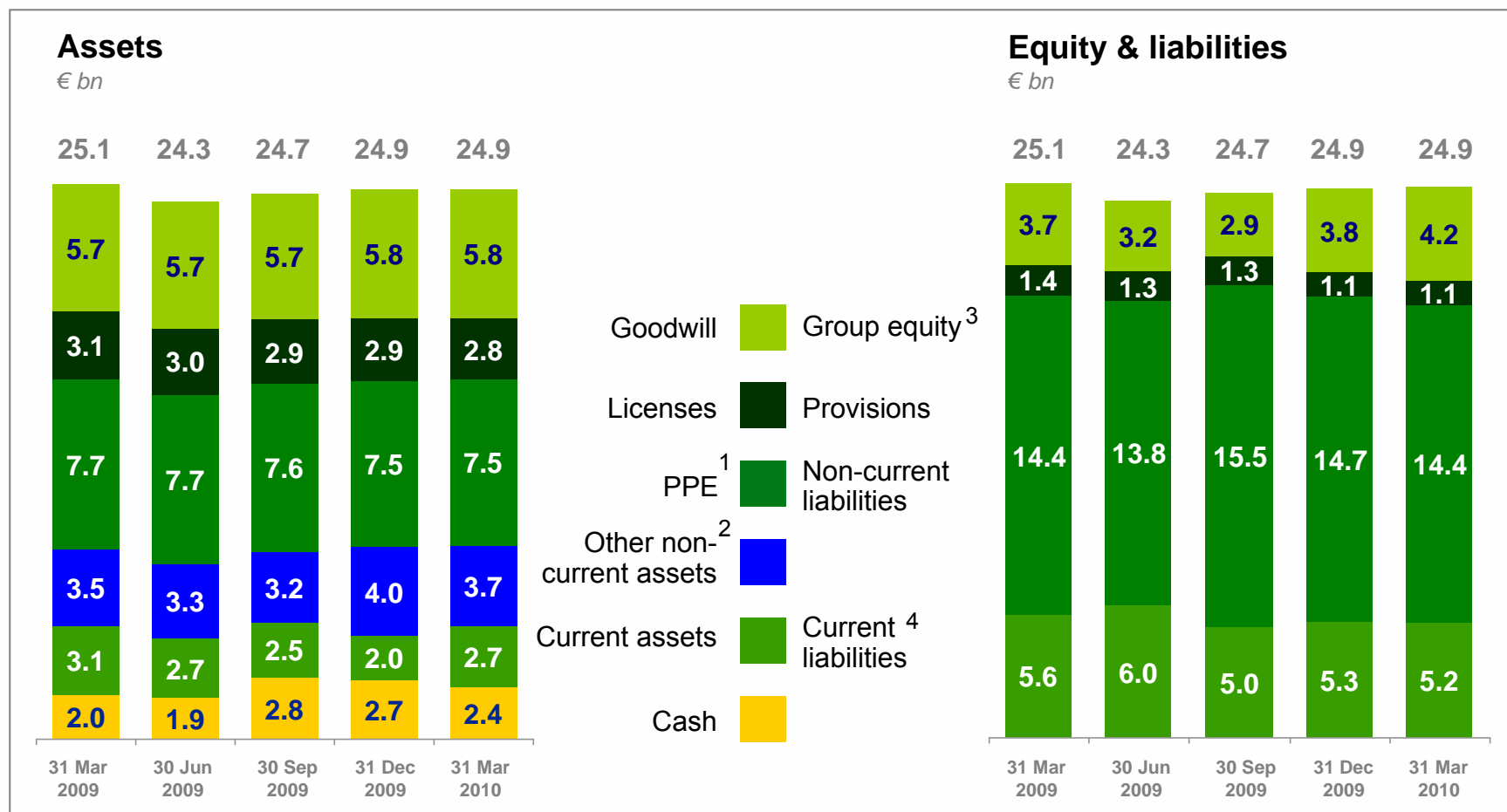
<sup>1</sup> Including Property, Plant & Equipment and software

# Capex<sup>1</sup>

€ m	Q1 '10	Q1 '09	%
Germany	74	142	-48%
% Revenues Germany	9.6%	18%	
Belgium	13	18	-28%
% Revenues Belgium	6.4%	9.4%	
Rest of World	1	1	0%
% Revenues Rest of World	3.4%	6.3%	
<b>Mobile International</b>	<b>88</b>	<b>161</b>	<b>-45%</b>
% Revenues Mobile International	8.8%	16%	
Consumer	72	53	36%
% Revenues Consumer	7.4%	5.1%	
Business	17	36	-53%
% Revenues Business	2.7%	5.7%	
Wholesale & Operations (national)	132	178	-26%
% Revenues Wholesale & Operations (national)	19%	24%	
<b>Dutch Telco business</b>	<b>222</b>	<b>274</b>	<b>-19%</b>
% Revenues Dutch Telco business	13%	15%	
Getronics	22	15	47%
% Revenues Getronics	4.6%	2.8%	
<b>The Netherlands</b>	<b>246</b>	<b>291</b>	<b>-15%</b>
% Revenues the Netherlands	11%	12%	
<b>Total</b>	<b>335</b>	<b>456</b>	<b>-27%</b>
% Revenues	10%	13%	

<sup>1</sup> Including Property, Plant & Equipment and software

# Balance sheet



1 Property, plant & equipment

2 Including deferred tax assets, software and other intangibles and assets held for sale

3 Including minority interest

4 Current liabilities include approximately € 0.04bn of non-netted cash balances per Q1 '10

## Share repurchase progress

Date <sup>1</sup>	Value (€ m)	Shares (m)	Avg. share price (€)
January	-	-	-
February	21.0	1.8	11.48
March	82.1	7.1	11.63
<b>Q1 '10</b>	<b>103.1</b>	<b>8.9</b>	<b>11.60</b>
April <sup>2</sup>	142.1	12.5	11.38
<b>Total</b>	<b>245.2</b>	<b>21.4</b>	<b>11.47</b>

- € 1bn share repurchase program for 2010 started on 4 February 2010
  - 10% executed by end of Q1
  - 25% completed to date
- € 7.9bn in shares repurchased since start in 2004
  - 8.9m shares repurchased in Q1 '10, average price of € 11.60
- Number of outstanding shares amounting to 1,618,143,699 as from 31 March 2010
  - 10.7m shares cancelled from the 2009 share repurchase program in Q1 '10
  - ~35% of outstanding shares cancelled since 2004

<sup>1</sup> Figures based on transaction date of share repurchases, some rounding changes may be applicable

<sup>2</sup> Until 26 April 2010

## Debt summary

€ bn	Q1 '10	Q4 '09	Q1 '09
<b>Bonds</b>	<b>13.30</b>	<b>13.16</b>	<b>12.96</b>
Eurobonds	11.61	11.60	10.62
Global bonds	1.69	1.56	2.34
<b>Other debt</b>	<b>0.22</b>	<b>0.21</b>	<b>0.59</b>
Other loans at Royal KPN <sup>1</sup>	0.16	0.16	0.14
Consolidated debt	0.06	0.05	0.45
<b>Fair value financial instruments</b>	<b>0.25</b>	<b>0.45</b>	<b>0.08</b>
<b>Total debt</b>	<b>13.77</b>	<b>13.82</b>	<b>13.63</b>
— of which short-term <sup>1</sup>	0.93	0.92	1.17

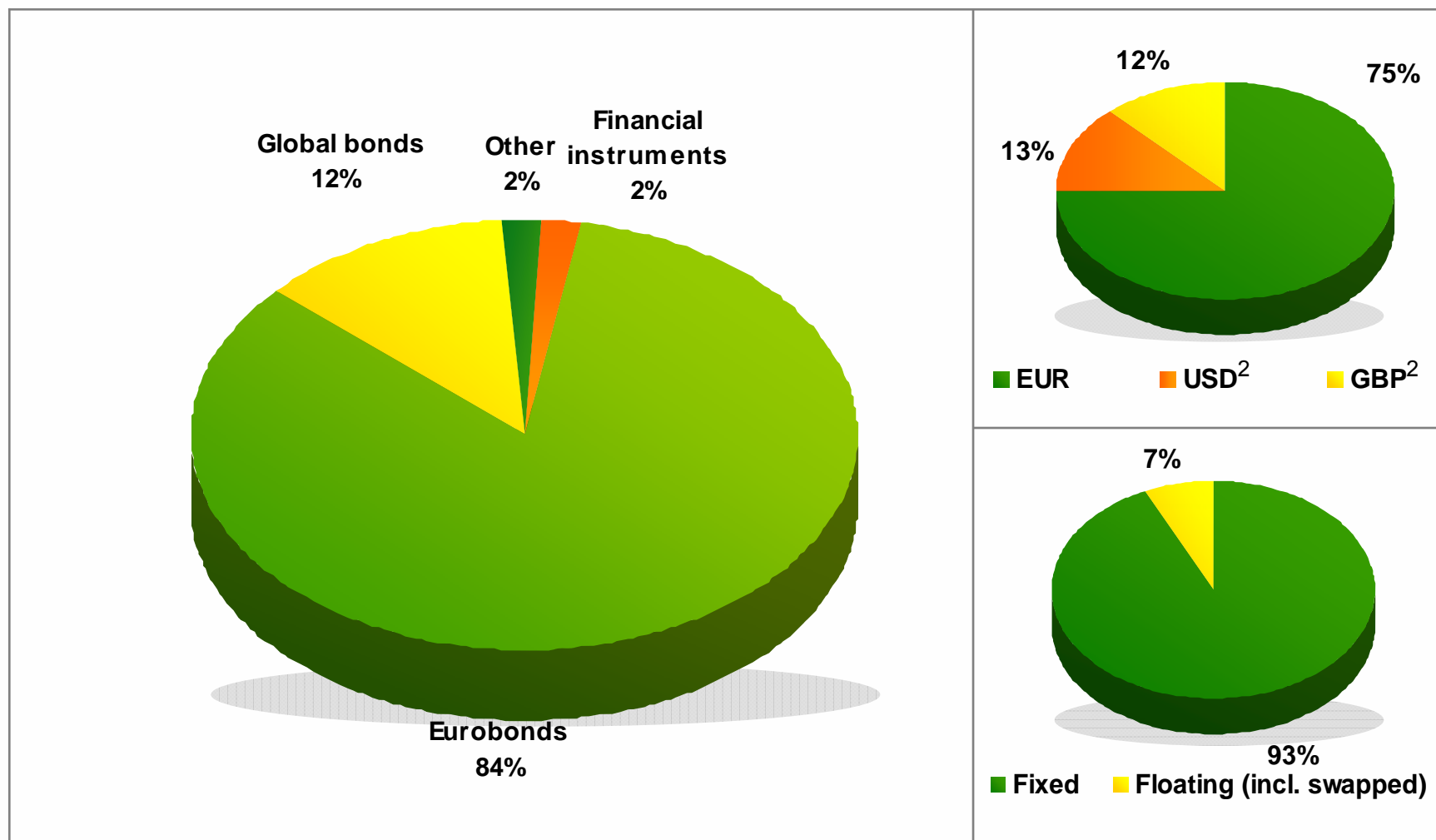
  

Cash and cash equivalents	2.37	2.69	1.95
<b>Total net debt</b>	<b>11.40</b>	<b>11.13</b>	<b>11.68</b>

<sup>1</sup> Current liabilities include approximately € 0.04bn of non-netted cash balances per Q1 '10

# Debt portfolio

Breakdown of € 13.8bn gross debt<sup>1</sup>



<sup>1</sup> Book value of interest bearing financial liabilities plus the fair value of financial instruments related to these financial liabilities

<sup>2</sup> Foreign currency amounts hedged into Euro

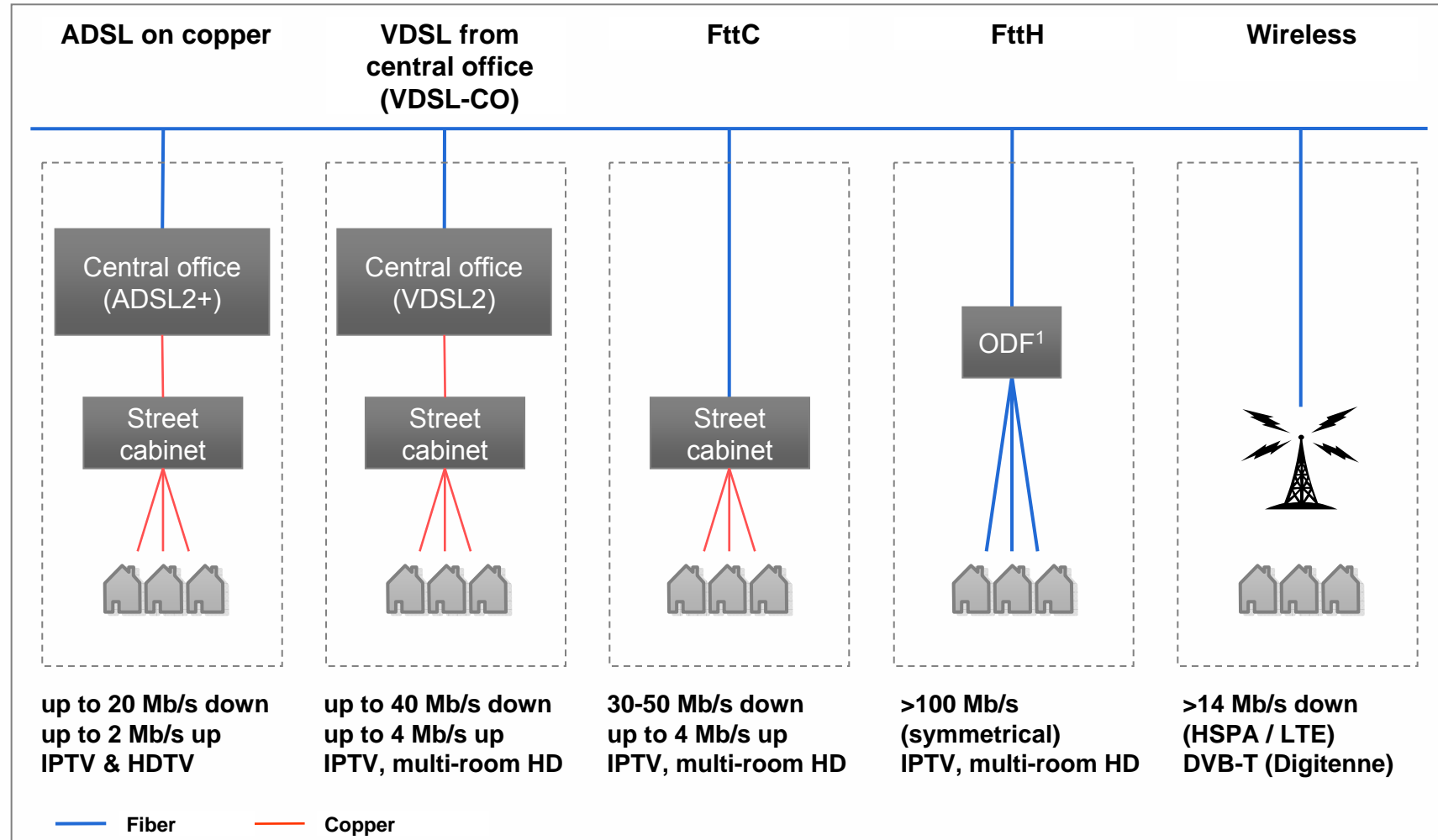
# Consumer voice market<sup>1</sup>

<i>m</i>	Q1 '10	Q4 '09	Q1 '09
KPN PSTN / ISDN	1.92	2.02	2.27
Wholesale Line Rental (WLR)	0.41	0.41	0.42
<b>Total traditional voice</b>	<b>2.33</b>	<b>2.43</b>	<b>2.69</b>
KPN VoIP	1.26	1.23	1.16
Cable VoIP	1.60	1.52	1.33
Alternative DSL VoIP	0.41	0.40	0.36
<b>Total VoIP</b>	<b>3.27</b>	<b>3.15</b>	<b>2.85</b>
Mobile-only	1.25	1.25	1.17
<b>Total households</b>	<b>6.85</b>	<b>6.83</b>	<b>6.71</b>

<sup>1</sup> Management estimates, figures updated due to better insights

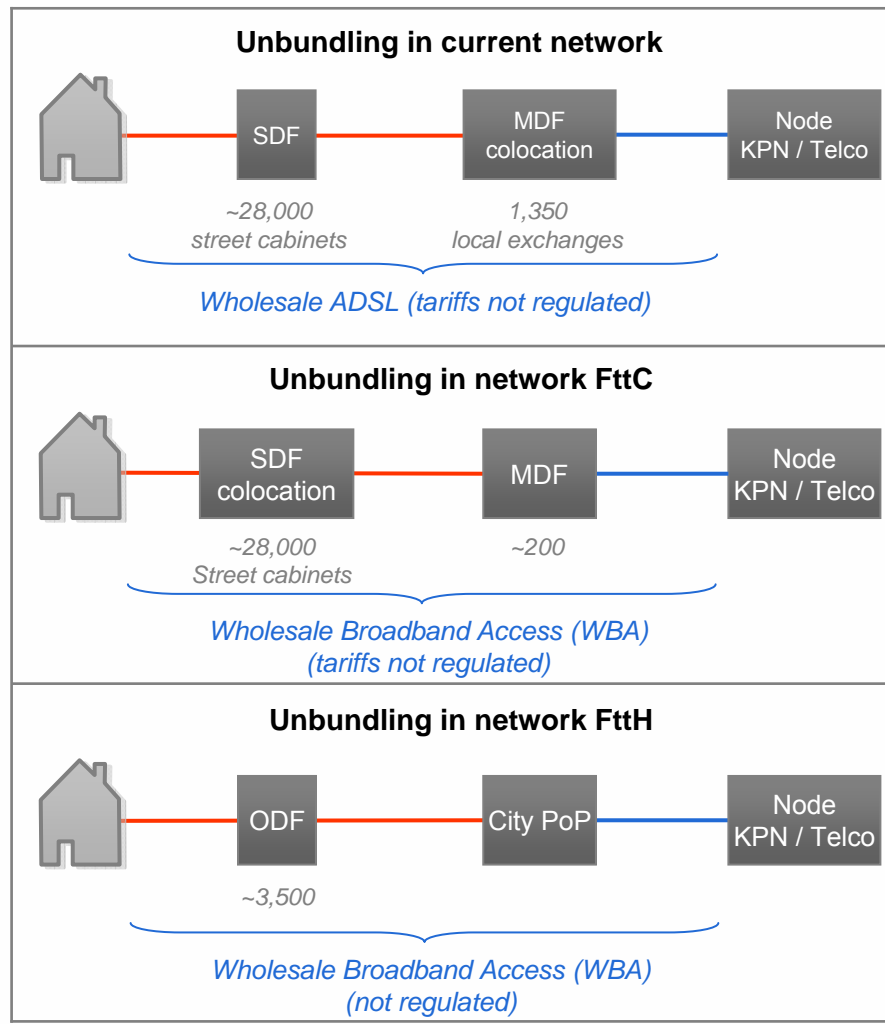
# Infrastructure

Deploying mix of technologies going forward



1 Optical distribution frame

# Unbundling tariffs



1 Tariffs refer to WPC 2009-2011 [(WPC 2A); WPC 2B to be expected in Q2 2010]

Category	Monthly tariff
Line sharing (LLU) <sup>1</sup>	€ 0.10 / line
Fully unbundled (LLU) <sup>1</sup>	€ 6.52 / line
MDF colocation <sup>1</sup>	€ 776.40 / footprint / year
MDF backhaul <sup>1</sup>	Commercial pricing, not regulated
Wholesale ADSL access fee	€ 5.32 shared € 13.00 non-shared

Category	Monthly tariff
Line sharing (SLU)	€ 7.58 / line
Fully unbundled (SLU)	€ 7.48 / line
SDF colocation	€ 1.20 / line or 5.32 / per unit One-off € 492.61/ per unit
SDF backhaul	To be regulated
Wholesale Broadband Access (WBA)	€ 5.32 shared € 13.00 non-shared

Category	Monthly tariff
Fully unbundled (ODF FttH)	€ 12.00 – € 17.50
ODF FttH colocation	≤ € 500 / month One-off ≤ € 3,000
ODF FttH Backhaul	≤ 600 / month
Wholesale Broadband Access (WBA) FttH	€ 19.00 non-shared
ODF FttO	Commercial pricing, not regulated

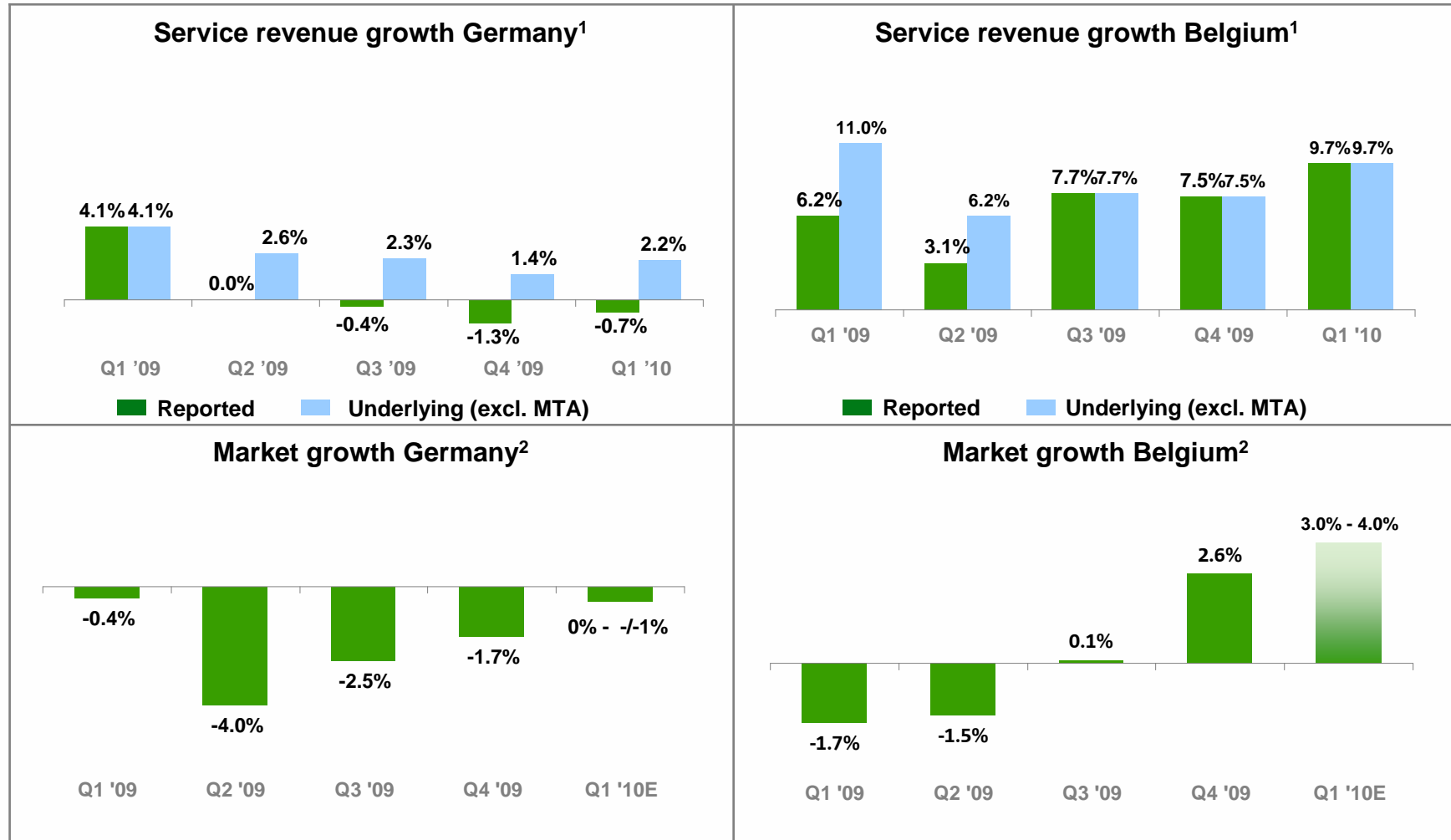
# Spectrum Germany

*in MHz*

	Current allocation				
Band	T-Mobile	Vodafone	E-Plus	O <sub>2</sub>	Total
800 MHz	-	-	-	-	-
900 MHz	2 x 12.4	2 x 12.4	2 x 5	2 x 5	70
1800 MHz	2 x 5	2 x 5	2 x 17.5	2 x 17.5	90
2.1 GHz	2 x 10	2 x 10	2 x 10	2 x 10	80
2.6 GHz	-	-	-	-	-
<b>Total</b>	<b>55</b>	<b>55</b>	<b>65</b>	<b>65</b>	<b>240</b>

Auction 2010	
Blocks	Total
6 blocks 2 x 5	60
-	-
5 blocks 2 x 5	50
4 blocks 2 x 5 1 block 1 x 5 1 block 1 x 14.2	59.2
14 blocks 2 x 5 10 blocks 1 x 5	190
<b>359.2</b>	<b>359.2</b>

# Service revenue growth Mobile International



<sup>1</sup> Management estimates for MTA impact

<sup>2</sup> Management estimates for market service revenue growth, based on equity research

## Dutch wireless services disclosure

	Q1 '10	Q4 '09	Q1 '09
<b>Service revenues (€ m)</b>	<b>740</b>	<b>758</b>	<b>767</b>
- Consumer	434	453	465
- Business	248	247	247
- Other Dutch activities <sup>1</sup>	58	58	55
<b>SAC / SRC (€)</b>			
- Consumer	183	183	139
- Business <sup>2</sup>	255	272	289

1 Indicates amongst others Mobile Wholesale NL, Simyo and visitor roaming revenues within KPN the Netherlands

2 Restated numbers following recalculation, now also including all data SAC/SRC in addition to voice SAC/SRC

# KPIs Consumer

## Wireline Voice & TV

Voice	Q1 '10	Q4 '09	Q1 '09
<b>Market share</b>			
– Voice <sup>1</sup>	>50%	~55%	~55%
– Traditional voice <sup>2</sup>	>80%	>80%	>75%
– VoIP <sup>3</sup>	37%	38%	41%
<b>Market penetration VoIP<sup>3</sup></b>	<b>55%</b>	<b>53%</b>	<b>49%</b>
<b>Access lines (x 1,000)</b>	<b>3,164</b>	<b>3,234</b>	<b>3,413</b>
– VoIP <sup>3</sup> (packages broadband and voice)	1,246	1,215	1,147
<b>Net line loss<sup>4</sup> (x 1,000)</b>	<b>-35</b>	<b>-30</b>	<b>-25</b>
<b>Traditional voice ARPU (€)</b>	<b>26</b>	<b>26</b>	<b>26</b>
– Access	17	17	17
– Traffic	9	9	9
TV	Q1 '10	Q4 '09	Q1 '09
<b>Market share TV<sup>4</sup></b>	<b>13%</b>	<b>12%</b>	<b>10%</b>
– Subscribers (x 1,000)	1,033	984	835
– ARPU (€)	9	8	7

1 Market shares defined as share in total consumer voice (including VoIP), based on management estimates

2 Market shares defined as share in traditional consumer voice (excluding VoIP), based on management estimates

3 Including fiber, based on management estimates

4 Quarterly delta in PSTN/ISDN access lines + delta Consumer VoIP, ADSL Only and delta Consumer Fiber

# KPIs Consumer

## Broadband & Fiber

Broadband	Q1 '10	Q4 '09	Q1 '09
Market penetration Broadband <sup>1</sup>	83%	83%	81%
Market share Broadband ISP <sup>2</sup>	42%	42%	43%
Broadband ISP customers <sup>2</sup> (x 1,000)	2,584	2,575	2,565
Broadband ARPU (€)	31	31	31
Fiber	Q1 '10	Q4 '09	Q1 '09
Subscribers	31	16	2
– FttC (x 1,000)	10	5	0
– FttH (x 1,000)	21	11	2

<sup>1</sup> Including fiber, based on management estimates

<sup>2</sup> Broadband ISP customers and broadband ISP market share including fiber, based on management estimates

# KPIs Consumer

## Wireless & Mobile Wholesale NL

Wireless	Q1 '10	Q4 '09	Q1 '09
- Customers <sup>1</sup> (x 1,000)	6,079	6,523	6,821
- Service revenues (€ m)	434	453	465
- ARPU (€)	23	23	23
- MoU <sup>2</sup> (originating, terminating)	109	109	105
- SAC/SRC (€)	183	183	139

Mobile Wholesale NL	Q1 '10	Q4 '09	Q1 '09
<b>Customers</b> (x 1,000)	<b>2,228</b>	<b>2,120</b>	<b>1,637</b>
- Postpaid	422	403	313
- Prepaid	1,806	1,717	1,324

<b>Service revenues</b> (€ m)	<b>51</b>	<b>50</b>	<b>48</b>
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1 Change of disconnection policy at Hi brand (impact of ~280k) in Q1 '10

2 MoU restated as data customers are now excluded per Q1 '10

# KPIs Business

## Infrastructure services

Wireline & Data	Q1 '10	Q4 '09	Q1 '09
<b>Market share voice<sup>1</sup></b>	<b>&gt;45%</b>	<b>&gt;45%</b>	<b>~50%</b>
<b>Access lines</b> (x 1,000)	<b>1,446</b>	<b>1,469</b>	<b>1,565</b>
– PSTN	682	691	735
– ISDN	735	749	803
– VoIP	21	21	19
<b>Business DSL</b>	<b>145.4</b>	<b>141.8</b>	<b>126.9</b>
<b>Traditional voice ARPU (€)</b>	<b>57</b>	<b>51</b>	<b>52</b>
– Access <sup>2</sup>	32	27	27
– Traffic	25	24	25
<b>Network services</b> (x 1,000)			
– Leased lines	21.9	23.3	27.6
– Ethernet-VPN <sup>3</sup> (# connections)	9.5	8.9	7.9
<b>IP-VPN<sup>4</sup></b> (x 1,000)			
– Managed-VPN (# connections)	30.4	30.7	17.5
– Unmanaged-VPN (# connections)	29.5	29.7	35.5

1 Share in traditional voice (including VoIP and internet dial-up); management estimates

2 Increase of ARPU due to release of deferred connection fees in Q1 '10

3 E-VPN changed into Ethernet-VPN; per Q1 '10 installed base rationalized representing commercial installed base instead of technical installed base

4 IP-VPN split up into managed and unmanaged; both customer bases representing number of connections

# KPIs Business

## Wireless services

Wireless	Q1 '10	Q4 '09	Q1 '09
- Customers (x 1,000)	1,712	1,662	1,592
- of which data users	47%	48%	42%
- Service revenues (€ m)	248	247	247
- ARPU (€)	49	50	53
- MoU (originating, terminating)	211	216	226
- SAC/SRC (€)	255	272	289

## KPIs Getronics & iBasis

	Q1 '10	Q4 '09	Q1 '09
<b>Service revenues (€ m)</b>	<b>419</b>	<b>477</b>	<b>445</b>
<b>Workspaces (in m)</b>			
– Serviced IT workspaces	1.7	1.8	1.7
– Serviced Voice workspaces	0.6	0.6	0.6
<b>ICT Services</b>	<b>Q1 '10</b>	<b>Q4 '09</b>	<b>Q1 '09</b>
<b>Housing &amp; Hosting (x 1,000)</b>			
– Housing services (# m <sup>2</sup> )	25.0	25.0	24.9
– Hosting services (# servers)	13.6	12.0	9.8
<b>iBasis (international wholesale)</b>	<b>Q1 '10</b>	<b>Q4 '09</b>	<b>Q1 '09</b>
Minutes (bn)	5.5	5.0	5.1
Average revenue per minute (€ cents)	3.5	3.2	3.8

# KPIs Wholesale & Operations

Wholesale & Operations	Q1 '10	Q4 '09	Q1 '09
<b>Retail voice</b> (without ADSL)	<b>3,335</b>	<b>3,459</b>	<b>3,804</b>
<b>Local loop</b> (x 1,000)			
MDF access lines <sup>1</sup>	3,725	3,743	3,751
– of which line sharing <sup>2</sup>	1,304	1,374	1,548
<b>Unbundling<sup>3</sup></b> (m)	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>
– Shared unbundled lines	0.2	0.2	0.3
– Fully unbundled lines	0.9	0.9	0.8
<b>Minutes</b> (bn)	<b>4.2</b>	<b>4.4</b>	<b>4.6</b>
– Originating	1.0	1.1	1.2
– Terminating	2.0	2.0	2.1
– Transit	1.2	1.3	1.3
<b>Population coverage</b>			
– UMTS / HSDPA	99%	99%	99%
<b>FttC</b> (x 1,000)			
– Homes passed	464	464	458
– Homes activated	10	5	0
<b>FttH</b> (x 1,000)			
– Homes passed	210	193	72
– Homes activated	22	13	4

1 Including Bitstream

2 Includes KPN ADSL connections, line sharing other telcos and KPN Bitstream

3 External lines based on management estimates

# KPIs Germany

	Q1 '10	Q4 '09	Q1 '09
<b>Market share<sup>1</sup></b>			
– Service revenue	15.4%	15.5%	15.4%
– Base	17.6%	17.3%	16.4%
<b>Customers (x 1,000)</b>	<b>19,290</b>	<b>18,987</b>	<b>18,038</b>
– Postpaid	6,764	6,768	6,739
– Prepaid	12,526	12,219	11,299
<b>Service revenues (€ m)</b>	<b>729</b>	<b>751</b>	<b>734</b>
<b>ARPU (€)</b>	<b>13</b>	<b>13</b>	<b>14</b>
– Postpaid	25	26	27
– Prepaid	6	6	6
<b>Non-voice as % of ARPU</b>	<b>28%</b>	<b>30%</b>	<b>26%</b>
<b>MoU (originating, terminating)</b>	<b>148</b>	<b>149</b>	<b>139</b>
– Postpaid	280	285	281
– Prepaid	80	77	60
<b>SAC/SRC (€)</b>	<b>44</b>	<b>46</b>	<b>52</b>
– Postpaid	115	127	129
– Prepaid	16	15	13

<sup>1</sup> Management estimates

# KPIs Belgium (Mobile)<sup>1</sup>

	Q1 '10	Q4 '09	Q1 '09
<b>Market share<sup>2</sup></b>			
– Service revenue	~18%	~18%	>16%
– Base	~26%	>25%	>25%
<b>Customers (x 1,000)</b>	<b>3,566</b>	<b>3,578</b>	<b>3,497</b>
– Postpaid	702	678	583
– Prepaid <sup>3</sup>	2,864	2,900	2,914
<b>Service revenues (€ m)</b>	<b>169</b>	<b>171</b>	<b>154</b>
<b>ARPU (€)</b>	<b>16</b>	<b>16</b>	<b>15</b>
– Postpaid	46	48	47
– Prepaid	8	9	8
<b>Non-voice as % of ARPU</b>	<b>18%</b>	<b>17%</b>	<b>17%</b>
<b>MoU (originating, terminating)</b>	<b>131</b>	<b>126</b>	<b>124</b>
– Postpaid	460	456	428
– Prepaid	52	52	63
<b>SAC/SRC (€)</b>	<b>18</b>	<b>21</b>	<b>21</b>
– Postpaid	55	58	68
– Prepaid	8	9	9

1 Relating to Mobile business only

2 Management estimates

3 Clean-up of 208k inactive prepaid customers in Q1 '10; 176k in Q4 '09 and ~180k in Q1 '09