

# Third Quarter Results 2011

25 October 2011

# Safe harbor

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

This financial report 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 EUR 20m. 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 regarding E-Plus.

Underlying revenues and other income and underlying EBITDA are derived from revenues and other income and EBITDA, respectively, and are adjusted for the impact of MTA and roaming (regulation), changes in the composition of the group (acquisitions and disposals), restructuring costs and incidentals.

The term service revenues refers to wireless service revenues.

All market share information in this financial report 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 available on [www.kpn.com/ir](http://www.kpn.com/ir)

## **Forward-looking statements**

Certain statements contained in this financial report 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, KPN's 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 Annual Report 2010.

# Agenda

<b>Chairman's review</b>	<b>Eelco Blok</b>
Group financial review	Carla Smits-Nusteling
Operational review The Netherlands	Eelco Blok
Operational review Mobile International	Eelco Blok
Concluding remarks	Eelco Blok

## Highlights Q3 '11

- Financial results in line to realize full year outlook
- Continued strong performances in Germany and Belgium
- Consumer wireless in transition period; accompanied by lower service revenues
- Continued growing TV market share in Consumer wireline
- Corporate Market (Getronics)<sup>1</sup> restructuring program in progress; aligning cost base with lower revenue level

<sup>1</sup> As of 1 October 2011 the Getronics segment has been renamed Corporate Market

## Financial highlights Q3 '11

- Financial performance Q3 '11
  - Revenues and other income € 3,263m, down 3.4% y-on-y
    - ◆ Regulatory impact of € 116m (3.4%)
    - ◆ Net negative impact incidentals and effect of acquisitions of € 24m
  - EBITDA excluding restructuring costs of € 1,330m, down 5.5% y-on-y
    - ◆ Restructuring costs of € 85m
    - ◆ Regulatory impact of € 49m (3.5%)
    - ◆ Net negative impact incidentals and effect of acquisitions of € 29m
  - Capex of € 498m, € 1,395m YTD
  - Free cash flow<sup>1</sup> of € 555m, € 1,538m YTD
- Continued focus on industry-leading shareholder returns
  - € 1.0bn share repurchase program for 2011 completed in September following acceleration in May
  - Interim dividend of € 0.28 per share paid in August, up 3.7% compared to 2010
  - Total cash returned to shareholders YTD € 2.2bn, up 22% y-on-y

<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

# Outlook

Confirming outlook

	Outlook 2011
EBITDA	>€ 5.3bn <sup>1</sup>
Capex	<€ 2bn
Free cash flow <sup>2</sup>	Growth <sup>3</sup>
Dividend per share	At least € 0.85

Outlook 2012:

- Free cash flow<sup>2</sup>: ~€ 2.4bn
- DPS: € 0.90

Outlook 2013:

- DPS: € 0.95

<sup>1</sup> Excluding 2011 restructuring costs

<sup>2</sup> Free cash flow defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture E-Plus

<sup>3</sup> "Growth" defined as growth compared to 2010 free cash flow, set on 26 January 2010 (free cash flow in 2010 was € 2,428m)

# Agenda

Chairman's review	Eelco Blok
<b>Group financial review</b>	<b>Carla Smits-Nusteling</b>
Operational review The Netherlands	Eelco Blok
Operational review Mobile International	Eelco Blok
Concluding remarks	Eelco Blok

# Group results Q3 '11

€ m	Q3 '11	Q3 '10	%	YTD '11	YTD '10	%
<b>Revenues and other income</b>	<b>3,263</b>	<b>3,378</b>	<b>-3.4%</b>	<b>9,788</b>	<b>10,009</b>	<b>-2.2%</b>
<b>Operating expenses</b>	<b>2,606</b>	<b>2,531</b>	<b>3.0%</b>	<b>7,675</b>	<b>7,530</b>	<b>1.9%</b>
– of which Depreciation <sup>1</sup>	371	353	5.1%	1,070	1,052	1.7%
– of which Amortization <sup>1</sup>	217	208	4.3%	639	586	9.0%
<b>Operating profit</b>	<b>657</b>	<b>847</b>	<b>-22%</b>	<b>2,113</b>	<b>2,479</b>	<b>-15%</b>
Financial income/expense	-199	-310	-36%	-534	-696	-23%
Share of profit of associates	-6	-17	-65%	-17	-38	-55%
<b>Profit before taxes</b>	<b>452</b>	<b>520</b>	<b>-13%</b>	<b>1,562</b>	<b>1,745</b>	<b>-10%</b>
Taxes	-84	-114	-26%	-189	-425	-56%
<b>Profit after taxes</b>	<b>368</b>	<b>406</b>	<b>-9.4%</b>	<b>1,373</b>	<b>1,320</b>	<b>4.0%</b>
<b>Earnings per share<sup>2</sup></b>	<b>0.26</b>	<b>0.27</b>	<b>-3.7%</b>	<b>0.93</b>	<b>0.84</b>	<b>11%</b>
<b>EBITDA<sup>3</sup> (reported)</b>	<b>1,245</b>	<b>1,408</b>	<b>-12%</b>	<b>3,822</b>	<b>4,117</b>	<b>-7.2%</b>
– Restructuring costs	85	-1	n.m.	108	-2	n.m.
<b>EBITDA<sup>3</sup> (excl. restructuring costs)</b>	<b>1,330</b>	<b>1,407</b>	<b>-5.5%</b>	<b>3,930</b>	<b>4,115</b>	<b>-4.5%</b>

- Revenues down 2.2% YTD, mainly at Consumer wireless and Corporate Market, regulatory impact (3.8%)
- Profit after taxes up 4.0% YTD
  - Operating expenses up due to restructuring costs and investments in growth at Mobile International and Dutch Telco
  - Lower financing costs and lower taxes

<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 Q3 '11

€ m	Q3 '11	Q3 '10	%
<b>Operating profit</b>	<b>657</b>	<b>847</b>	<b>-22%</b>
Depreciation and amortization <sup>1</sup>	588	561	4.8%
Interest paid/received	-219	-238	-8.0%
Tax paid/received	-127	-6	>100%
Change in provisions <sup>2</sup>	29	-93	n.m.
Change in working capital	20	23	-13%
Other movements	-	-33	-100%
<b>Net cash flow from operating activities</b>	<b>948</b>	<b>1,061</b>	<b>-11%</b>
<b>Capex<sup>3</sup></b>	<b>498</b>	<b>431</b>	<b>16%</b>
Proceeds from real estate	13	51	-75%
Tax recapture E-Plus	92	-	n.m.
<b>Free cash flow<sup>4</sup></b>	<b>555</b>	<b>681</b>	<b>-19%</b>
Dividend paid	405	419	-3.3%
Share repurchases	333	116	>100%
<b>Cash return to shareholders</b>	<b>738</b>	<b>535</b>	<b>38%</b>

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

<sup>2</sup> Excluding changes in deferred taxes

<sup>3</sup> Including Property, Plant & Equipment and software

<sup>4</sup> 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 € 555m in Q3 '11, down 19% y-on-y
  - € 77m lower EBITDA excluding restructuring y-on-y
  - Capex € 67m higher y-on-y; accelerated investments in network capacity and customer equipment
  - Proceeds from real estate € 38m lower y-on-y
- Average coverage ratio of KPN pension funds at 96% end Q3 '11
  - No recovery payment in Q3 '11 or Q4 '11
  - Additional recovery payment of € 21m in Q1 '12 as coverage ratio was below 105% in Q3 '11

## Group cash flow YTD '11

€ m	YTD '11	YTD '10	%
<b>Operating profit</b>	<b>2,113</b>	<b>2,479</b>	<b>-15%</b>
Depreciation and amortization <sup>1</sup>	1,709	1,638	4.3%
Interest paid/received	-570	-604	-5.6%
Tax paid/received	-149	-564	-74%
Change in provisions <sup>2</sup>	-179	-259	-31%
Change in working capital	-246	-270	-8.9%
Other movements	-65	-58	12%
<b>Net cash flow from operating activities</b>	<b>2,613</b>	<b>2,362</b>	<b>11%</b>
<b>Capex<sup>3</sup></b>	<b>1,395</b>	<b>1,146</b>	<b>22%</b>
Proceeds from real estate	75	73	2.7%
Tax recapture E-Plus	245	327	-25%
<b>Free cash flow<sup>4</sup></b>	<b>1,538</b>	<b>1,616</b>	<b>-4.8%</b>
Dividend paid	1,200	1,152	4.2%
Share repurchases	1,000	648	54%
<b>Cash return to shareholders</b>	<b>2,200</b>	<b>1,800</b>	<b>22%</b>

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

<sup>2</sup> Excluding changes in deferred taxes

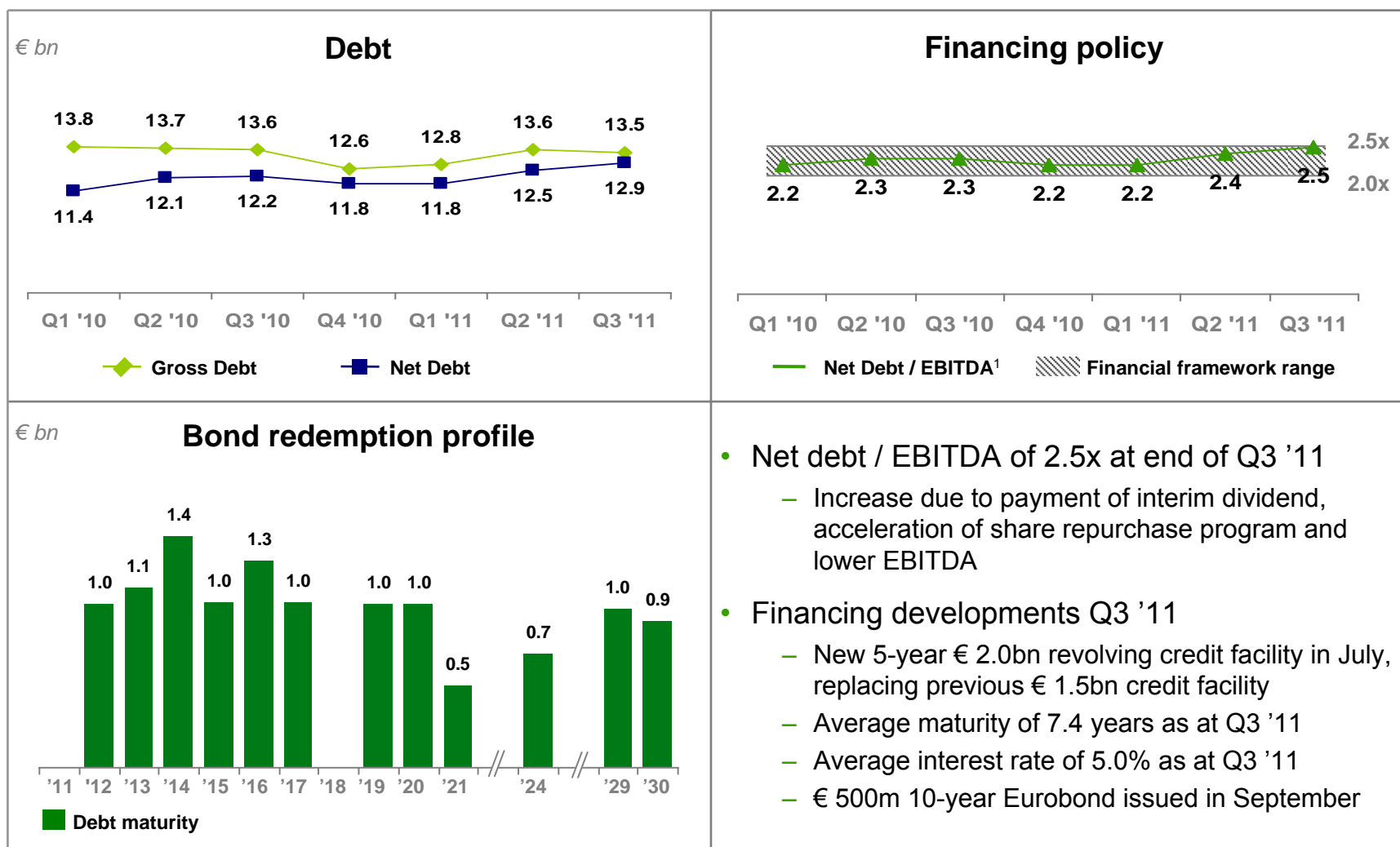
<sup>3</sup> Including Property, Plant & Equipment and software

<sup>4</sup> 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 € 1,538m YTD '11, down 4.8% y-on-y
- € 185m lower EBITDA YTD excluding restructuring costs y-on-y
- Capex € 249m higher YTD '11 y-on-y
  - Accelerated investments in network capacity and customer equipment
- Positive tax comparison of € 333m YTD '11 y-on-y
  - € 237m positive impact innovation tax facilities (related to period '07-'10)
  - Lower tax payments YTD '11 due to monthly tax payments in 2011 while full year tax prepayment in Q1 '10
- € 2,200m shareholder returns, up 22% YTD '11 y-on-y
  - 4.2% higher dividends paid y-on-y
  - Share repurchase program completed in Q3 '11 following acceleration in May

# Group financial profile

Maintaining solid financial profile

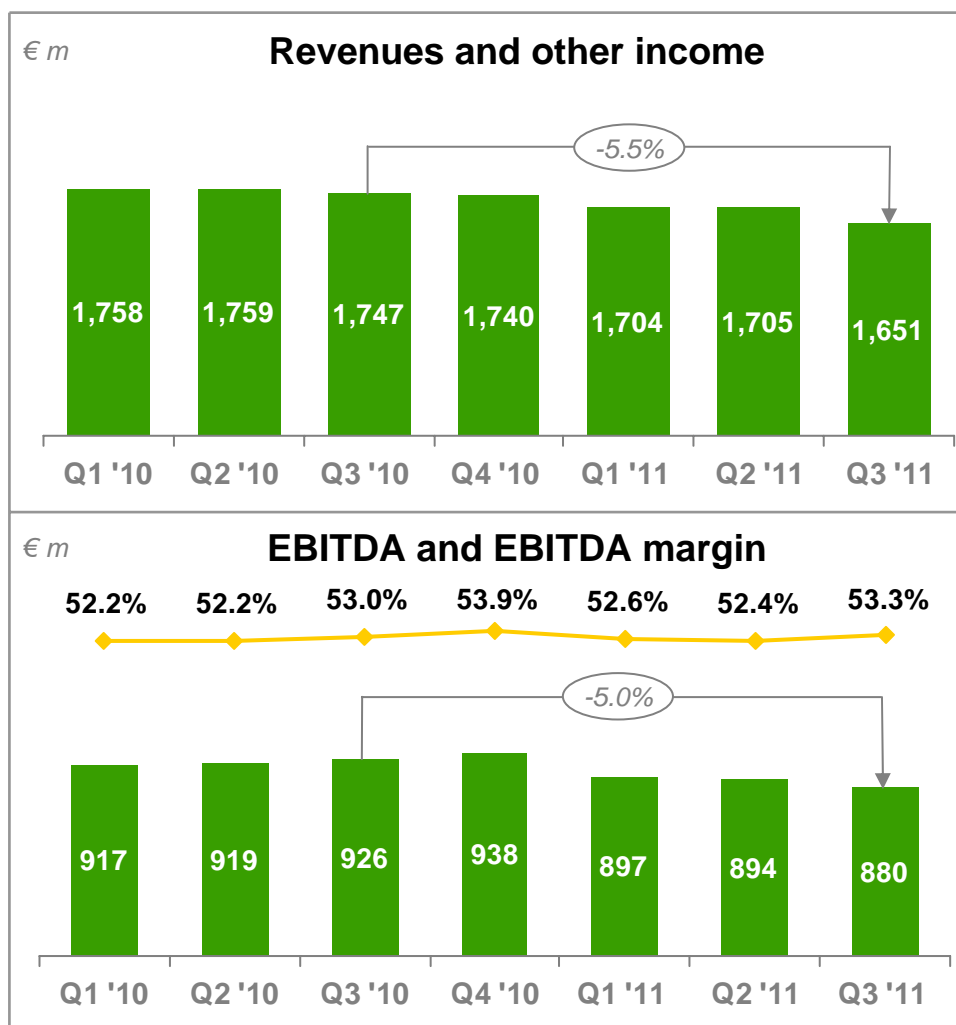


<sup>1</sup> Based on 12 months rolling EBITDA excluding book gains/losses, release of pension provisions and restructuring costs, when over € 20m

## Agenda

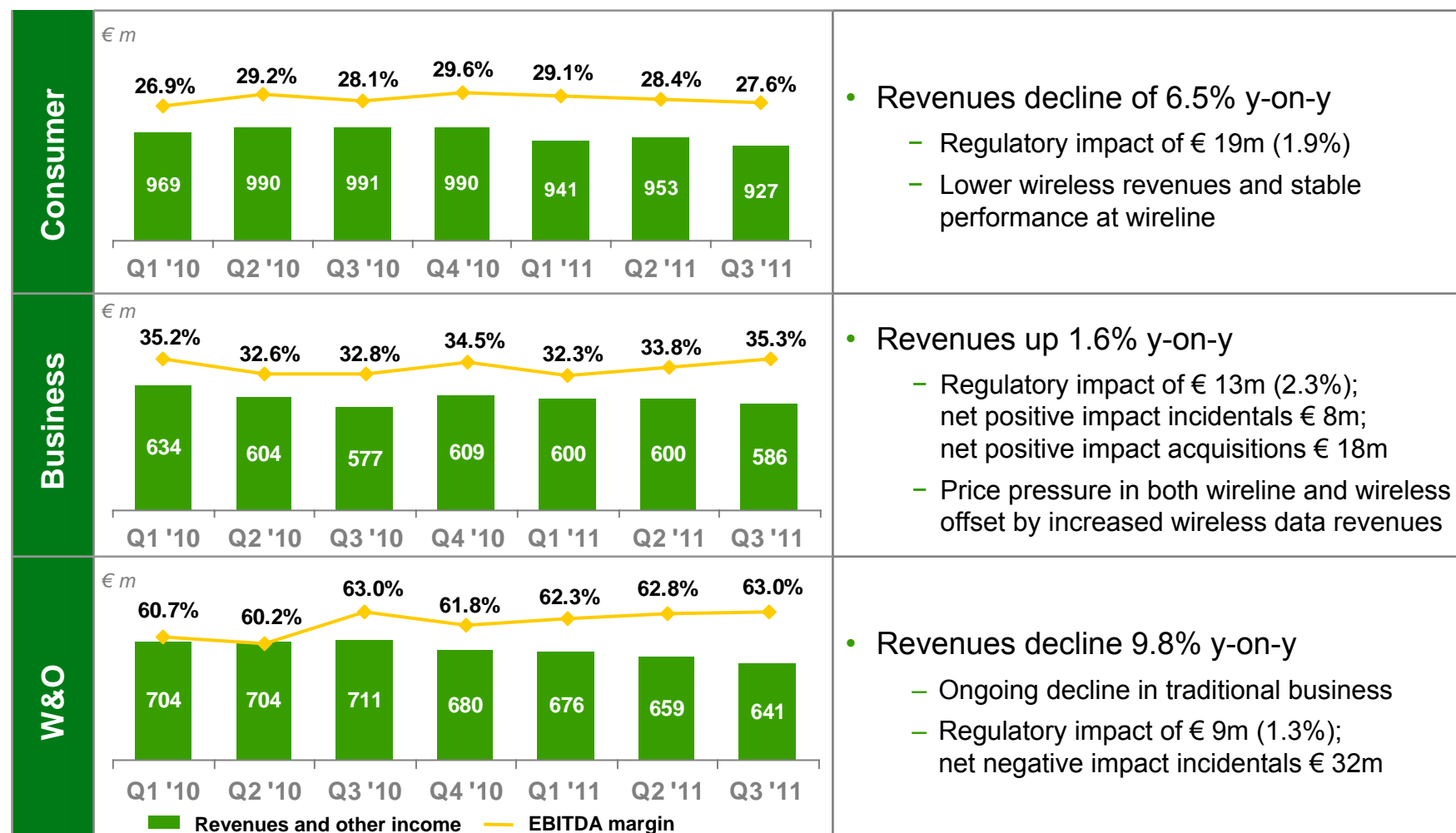
Chairman's review	Eelco Blok
Group financial review	Carla Smits-Nusteling
<b>Operational review The Netherlands</b>	<b>Eelco Blok</b>
Operational review Mobile International	Eelco Blok
Concluding remarks	Eelco Blok

## Financial review - Dutch Telco



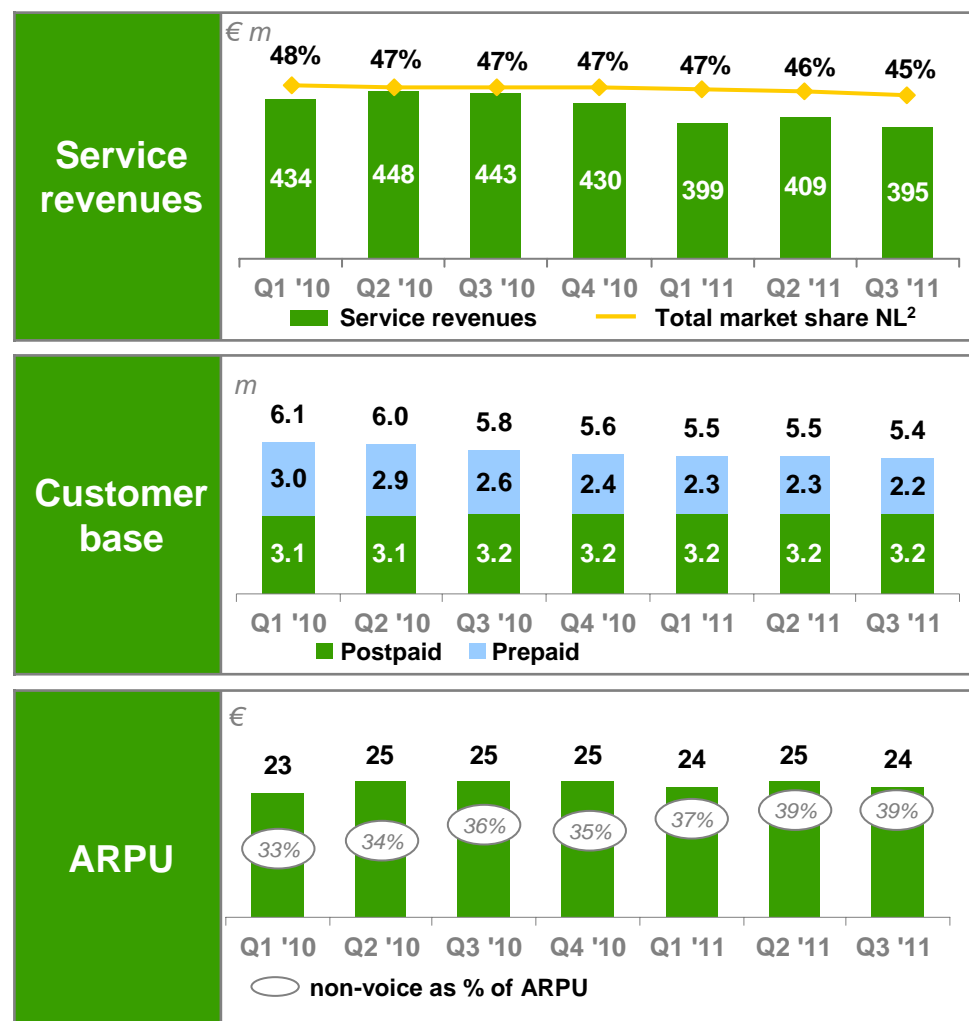
- Revenues and other income down 5.5% y-on-y
  - Regulatory impact of € 39m (2.2%)
  - € 24m net negative impact from incidentals
  - € 16m net positive impact from acquisitions
  - Lower revenues in Consumer, mainly in Consumer wireless
- EBITDA down 5.0% y-on-y
  - Regulatory impact of € 10m (1.1%)
  - € 24m net negative impact from incidentals
- EBITDA margin relatively stable
  - Lower revenues and increased costs to strengthen the Dutch businesses (e.g. IPTV and FttH sales)
  - Partly offset by continued declining fixed costs and lower traffic costs

# Financial review - Dutch Telco by segment



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

Transition period accompanied by lower service revenues



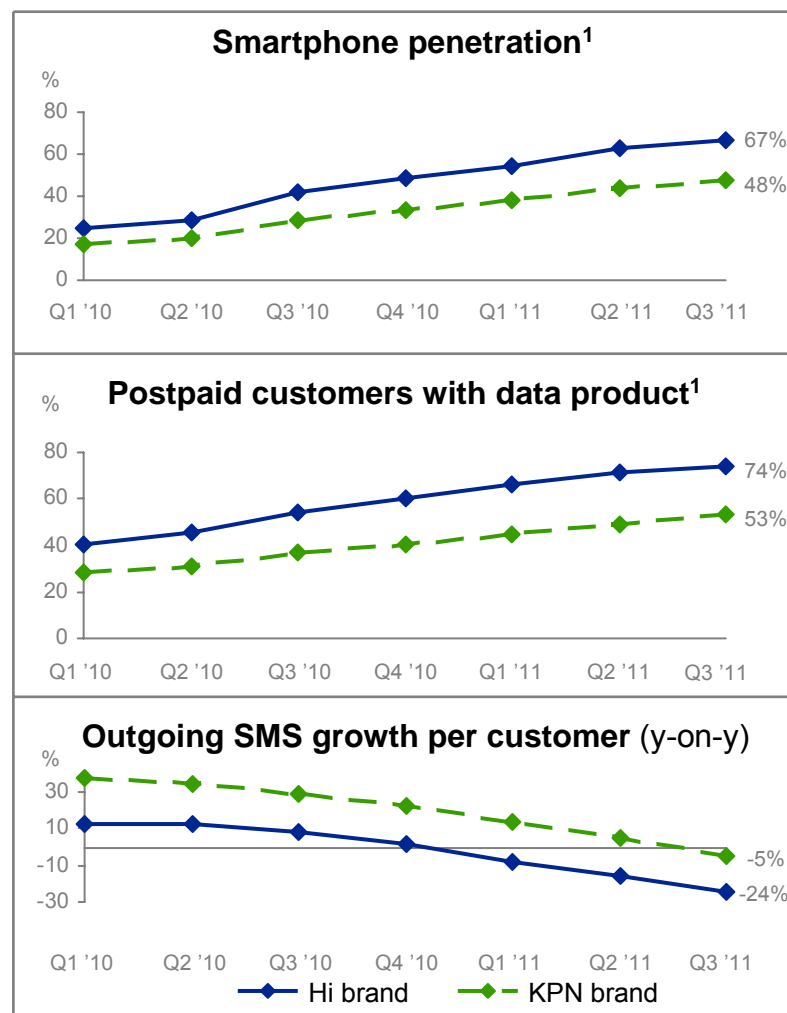
- Transition period for Consumer wireless
  - New propositions since September 2011
- Service revenues down 11% y-on-y
  - Regulatory impact of € 17m (3.8%)
  - Impact changing customer behavior (~4%)
  - Decreasing prepaid revenues (~3%)
  - Competition in 'value for money' segment
  - Partly offset by continued data growth
- Decline in total Dutch mobile service revenue market share<sup>2</sup> to 45% due to;
  - Lower SAC/SRC level after step down of hardware subsidization
  - Rebalancing distribution landscape
  - Focus on high value customers in prepaid segment

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

<sup>2</sup> Total Dutch (Consumer, Business and other Dutch activities) mobile service revenue market share

# Consumer wireless - update of trends

Continued IP substitution impact; new portfolio introduced



## Trends

- Service revenues decline due to lower SMS and voice usage; partly offset by increased data usage
  - Continued decline SMS per customer at Hi brand
  - SMS per customer decline now evident at KPN brand
  - Voice traffic decline resulting from changing customer behavior
  - Data volume increasing

## Actions

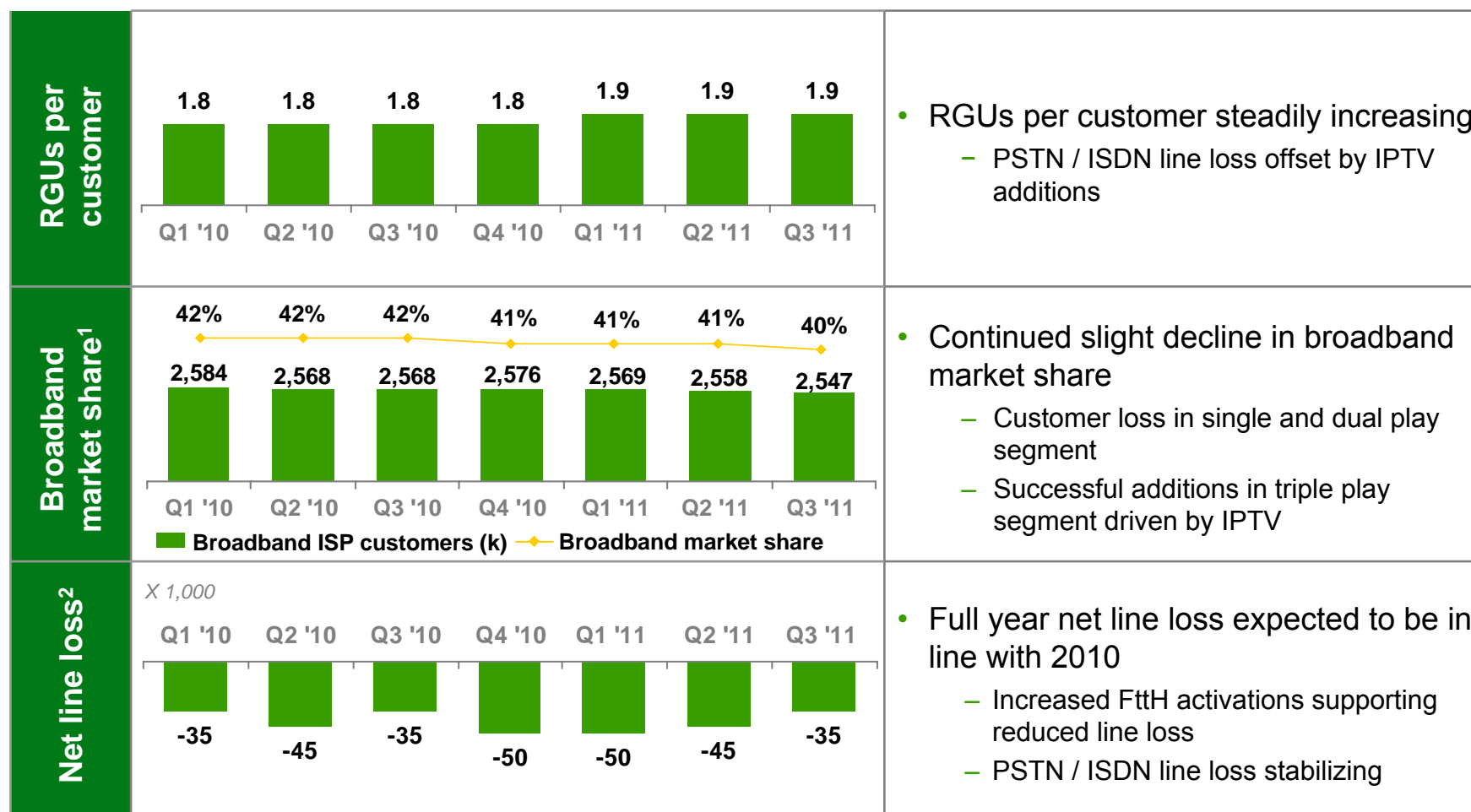
- Short term measures targeting 'out of bundle' customers at Hi and KPN brand up-scaled
  - ~35% of addressed customers adjusted their contract; these customers have significantly lower 'out of bundle' exposure
- New portfolio introduced in September at Hi and KPN
  - Integrated data / voice / SMS propositions
  - Differentiation on quantity, speed and service
- SAC/SRC step down realized



<sup>1</sup> Consumer postpaid excluding SIM-only; Q3 figures include July and August only



## Operating review - Consumer wireline



1 Source: Telecompaper, management estimates for Q3 '11

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

# Operating review - Consumer wireline (cont'd)

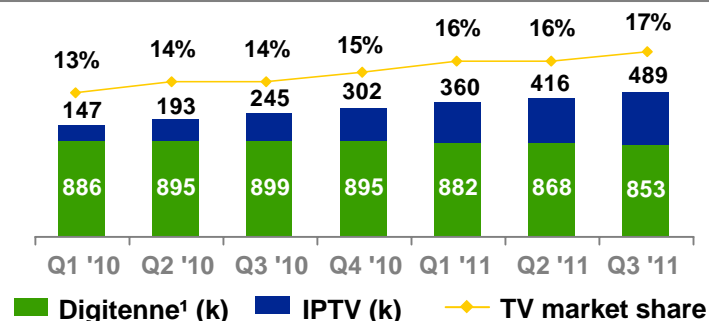
Continued growth in TV market share, positive results in FttH areas

## Innovation roadmap on track

- Wireline innovation roadmap on track

Q3 '11	<ul style="list-style-type: none"> <li>Multi-room IPTV launched</li> <li>IPTV Online; TV on iPad and laptop</li> <li>Telfort brand starts offering IPTV</li> </ul>
Q4 '11	<ul style="list-style-type: none"> <li>500 Mbps up- and download speed on FttH supporting superior product offering</li> <li>Introduction of new IPTV user interface</li> </ul>

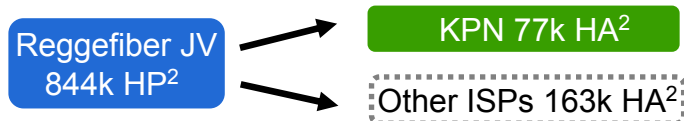
## Growing TV market share



- Continued growth in IPTV; 73k net adds
- Sales run-rate increasing; ~6.5k per week at end of Q3

## FttH roll-out continues

- Ongoing gradual FttH roll-out leads to >20% population coverage in 2013
- 76k additional Homes Passed at Reggefiber in Q3

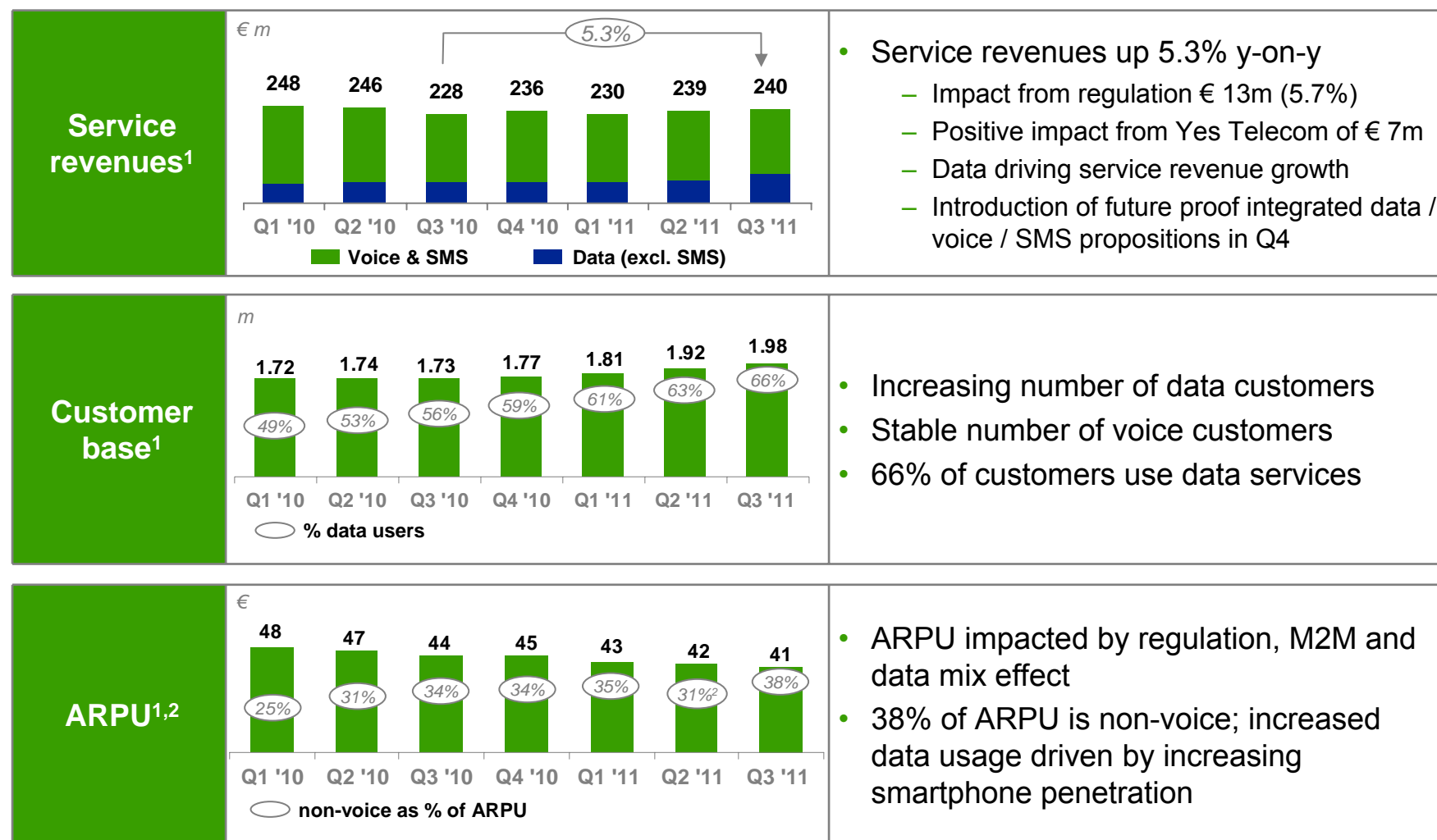


## Positive results in KPN FttH areas

- Sales run-rate increasing; ~2k FttH activations per week at the end of Q3
- Promising broadband and TV market share uptakes
- Significant ARPU increase resulting from increased up-sell

1 Digitenne used as primary TV connection  
2 HP = Homes Passed; HA = Homes Activated

# Operating review - Business wireless

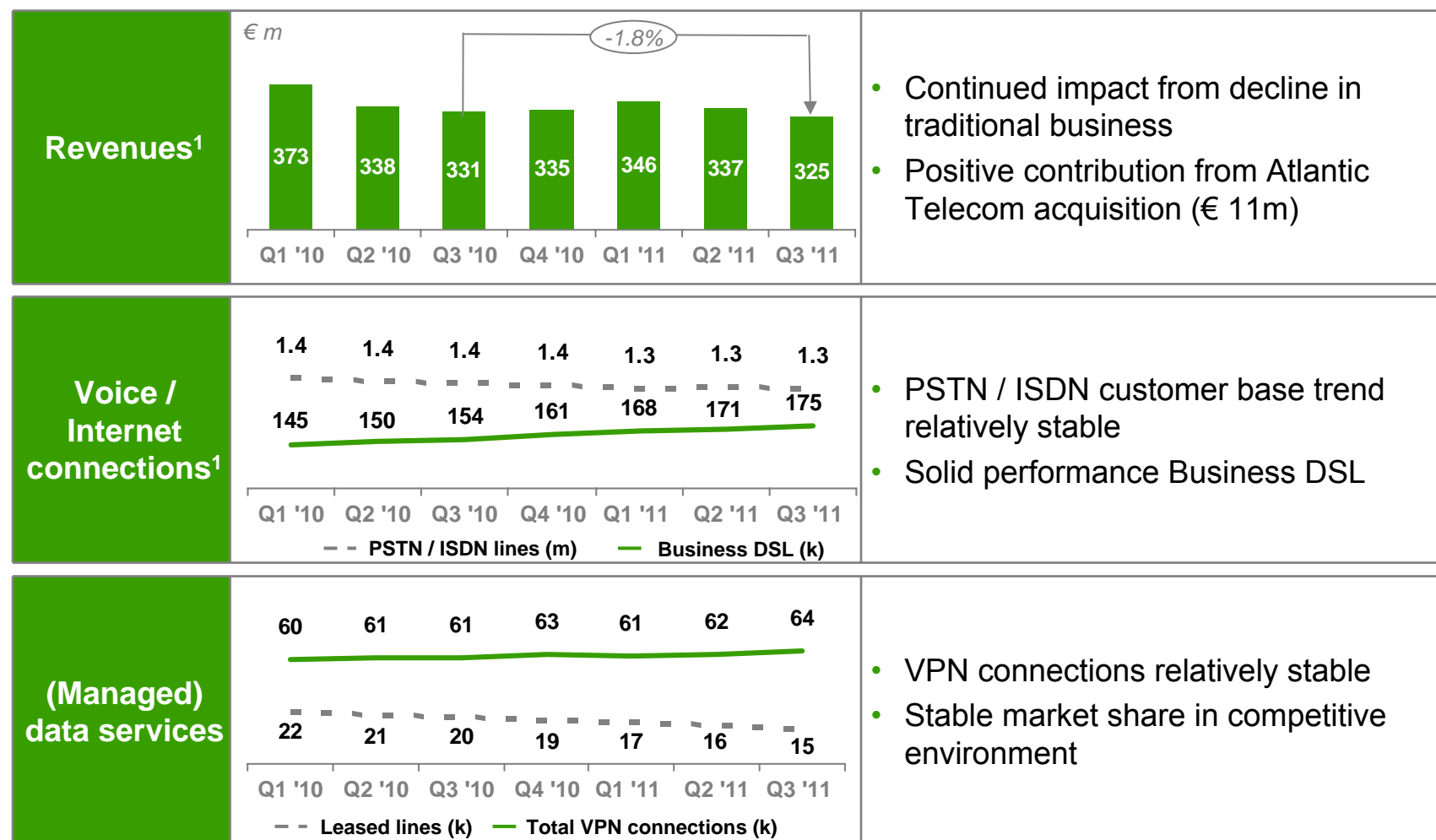


1 Business wireless figures include 'Yes Telecom' as of Q2 2011

2 Q2 2011 data ARPU included one-off items; normalized ARPU shows stable increasing trend of % of ARPU that is non-voice

# Operating review - Business wireline

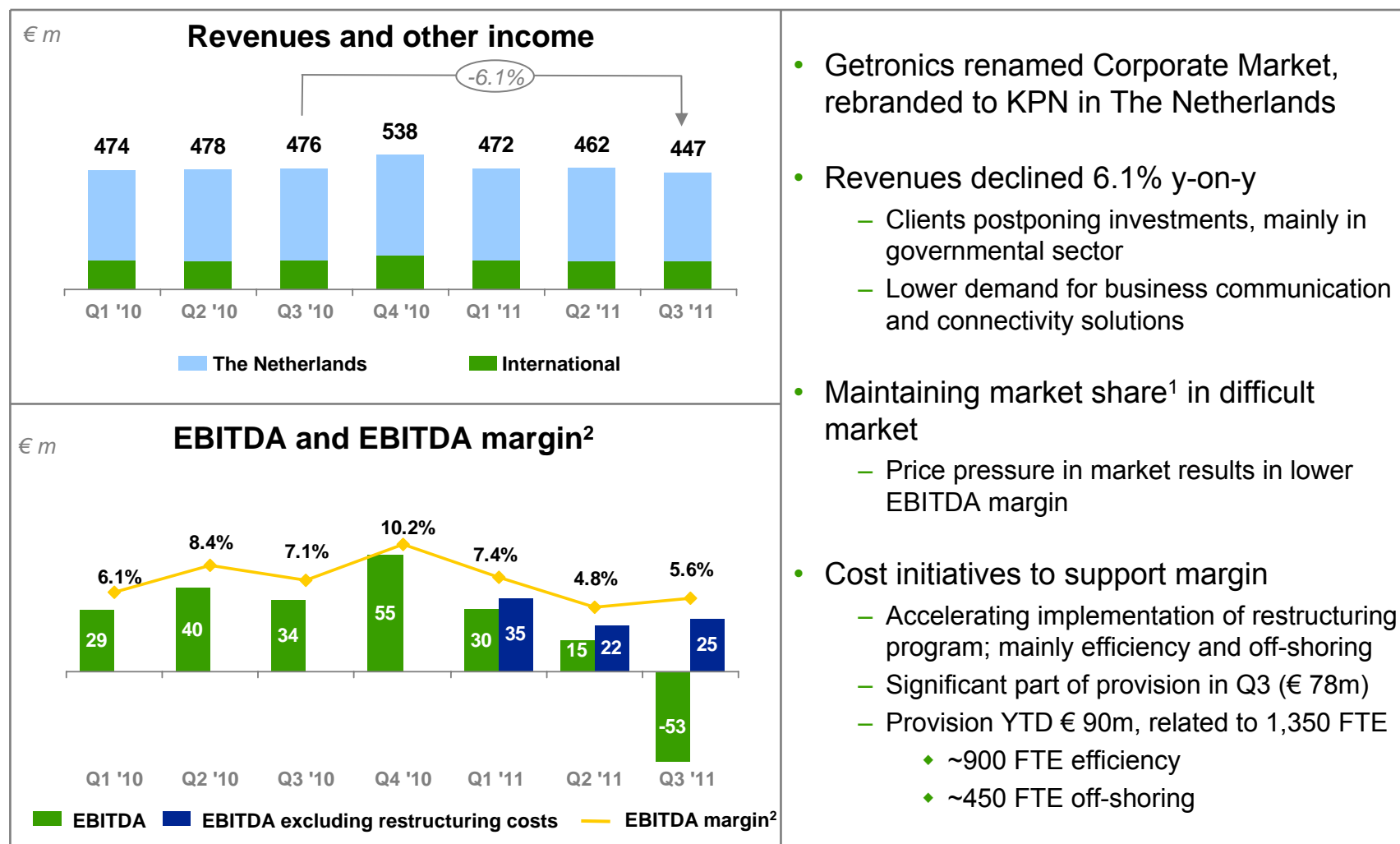
Continued pressure on traditional services



<sup>1</sup> Revenues include Atlantic Telecom as of Q1 2011; Voice / Internet connections include Atlantic Telecom lines as of Q2 2011

# Operating review - Corporate Market (Getronics)

Restructuring program in progress, aligning cost base with lower revenue level

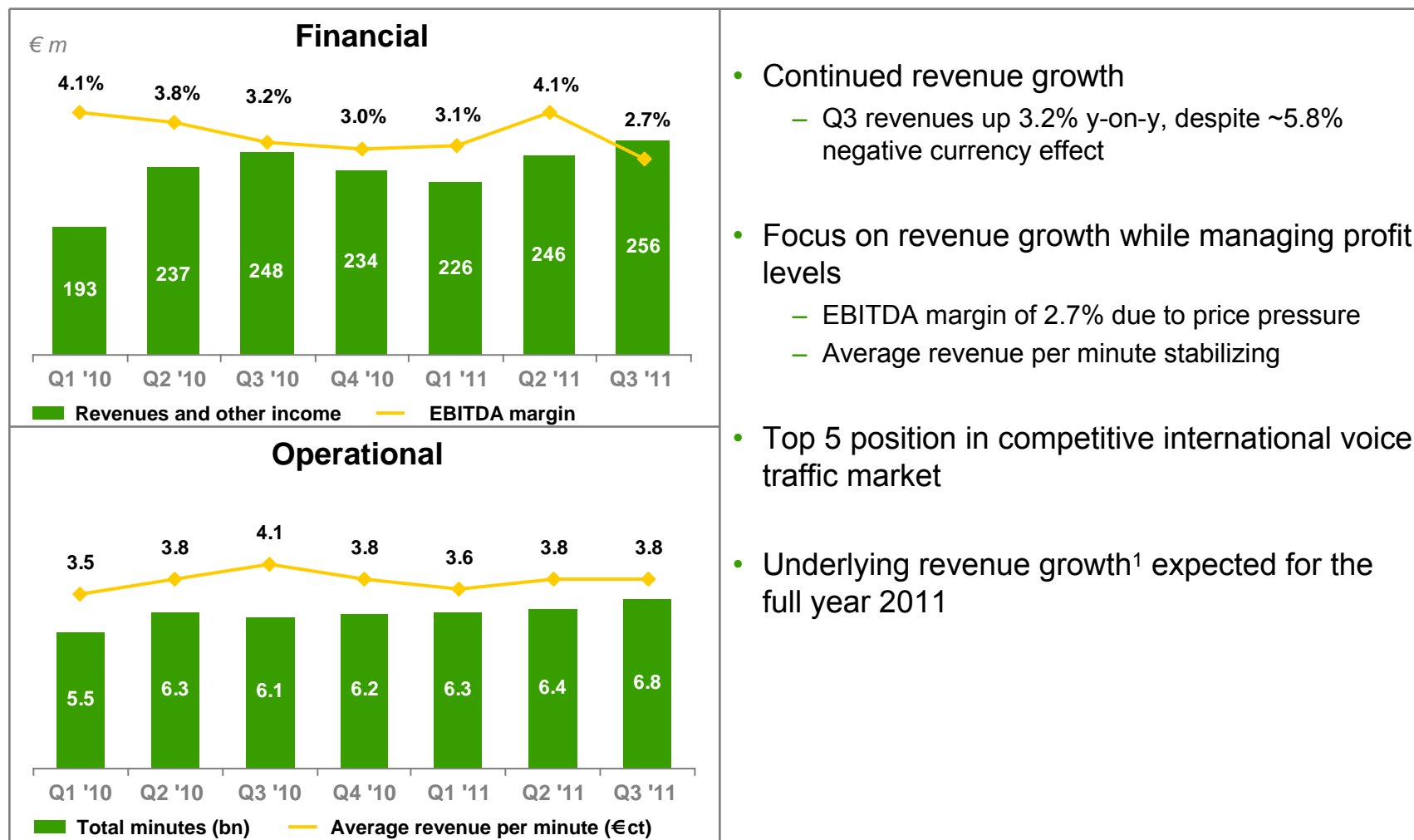


<sup>1</sup> Management estimate

<sup>2</sup> EBITDA margin excluding restructuring costs

# Operating review - iBasis

Continued revenue growth while managing profit levels



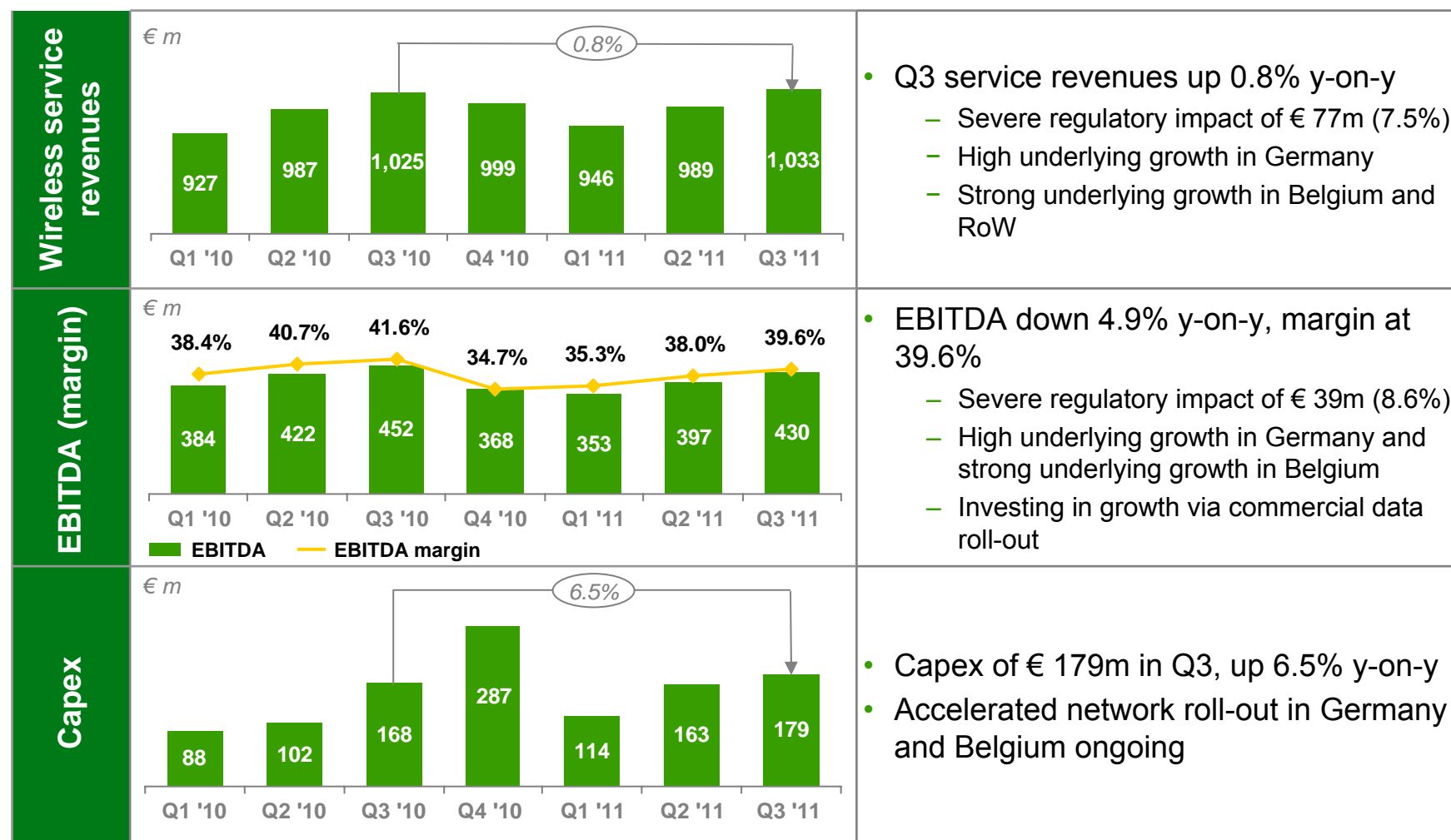
<sup>1</sup> Excluding currency effects

## Agenda

Chairman's review	Eelco Blok
Group financial review	Carla Smits-Nusteling
Operational review The Netherlands	Eelco Blok
<b>Operational review Mobile International</b>	<b>Eelco Blok</b>
Concluding remarks	Eelco Blok

# Financial review - Mobile International

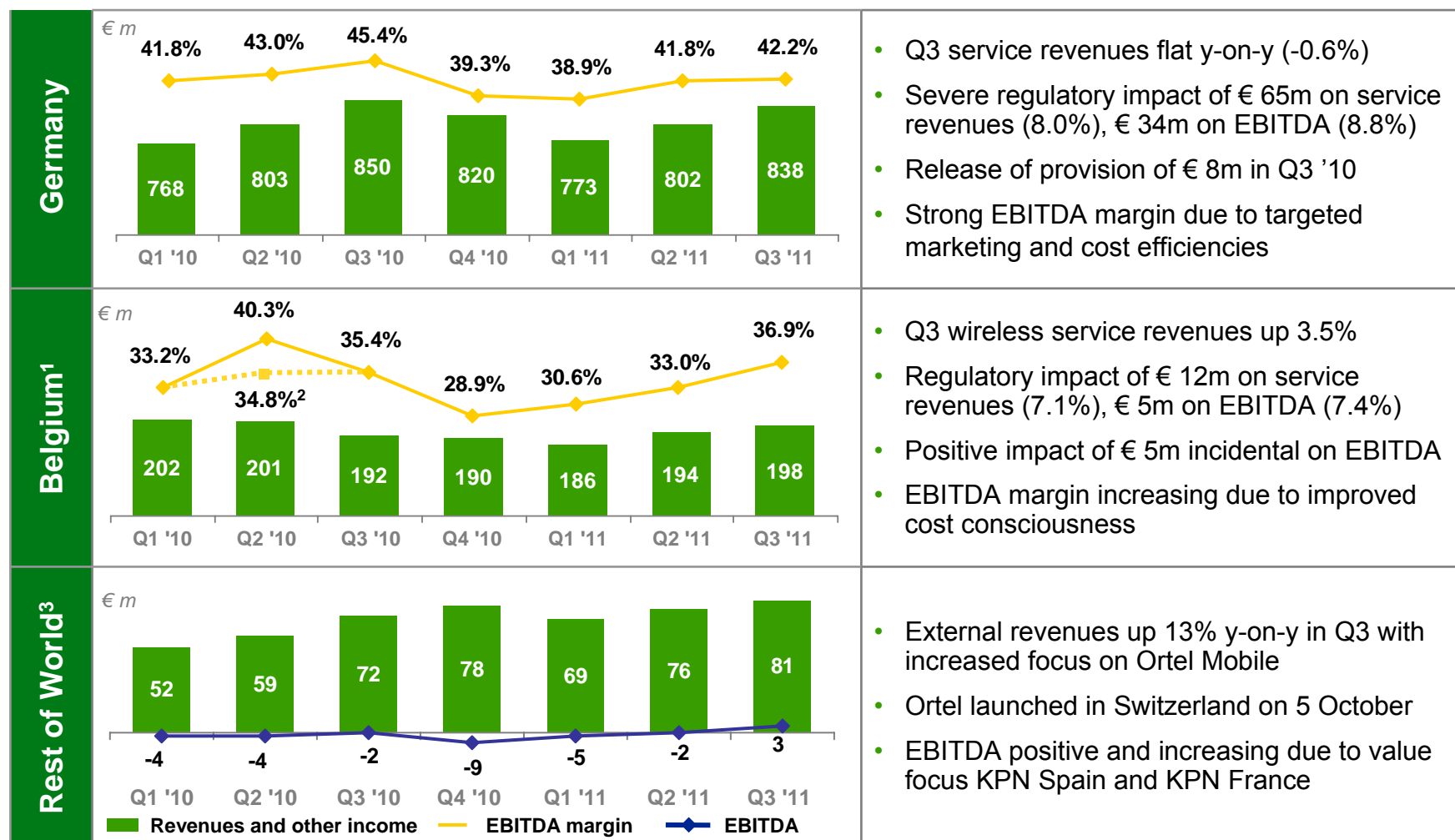
Service revenues up and good profitability despite severe MTA impact





# Financial review - Mobile International by segment

Continued underlying growth in all segments, severe regulatory impact



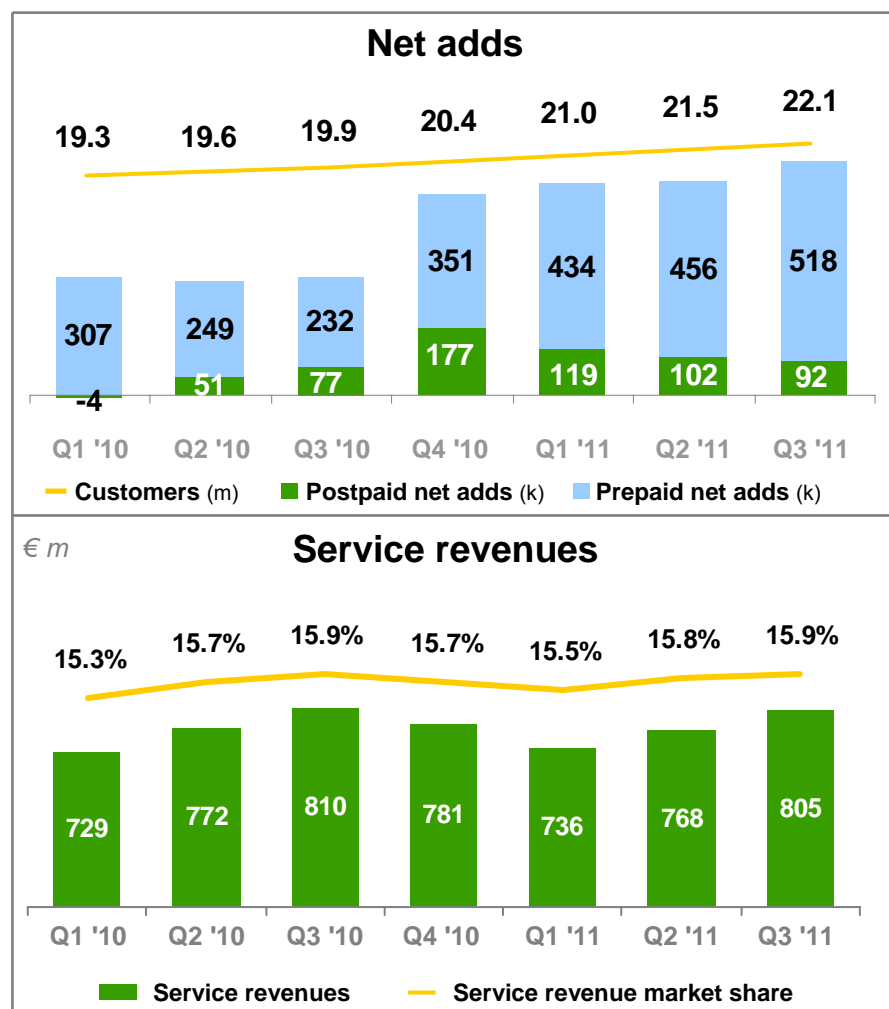
<sup>1</sup> Including fixed Belgian B2B and Carrier business, including the fiber network; divested per 31 March 2010

<sup>2</sup> Normalized EBITDA margin, excluding one-off release of € 11m

<sup>3</sup> External revenues

# Operating review - Germany

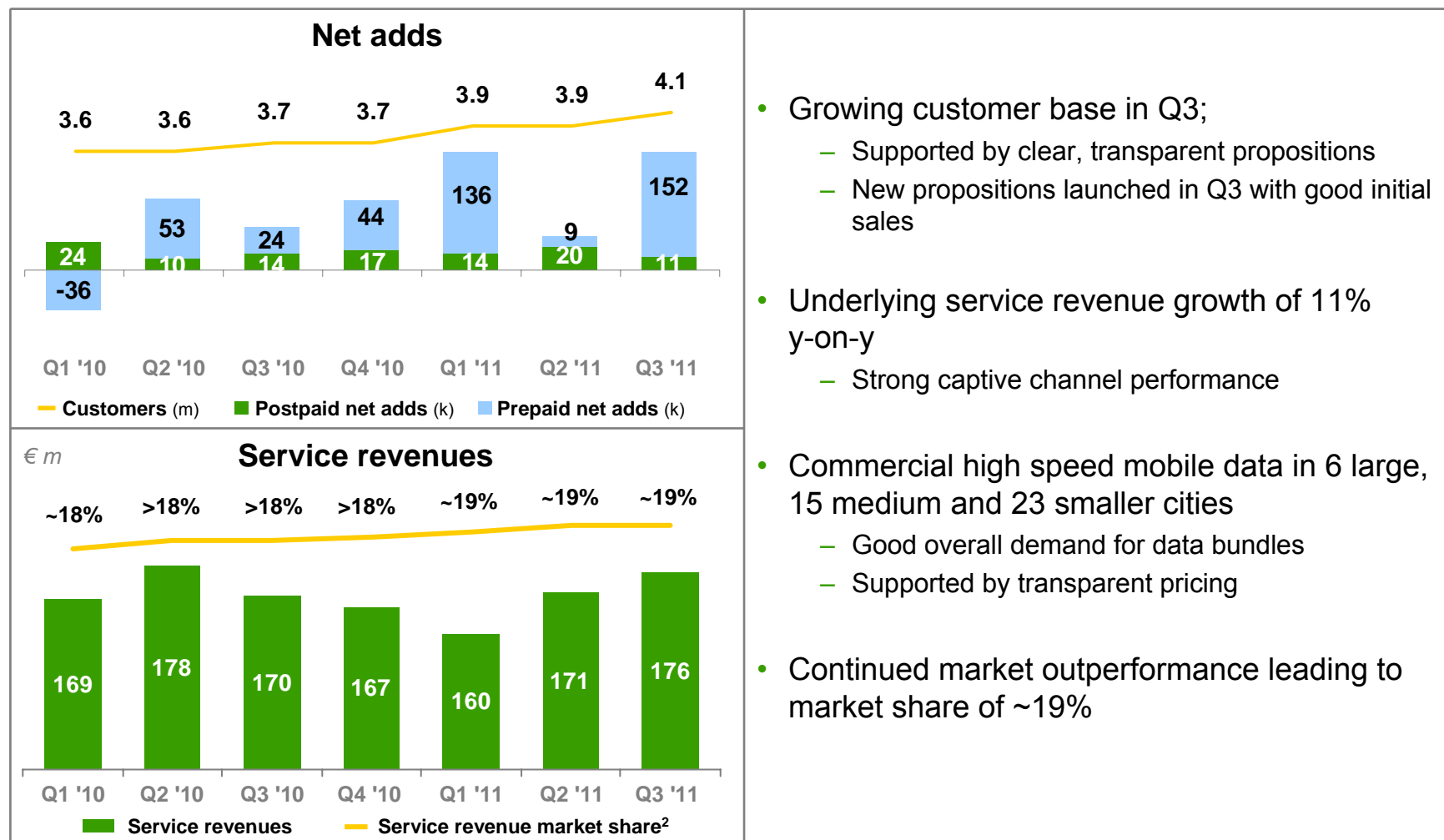
High underlying service revenue growth of 8.1% at strong margin



- Good performance of 'Mein BASE' in both voice and data
  - Continued good number of postpaid net adds (92k)
  - Regional focus and strong captive channel performance
- Continued good take-up of data bundles, >40% of 'Mein BASE' adds take data bundle
- Underlying service revenue growth of 8.1% y-on-y
- Market share expected to be stable y-on-y
  - Market outperformance in data
  - Data market as percentage of total market growing
  - Relatively high impact from regulation compared to competitors

# Operating review - Belgium<sup>1</sup>

Strong underlying service revenue growth of 11%



<sup>1</sup> Wireless services only  
<sup>2</sup> Management estimates

## Agenda

Chairman's review	Eelco Blok
Group financial review	Carla Smits-Nusteling
Operational review The Netherlands	Eelco Blok
Operational review International	Eelco Blok
<b>Concluding remarks</b>	<b>Eelco Blok</b>

## Concluding remarks

- Financial results in line to realize full year outlook
- Continued strong performances in Germany and Belgium
- Consumer wireless in transition period; accompanied by lower service revenues
- Continued growing TV market share in Consumer wireline
- Corporate Market (Getronics) restructuring program in progress; aligning cost base with lower revenue level

**Q&A**

# Annex

*For further information please contact*

KPN Investor Relations

Tel: +31 70 44 60986

[ir@kpn.com](mailto:ir@kpn.com)

[www.kpn.com/ir](http://www.kpn.com/ir)



# Analysis of results

## Key items worth mentioning in results interpretation

€ m		Q3 '11	Q3 '10	YTD '11	YTD '10
Revenue effect					
MTA reduction	Group	-106	-34	-365	-112
Roaming tariff reduction	Group	-10	-9	-20	-39
EBITDA effect					
MTA reduction	Group	-45	-14	-153	-33
Roaming tariff reduction	Group	-4	-5	-8	-29
Restructuring costs	Group	-85	1	-108	2
Release of provisions	Germany	-	8	-	8
Release of provisions	Belgium	5	-	5	11
Revenue & EBITDA effect					
Book gain on sale of real estate	W&O	5	37	49	37
Release of deferred connection fees	Business	-3	-3	1	13
Corrected revenue recognition	Business	-	-8	-	-8
Book gain on sale of business	Corporate Market (Getronics) <sup>1</sup>	-	3	5	3

<sup>1</sup> As of 1 October 2011 the Getronics Segment has been renamed Corporate Market



## Restructuring costs

€ m	Q3 '11	Q3 '10	YTD '11	YTD '10
Germany	-	1	-	-1
Belgium	-1	-	-1	-
Rest of World	-1	-	-3	-
<b>Mobile International</b>	<b>-2</b>	<b>1</b>	<b>-4</b>	<b>-1</b>
Consumer	-2	-	-3	-2
Business	-	-	-	-
Wholesale & Operations	-1	-	-1	3
IT NL	-	-	-	-
Other	-1	-	-2	-
<b>Dutch Telco</b>	<b>-4</b>	<b>-</b>	<b>-6</b>	<b>1</b>
Corporate Market (Getronics) <sup>1</sup>	-78	-	-90	1
<b>The Netherlands</b>	<b>-82</b>	<b>-</b>	<b>-96</b>	<b>2</b>
Other	-1	-	-8	1
<b>KPN Group</b>	<b>-85</b>	<b>1</b>	<b>-108</b>	<b>2</b>

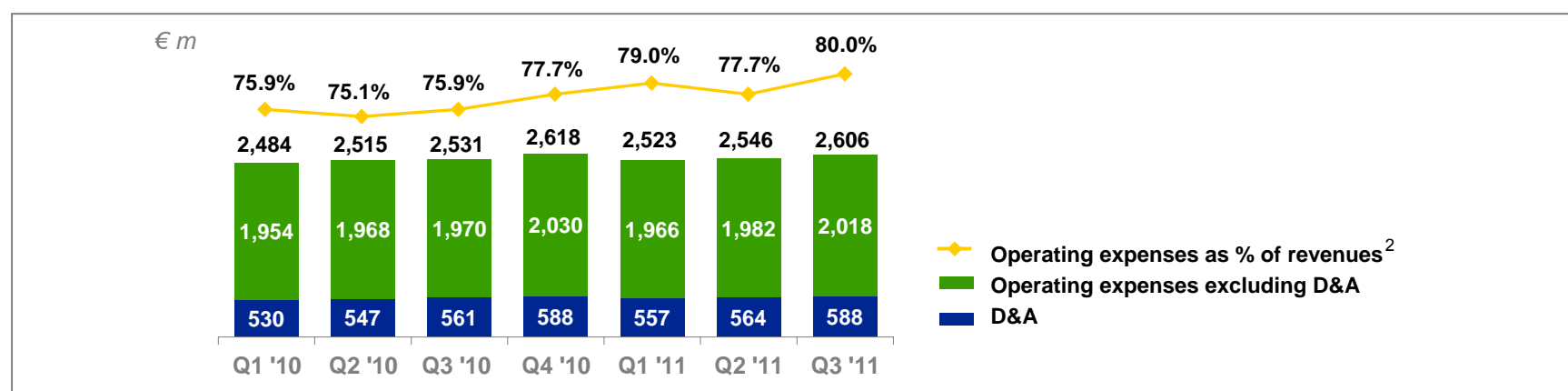
# Impact MTA reduction

€ m	Q3 '11		YTD '11	
	Revenues	EBITDA <sup>1</sup>	Revenues	EBITDA <sup>1</sup>
Germany	-60	-32	-171	-89
Belgium	-9	-5	-51	-32
<b>Mobile International</b>	<b>-69</b>	<b>-37</b>	<b>-222</b>	<b>-121</b>
Consumer	-19	-5	-74	-24
<i>Of which: Mobile Wholesale</i>	-2	-1	-6	-3
Business	-11	-2	-44	-6
Wholesale & Operations	-9	-1	-34	-2
Intercompany	2	-	9	-
<b>The Netherlands</b>	<b>-37</b>	<b>-8</b>	<b>-143</b>	<b>-32</b>
<b>KPN Group</b>	<b>-106</b>	<b>-45</b>	<b>-365</b>	<b>-153</b>

<sup>1</sup> Defined as operating profit plus depreciation, amortization and impairments

# Operating expenses

€ m	Q3 '11	Q3 '10	%
Employee benefits	446	471	-5.3%
Cost of materials	230	226	1.8%
Work contracted out and other expenses	1,134	1,160	-2.2%
Own work capitalized	-26	-24	8.3%
Other operating expenses <sup>2</sup>	234	137	71%
Depreciation <sup>1</sup>	371	353	5.1%
Amortization <sup>1</sup>	217	208	4.3%
<b>Total</b>	<b>2,606</b>	<b>2,531</b>	<b>3.0%</b>

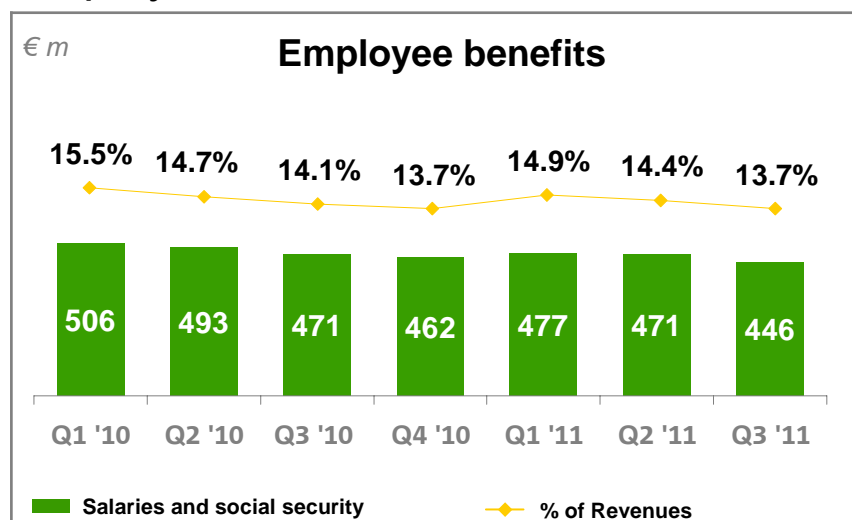


<sup>1</sup> Including impairments, if any

<sup>2</sup> Including restructuring costs

# Operating expenses - analysis

## Employee benefits & Cost of materials

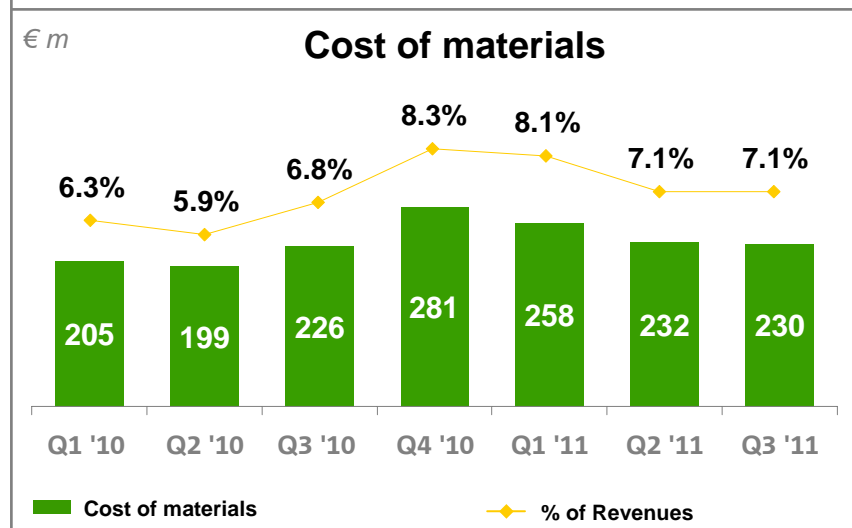


### Y-on-Y decrease

- Release of several incentive schemes
- Reduction of own personnel in The Netherlands and Corporate Market (Getronics), partly offset by an increase at Mobile International

### Q-on-Q decrease

- Release of several incentive schemes
- Release of paid holiday provision

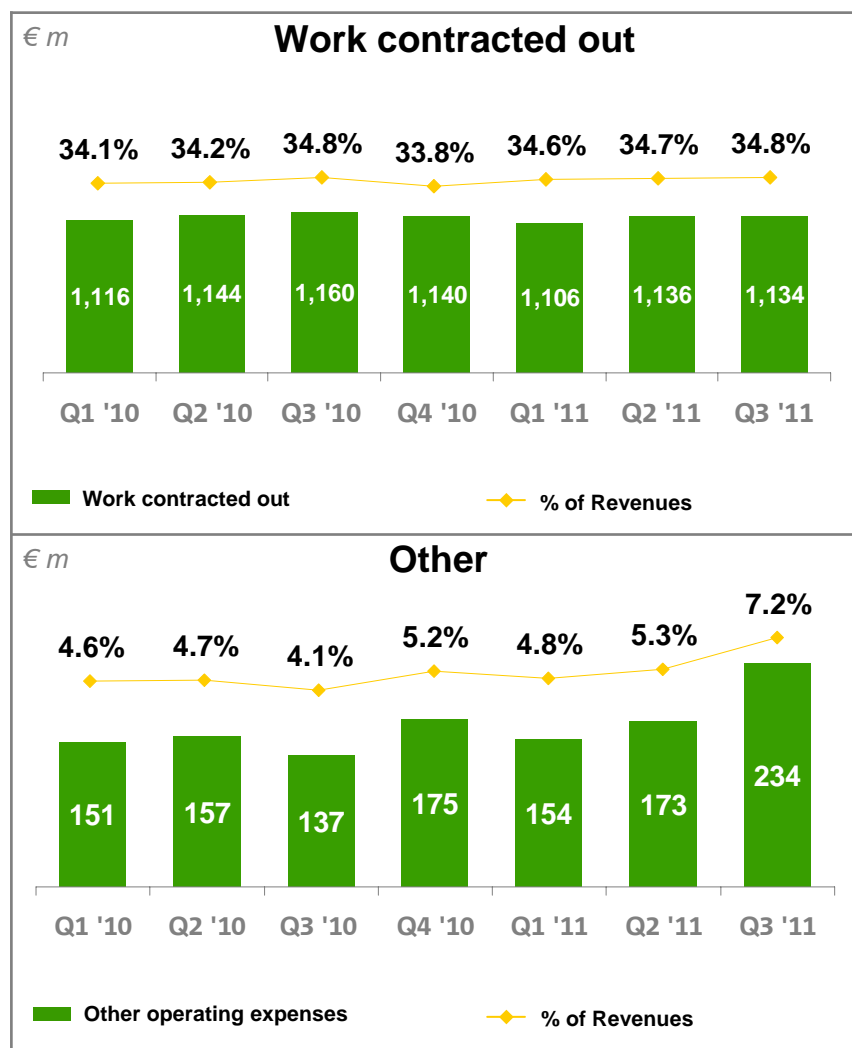


### Y-on-Y increase

- Higher SAC/SRC costs Consumer and Business, partly offset by lower costs in Germany through introduction of handset lease model

# Operating expenses - analysis

## Work contracted out & Other



### Y-on-Y decrease

- Lower distribution fees at Consumer segment
- Lower traffic costs at W&O due to lower MTA and less traffic
- Decrease of subcontracted costs at Corporate Market (Getronics) and lower temporary staff costs

### Q-on-Q flat

- Increased traffic at iBasis, increased dealer commissions and higher traffic volumes in Germany
- Lower subcontracted costs at Corporate Market (Getronics) and lower temporary staff costs

### Y-on-Y increase

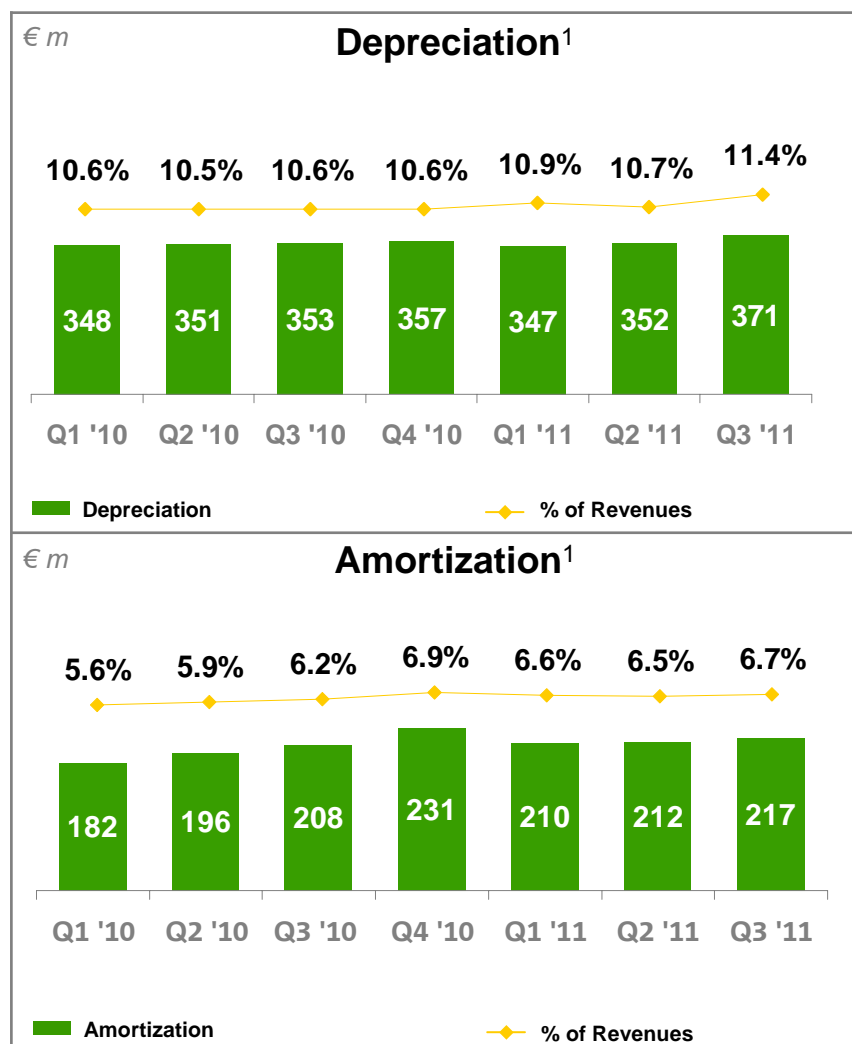
- Restructuring provisions at Corporate Market (Getronics)
- Higher marketing spend in Germany and release of provision SMS Michel in Q3 '10

### Q-on-Q increase

- Restructuring provisions at Corporate Market (Getronics)
- Higher marketing spend in Germany and Belgium

# Operating expenses - analysis

## Depreciation & Amortization



### Y-on-Y increase

- One-off adjustment depreciation mobile towers at W&O and Belgium

### Q-on-Q increase

- One-off adjustment depreciation mobile towers at W&O and Belgium

### Y-on-Y increase

- Various new software investments

### Q-on-Q increase

- Various new software investments

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

# Tax

Fiscal units (€ m)	P&L		Cash flow	
	Q3 '11	Q3 '10	Q3 '11	Q3 '10
Dutch activities	-60	-75	-121 <sup>1</sup>	-1 <sup>1</sup>
Corporate Market (Getronics)	23	1	-1	-
German Mobile activities	-34	-29	2	-4
Belgian Mobile activities	-9	-9	-	-
Other	-4	-2	-7	-1
<b>Total reported tax</b>	<b>-84</b>	<b>-114</b>	<b>-127</b>	<b>-6</b>
<i>Effective tax rate</i>	18.4%	21.2%		

- In Q2 '11 KPN reached an agreement in principle with the Dutch tax authorities with regard to the application of the innovation tax facilities
- The positive tax impact on the P&L for Corporate Market (Getronics) in Q3 '11 is mainly due to restructuring costs
- The normalized<sup>2</sup> effective tax rate for the Group is expected to be 20% from 2011 onwards

1 Including tax recapture E-Plus. Preliminary tax assessments 2010 fully prepaid in Q1 '10  
2 Excluding one-off innovation tax facilities (2007-2010)

## €1bn share repurchase program for 2011 finalized

Date <sup>1</sup>	Value (€ m)	Shares (m)	Avg. share price (€)
Q1 '11	178.4	15.2	11.71
Q2 '11	495.4	47.3	10.47
July	38.2	4.0	9.63
August	168.3	17.8	9.44
September	119.7	12.4	9.65
Q3 '11	326.2	34.2	9.54
<b>Total</b>	<b>1,000</b>	<b>96.7</b>	<b>10.34</b>

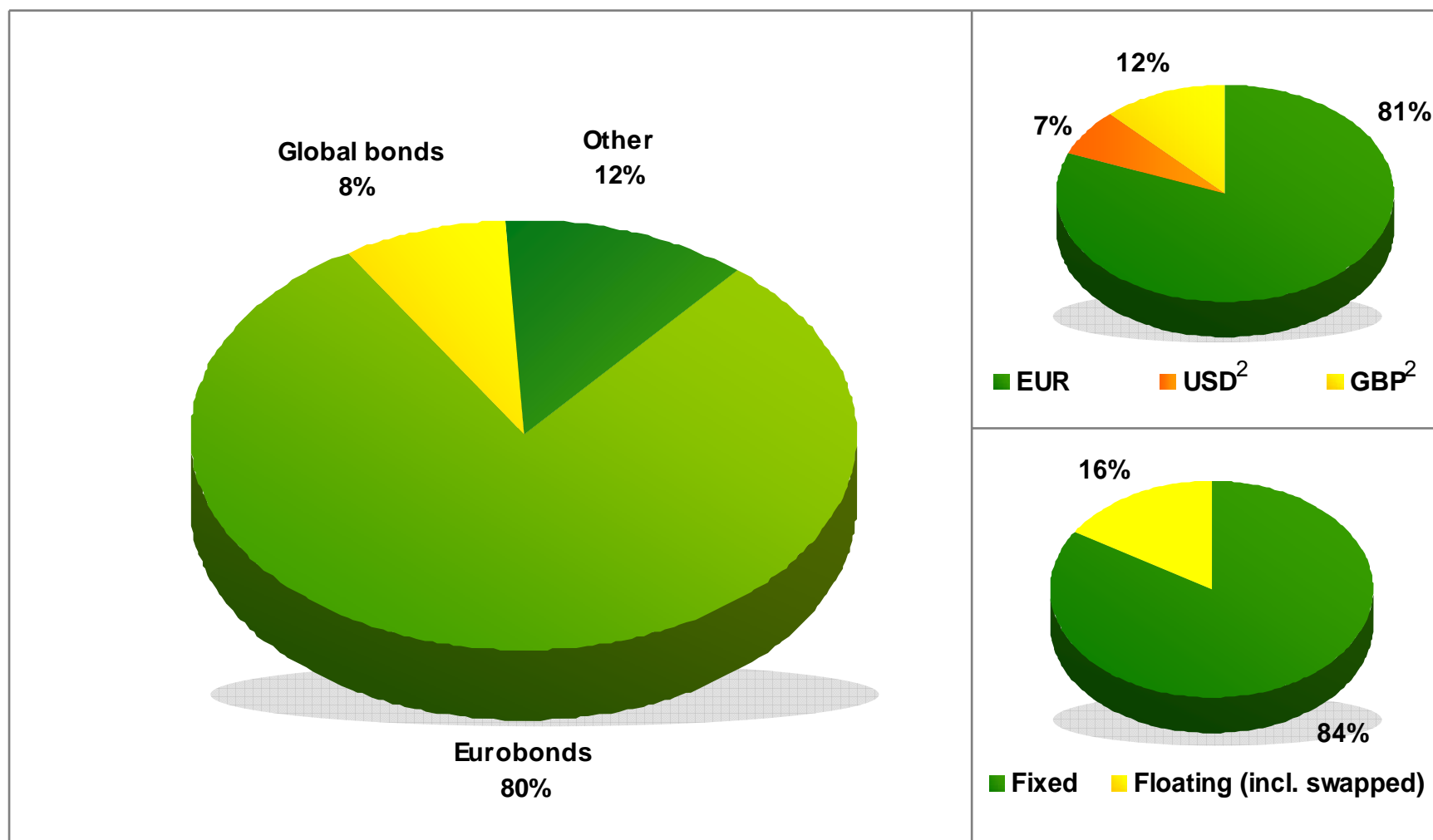
- € 1bn share repurchase program for 2011 finalized 23 September 2011
  - Share repurchase program started on 21 February 2011
- € 9.8bn in shares repurchased since start in 2004, at an average price of € 9.25
  - ~41% of outstanding shares cancelled since 2004
- Number of outstanding shares amounting to 1,477,526,284 per 30 September 2011
  - 50,725,125 shares cancelled in Q3 '11

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



# Debt portfolio

Breakdown of € 13.5bn gross debt<sup>1</sup>



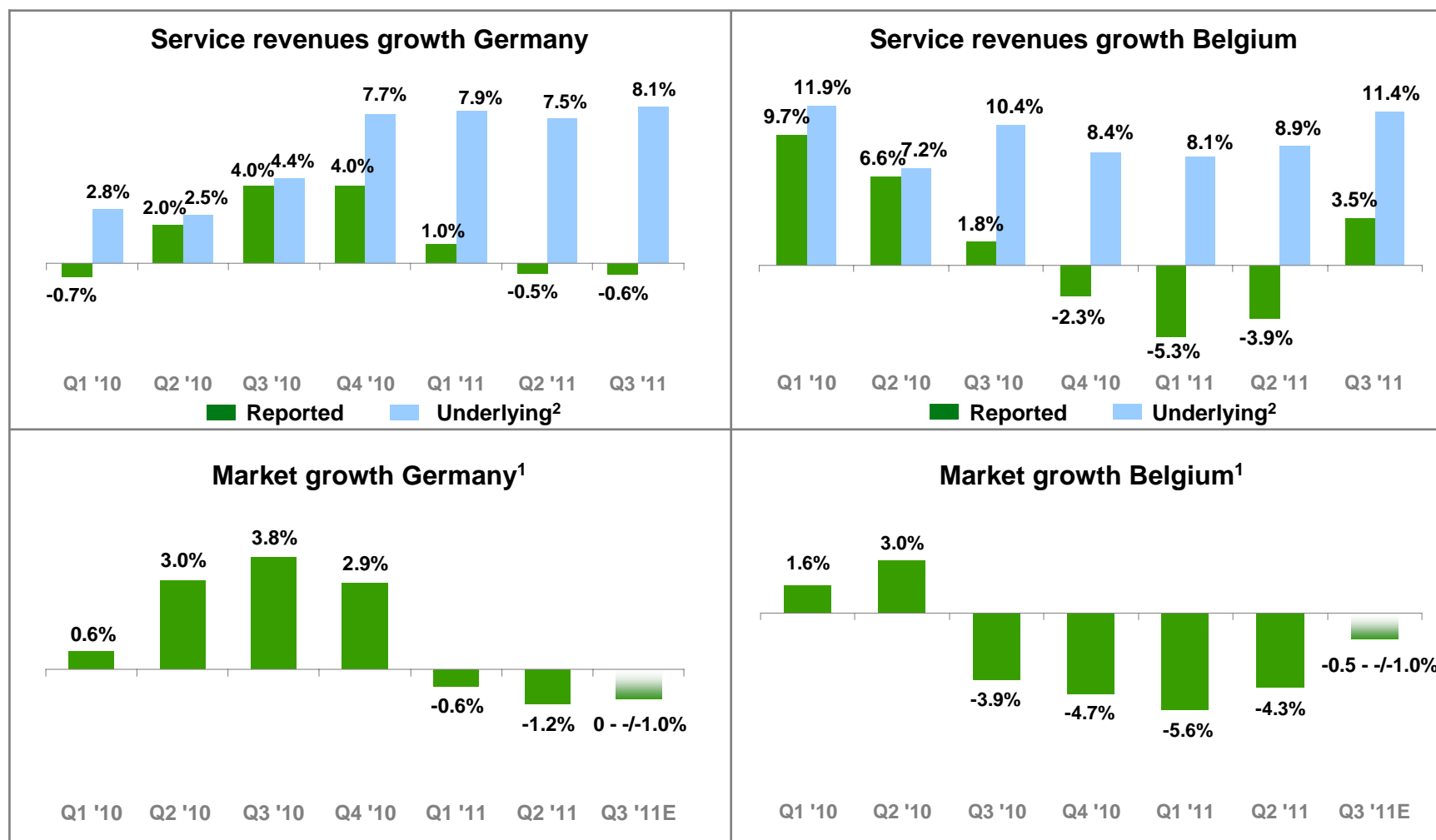
1 Book value of interest bearing financial liabilities plus the fair value of financial instruments (excluding Reggefiber) related to these financial liabilities  
 2 Foreign currency amounts hedged into EUR

## Dutch wireless services disclosure

	Q3 '11	Q2 '11	Q3 '10
<b>Service revenues (€ m)</b>	<b>691</b>	<b>702</b>	<b>742</b>
– Consumer	395	409	443
– Business	240	239	228
– Other Dutch activities <sup>1</sup>	56	54	71
<b>SAC/SRC (€)</b>			
– Consumer	128	164	162
– Business	221	224	242

<sup>1</sup> Includes among others Mobile Wholesale NL, Simyo and visitor roaming revenues within KPN The Netherlands, since Q2 '11 including Yes Telecom at Business

# Service revenues growth Mobile International



<sup>1</sup> Management estimates for market service revenues growth, based on equity research

<sup>2</sup> The definition of underlying is explained in the safe harbor of this presentation

# Regulation

## MTA reductions and upcoming spectrum auctions

MTA reductions implemented across the Group							
NL	<ul style="list-style-type: none"> <li>The Dutch Court overruled OPTAs MTA tariff decision and determined a new tariff as of 1 September 2012 of € 2.40 cent per minute instead of € 1.20 cent per minute</li> </ul>						
	€ ct / min	Until 7 July	7 July '10	Sep '10	Jan '11	Sep '11	Sep '12
	MTA rate	7.00	5.60	5.60	4.20	2.70	2.40
GER	<ul style="list-style-type: none"> <li>Legal proceedings against the MTA decisions are ongoing</li> </ul>						
	€ ct / min	Until 1 Dec '10		1 Dec '10 – 30 Nov '12			
	MTA rate	7.14		3.36			
BE	<ul style="list-style-type: none"> <li>KPN's suspension request has been rejected, annulment procedure is ongoing</li> </ul>						
	€ ct / min	Until Aug '10	Aug '10	Jan '11	Jan '12	Jan '13	
	MTA rate	11.43	5.68	4.76	2.92	1.08	

### Upcoming spectrum auctions

- Discussions on draft auction document (expected to be published end of 2011)
- Preliminary timing indicates summer '12
- Auction of 800MHz – 900MHz - 1.8GHz and remaining 2.1GHz - 2.6GHz spectrum

- Auction document published
- Start of the 2.6GHz auction on 28 November 2011
- Five interested parties (incl. KPN Group Belgium) have submitted applications

### MTA impact on Group revenues & EBITDA

€ m	2010	2011E	2012E
Revenues	180	~ 460	~ 100
EBITDA	62	~ 190	~ 40

# Spectrum in The Netherlands

## Current status

										Total	
800MHz	Free										2x30
	2x30 MHz										
900MHz	Vodafone	T-Mobile	KPN	To be auctioned							2x35
	2x12.5	2x10	2x12.5								
1.8GHz	Vodafone	T-Mobile		KPN	Free						2x70
	2x5	2x30		2x20	2x15						
1.9-2.0 GHz	Free										14.7
	14.7MHz unpaired										
2.1GHz	Vodafone		T-Mobile		KPN		Free				2x60 1x25
	2x15	1x5	2x20	1x10	2x15	1x5	2x10	1x5			
2.6GHz	Vodafone		T-Mobile	KPN	Ziggo4		Tele2		Free	2x65 1x55	
	2x10		2x5	2x10	2x20		2x20		55 unpaired		
Total	Vodafone		T-Mobile		KPN		Ziggo4		Tele2	Free	
	90MHz		140MHz		120MHz		40MHz		40MHz	184.7MHz	

## Upcoming auction

The auction rules (expected to be published in November/December 2011) are expected to include the following :

- 2x30MHz in 800MHz band will be auctioned together with 2x35MHz in 900MHz band, available 1 January 2013
- 2x10MHz in the 800MHz band and 2x5MHz in the 900 MHz band reserved for new entrant(s), with a limit of 2x10MHz of the reserved spectrum for new entrant(s)
- All spectrum has minimum prices and roll-out obligations. In addition, reserved spectrum has trading restrictions for the first five years
- No spectrum caps for non reserved spectrum
- License duration for the 800MHz, 900MHz and 1.8GHz bands will be aligned with the 2.6GHz licenses and therefore expire in 2030. The 2.1GHz licenses expire on 1 January 2017
- The auction is expected to take place in summer 2012

# Spectrum in Belgium

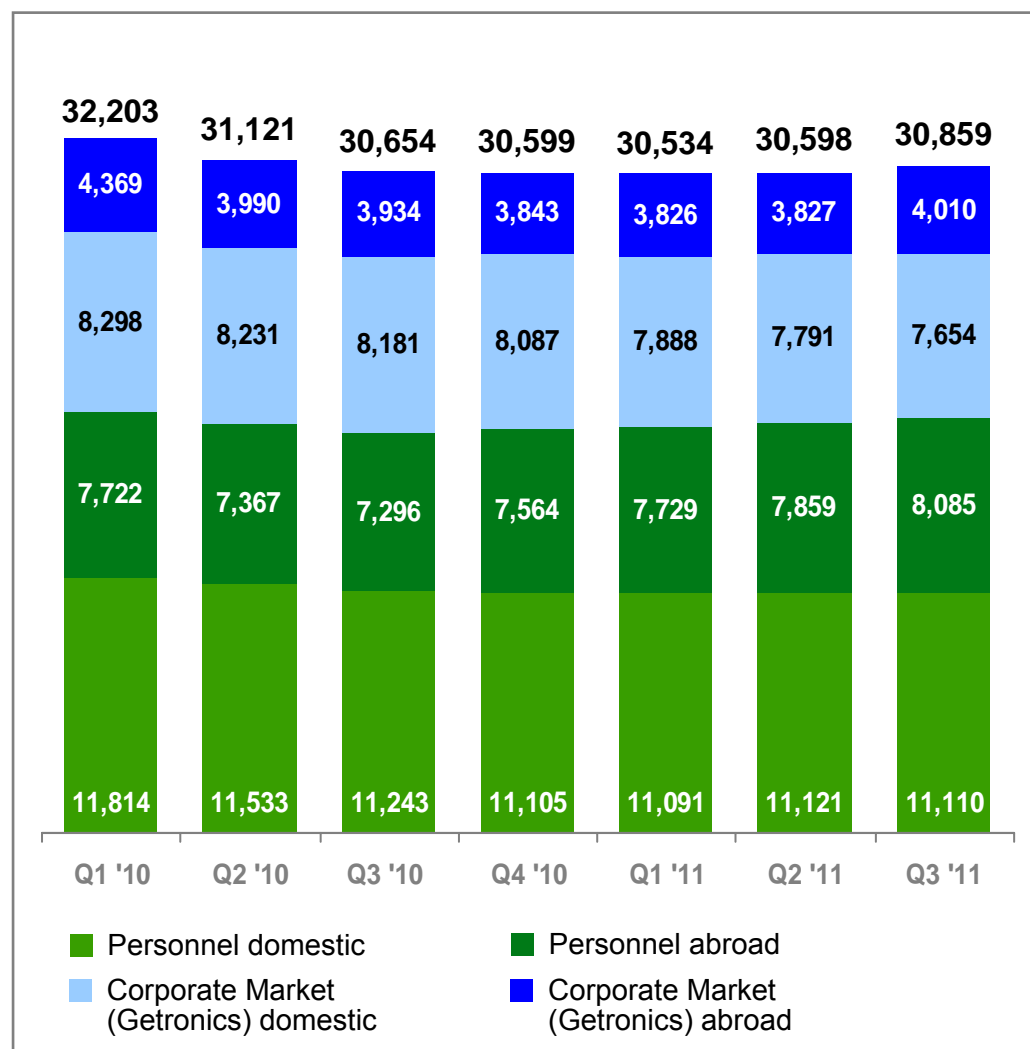
## Current status

<b>900MHz</b>	KPNgB 2x10.8	Proximus 2x12	Mobistar 2x12				
<b>1.8GHz</b>	KPNgB 2x22	Proximus 2x15	Mobistar 2x15	Prox 2x5.8	Mob 2x5.8	Free 2x11.4	
<b>2.1GHz</b>	KPNgB 2x15	Proximus 2x15	Mobistar 2x15	Telenet & Voo 2x14.8		Free 1x5	
<b>2.6GHz</b>	Free 140MHz paired, 45MHz unpaired						
<b>Total</b>	KPNgB 100.6MHz	Proximus 100.6MHz	Mobistar 100.6MHz	Telenet & Voo 29.6MHz		Free 217.8MHz	

## Upcoming auction

- Auction of 185MHz spectrum (140 paired + 45 unpaired) in 2.6GHz band scheduled for 28 November 2011
  - Operators capped at 40MHz (2x20) in paired spectrum
- Current 2G licenses can be extended till 2021
- No clarity on 800MHz band auction yet

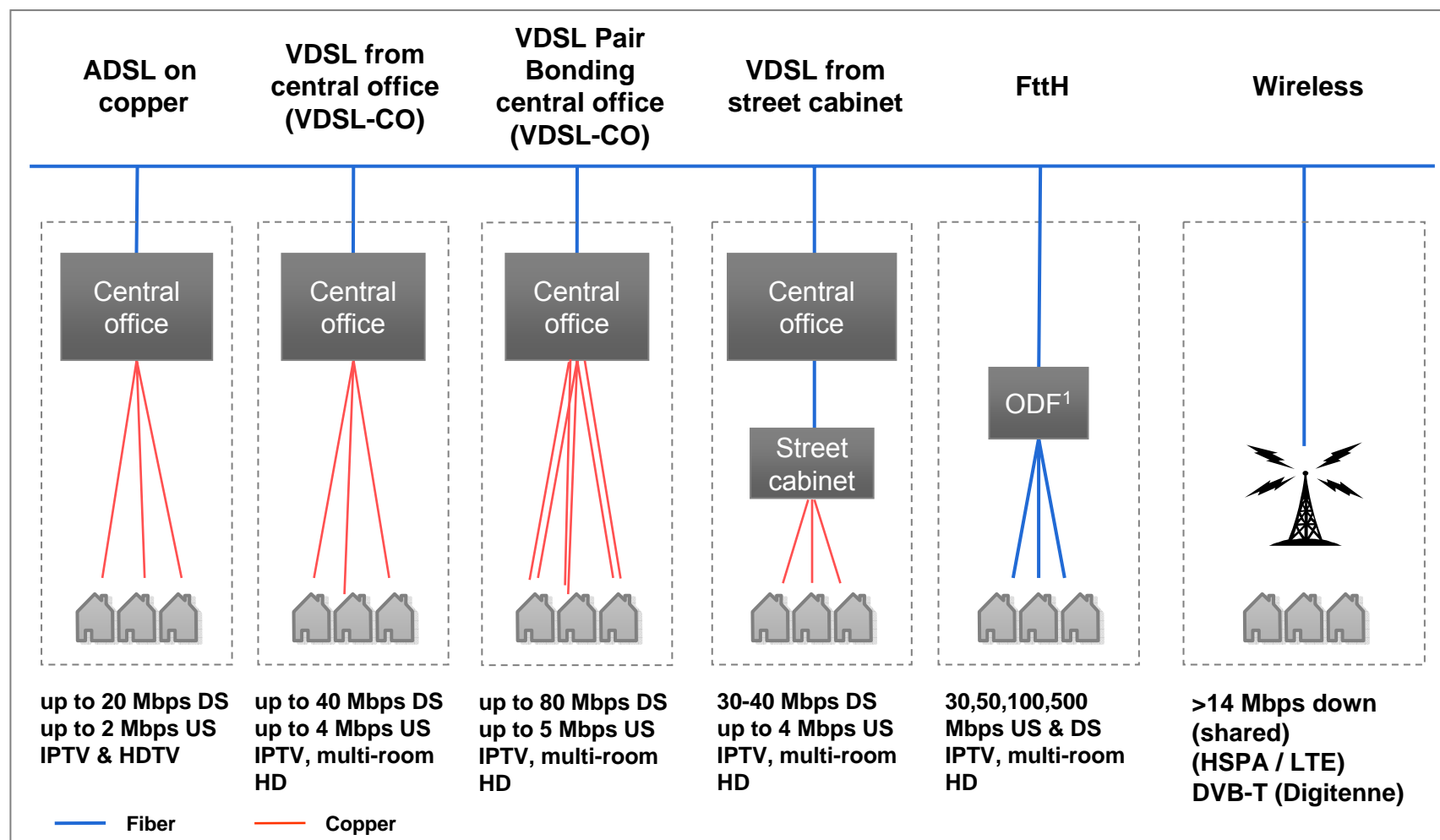
# Personnel



- Increase of 205 FTE y-on-y
  - Reduction of 133 FTE in The Netherlands, from all segments excluding Corporate Market (Getronics)
  - Increase of 789 FTE at Mobile International (including SNT Germany), caused by growing business (shops and call centers)
  - Corporate Market (Getronics) domestic: reduction of 527 FTE
  - Corporate Market (Getronics) abroad: increase of 76 FTE
- Increase of 261 FTE q-on-q
  - Increase of 183 FTE at Corporate Market (Getronics) abroad, partly offset by a decrease of 137 FTE at Corporate Market (Getronics) domestic
  - Increase of 226 FTE at Mobile International (mainly E-Plus and SNT Germany)
  - Partly offset by a decrease of 11 FTE in The Netherlands

# Infrastructure

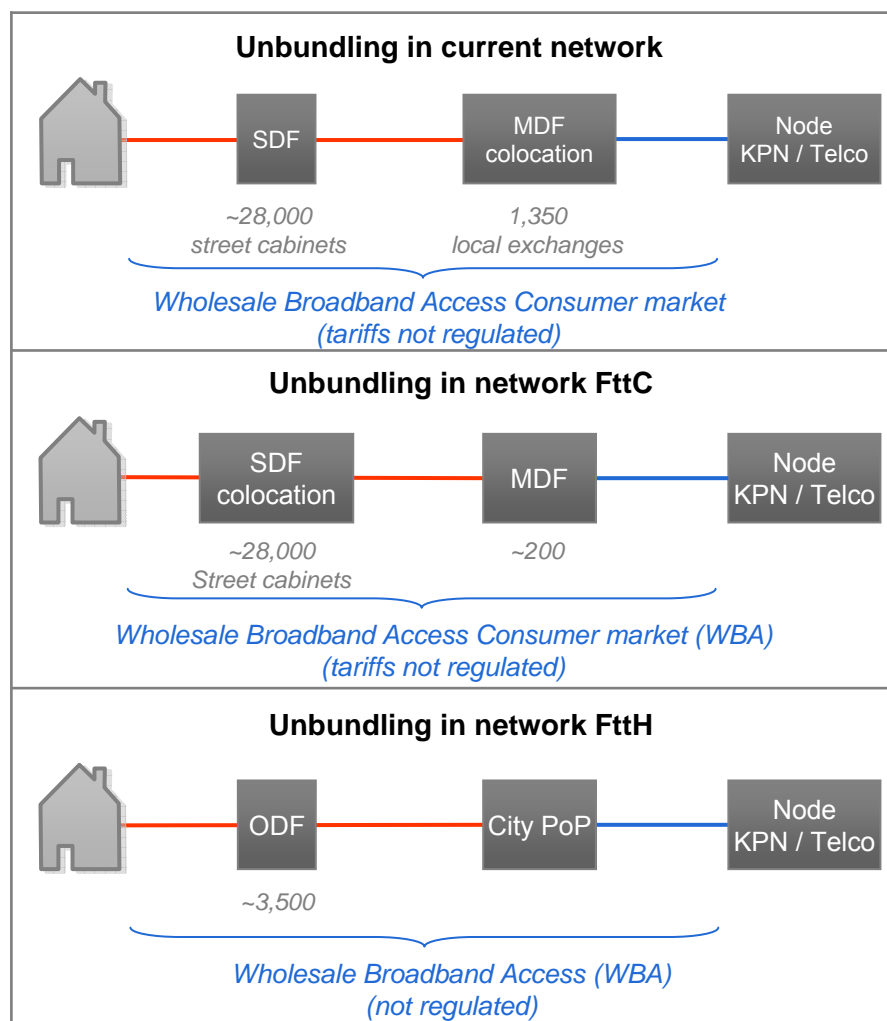
Deploying mix of technologies going forward



1 Optical distribution frame



# Unbundling tariffs



— Regulated — Not regulated

1) Tariffs refer to WPC 2009-2011 [(WPC 2A)]

Category	Monthly tariff
Line sharing (LLU) <sup>1</sup>	€ 0.11 / line
Fully unbundled (LLU) <sup>1</sup>	€ 6.54 / line
MDF colocation <sup>1</sup>	€ 871.20 / footprint / year
MDF backhaul	Commercial pricing, not regulated
Wholesale Broadband Access (WBA)	€ 5.32 shared € 13.00 non-shared

Category	Monthly tariff
Line sharing (SLU) <sup>1</sup>	€ 7.59 / line
Fully unbundled (SLU) <sup>1</sup>	€ 7.41 / line
SDF colocation <sup>1</sup>	€ 1.21 / line or 5.38 / per unit One-off € 492.80 / per unit
SDF backhaul	Not regulated by OPTA
Wholesale Broadband Access (WBA)	€ 5.32 shared € 13.00 non-shared

Category	Monthly tariff
Fully unbundled (ODF FttH)	€ 12.30 – € 17.94
ODF FttH colocation	≤ € 512 / month / per Area Pop One-off ≤ € 3,075 / per Area Pop
ODF FttH Backhaul	≤ 615 / month
Wholesale Broadband Access (WBA) FttH	€ 19.00 non-shared
ODF FttO	Not regulated by OPTA