

# **Morgan Stanley TMT Conference**

Ad Scheepbouwer, Chairman and CEO  
Barcelona, 19 November 2008

## Safe harbor

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 our control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the 2007 Annual Report.

All figures in this presentation are unaudited and based on IFRS. 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.

All market share information in this presentation is based on management estimates based on externally available information, unless indicated otherwise.

## Disclaimer

We define EBITDA as operating result before depreciation and impairments of PP&E and amortization and impairments of intangible assets. Note that our 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 all cases, a reconciliation of EBITDA and the nearest GAAP measure (operating result) is provided. In the net debt/EBITDA ratio, we define EBITDA as a 12 month rolling average excluding book gains, release of pension provisions and restructuring costs, all over EUR 20m. For 2008 and subsequent years, 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.

# Agenda

## Highlights

Operating review the Netherlands

Operating review Mobile International

Concluding remarks

## Group highlights Q3 '08

### Highlights

- Solid third quarter results
- The Netherlands comfortably delivering on upgraded EBITDA guidance for 2008
- Mobile International showing continued profitable growth
- Confirming 2010 objectives as stated in 'Back to Growth' strategy

### Financial highlights

- Solid financial performance in Q3 '08
- Free cash flow of €0.5 bn in Q3, €1.6 bn YTD
  - Confirming full-year FCF guidance of at least €2.4 bn for 2008
- €2 bn of shareholder returns delivered in first three quarters of 2008
- Solid liquidity profile after Q3 bond issue, announced €1 bn share buyback for 2009

# Group results and cash flow Q3 '08

Solid results, confirming full-year FCF guidance of at least €2.4 bn for 2008

€ mn	Q3 '08	Q3 '07	%
<b>Revenues and other income</b>	<b>3,652</b>	<b>3,037</b>	<b>20%</b>
- of which Revenues	3,626	3,007	21%
<b>Operating expenses</b>	<b>2,951</b>	<b>2,357</b>	<b>25%</b>
- of which D&A <sup>1</sup>	578	540	7%
<b>EBITDA<sup>2</sup></b>	<b>1,279</b>	<b>1,220</b>	<b>4.8%</b>
<b>EBITDA margin</b>	<b>35.0%</b>	<b>40.2%</b>	
<b>Operating result</b>	<b>701</b>	<b>680</b>	<b>3.1%</b>
Financial income/(expense)	-176	-142	24%
Taxes	-172	-182	-5.5%
<b>Profit/(Loss) after taxes</b>	<b>353</b>	<b>355</b>	<b>-0.6%</b>
<b>Earnings per share<sup>3</sup></b>	<b>0.20</b>	<b>0.19</b>	<b>5.3%</b>
<b>Net cash flow from operating activities</b>	<b>876</b>	<b>962</b>	<b>-8.9%</b>
<b>Capex<sup>4</sup></b>	<b>-505</b>	<b>-378</b>	<b>34%</b>
<b>Free cash flow<sup>5</sup></b>	<b>465</b>	<b>626</b>	<b>-26%</b>

- Solid performance in Q3 '08
  - Revenues and other income of €3.7 bn, up 20%
  - EBITDA of €1.3 bn, up 4.8%
- Free cash flow of €0.5 bn in Q3, €1.6 bn YTD
- Confirming full-year FCF guidance of at least €2.4 bn for 2008
  - Significant working capital inflow expected in Q4
  - Expecting real estate proceeds of ~€150 mn in FY 2008
- €2 bn shareholder returns YTD
  - €1 bn dividend
  - €1 bn share repurchase program, completed in September

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

<sup>2</sup> Defined as Operating result plus depreciation, amortization & impairments

<sup>3</sup> Defined as Profit after taxes per ordinary share / ADS on a fully diluted basis (in €)

<sup>4</sup> Including Property, Plant & Equipment and software

<sup>5</sup> Defined as cash flow from operating activities plus proceeds from real estate minus Capital Expenditures and excluding tax recapture E-Plus <sup>3</sup>

## Economic impact

- Solid third quarter results, no impact from economic downturn on ongoing operations
  - Early warning indicators are being tracked
- KPN well prepared to deal with various economic scenarios
- Economic downturn providing both risks and opportunities to KPN
  - Risk of customers saving on telecom services and churning to lower prices
  - Opportunity with strongholds in value-for-money segments in consumer markets
  - Risk of business customers delaying or reducing investments
  - Potential upside from increased ICT outsourcing to KPN/Getronics
  - Potential impact in 2009 from pension position
  - Impact on timing of disposals of subsidiaries or real estate
- Contingency plans in place, aimed at preserving cash flow generation

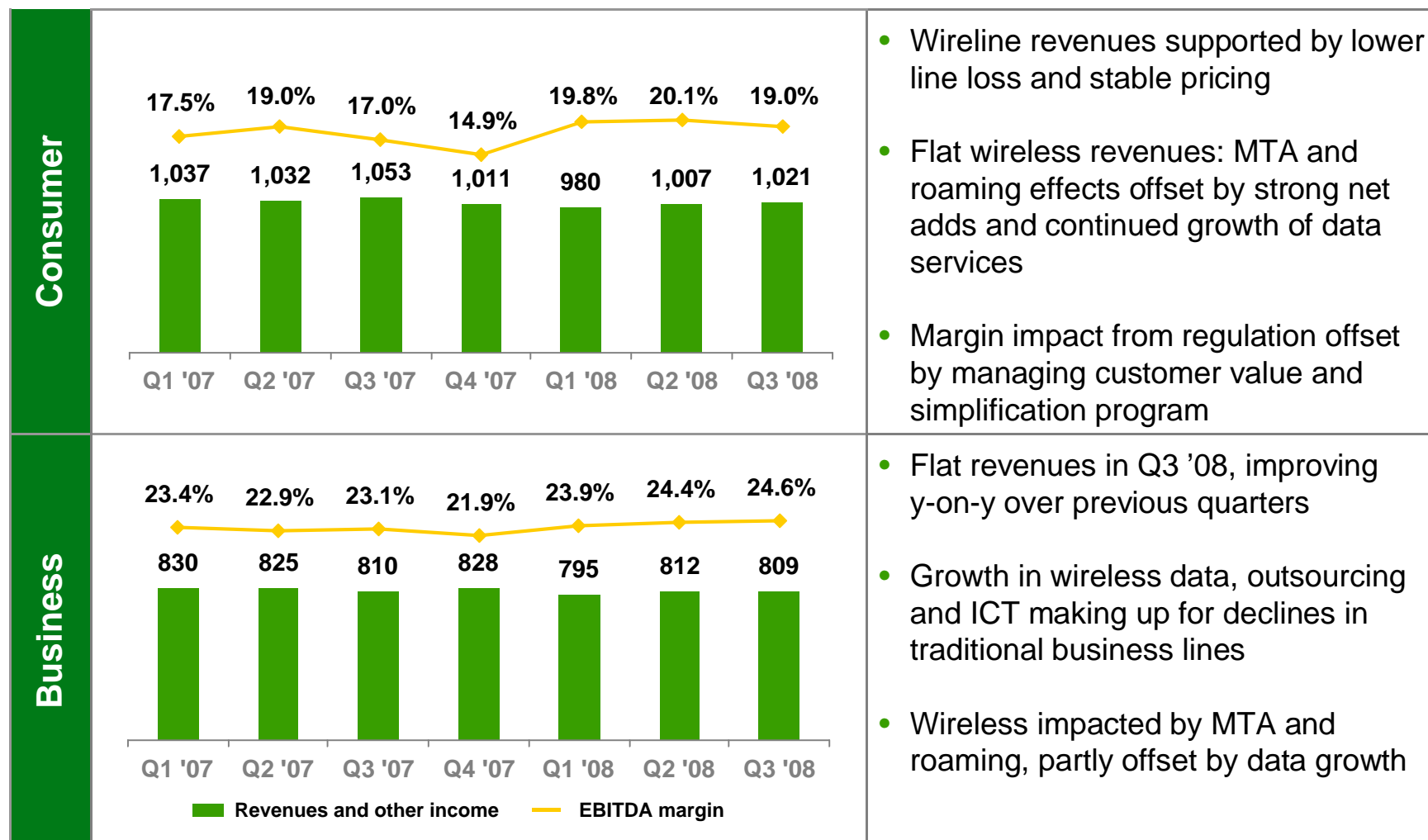
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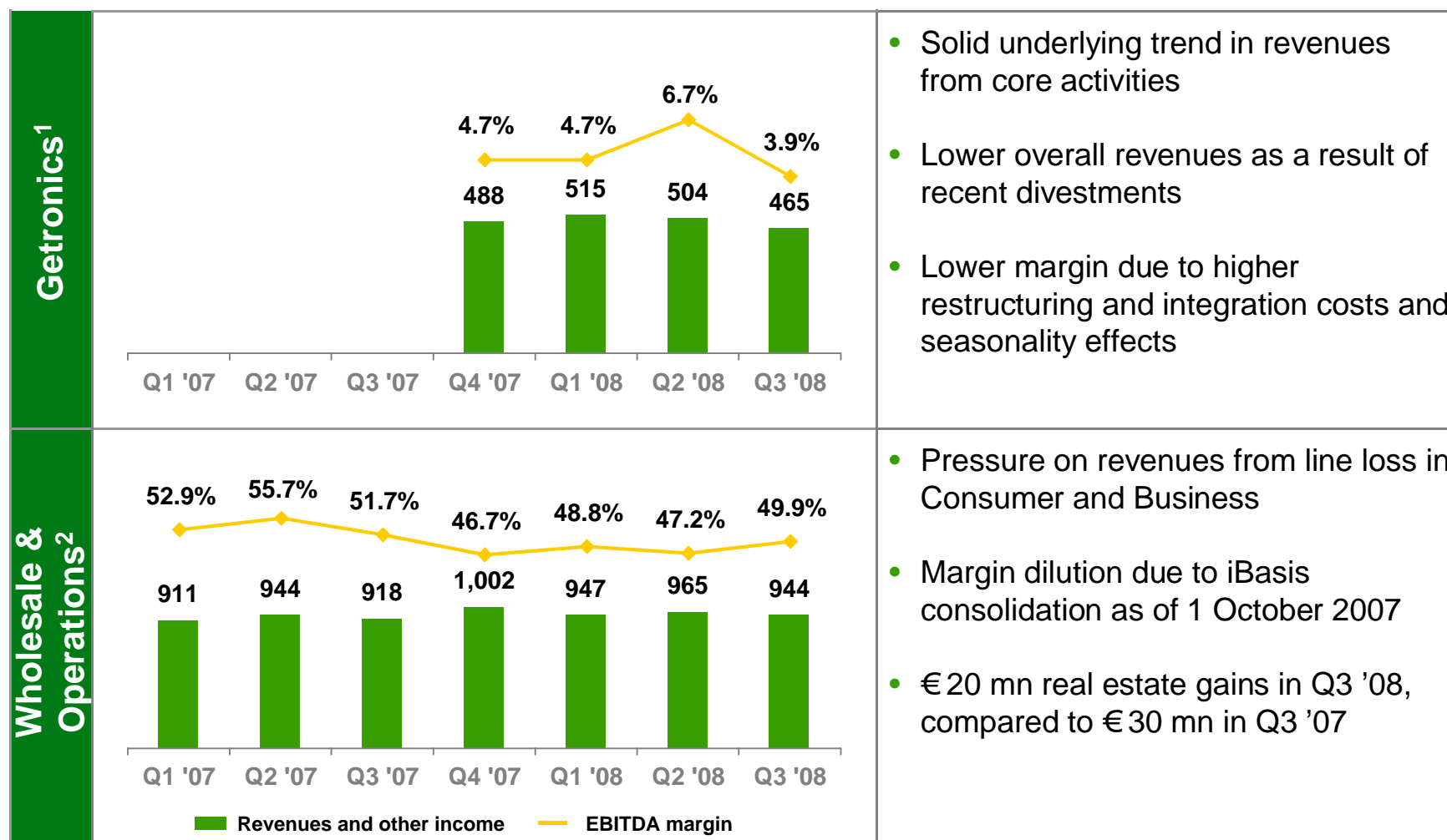
# Financial review the Netherlands

Solid revenue and EBITDA trends in Consumer and Business



## Financial review the Netherlands (cont'd)

Lower margins at Getronics due to integration costs, W&O resilient

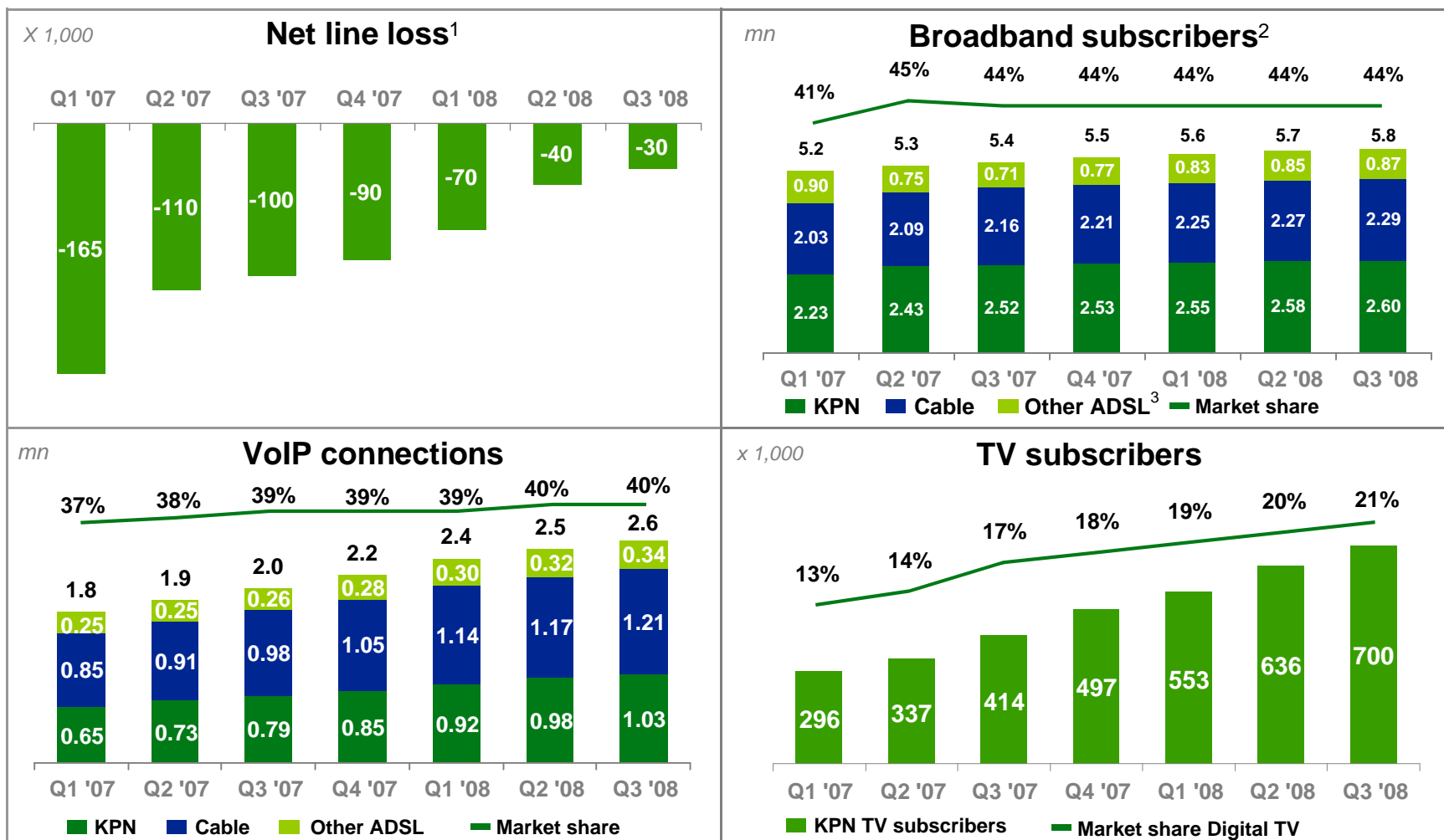


<sup>1</sup> Consolidated as of 23 October 2007

<sup>2</sup> Including revenues and EBITDA from iBasis/iBasis the Netherlands as from Q4 '07, excluding book gain on KGCS of €66 mn in Q4 '07 and €6 mn in Q1 '08

# Consumer

Net line loss further down to 30k, steady growth in broadband



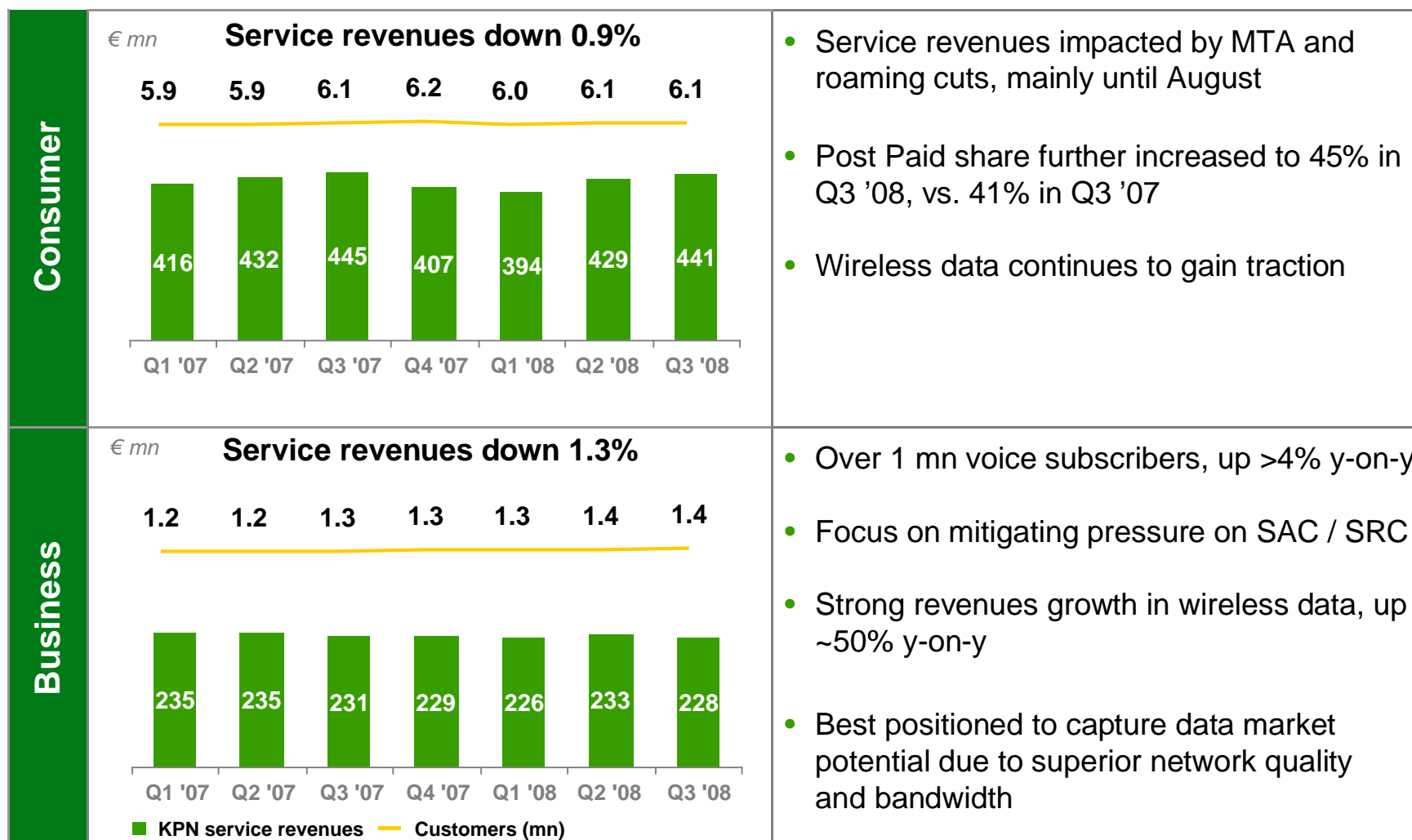
<sup>1</sup> PSTN / ISDN line loss + growth VoIP Consumer + growth ADSL only + growth WLR; management estimates

<sup>2</sup> Based on management estimates, approximately 80% consumers and 20% businesses

<sup>3</sup> Excluding Bitstream

# Wireless services

Revenues impacted by MTA and roaming, partly offset by data growth



# Getronics

Solid operational performance, restructuring and integration on track

## Operational performance Q3 '08

- Solid operational performance from core Benelux operations
  - Q3 impacted by normal seasonality effects, especially in consulting and global services business
  - Lower revenues as a result of divestments, e.g. North America
  - Impact on EBITDA margin from restructuring and integration costs

## Positioning KPN-Getronics

- Getronics market leader in managed workspace services
  - Focus on corporate clients (Top-500) with client-specific services based on standard modules
- KPN market leader in telecommunications services
  - Focus on Large enterprises / SME / SoHo with standardized services

## Restructuring and integration

- Divestments to date representing € 700-750 mn in annual revenues
  - Current revenue run rate of € 1.4 bn, total transaction value >€ 500 mn
  - Global delivery capability maintained through partnerships
  - Other disposals in the Benelux in progress
- Integration with KPN Business Market on track

# Fiber rollout

Substantial achievements to date, targeting ramp-up as of 2009

## Achievements to date

- Platforms for IP services operational and ready for scaling up
- Ethernet backbone entirely migrated to fiber (~38,000 km)
- New IT infrastructure developed from scratch during 2008
- Announced JV with Reggefiber, providing option to expand in FttH
- MoUs with largest unbundlers for migration to All-IP infrastructure

## Fiber rollout plan

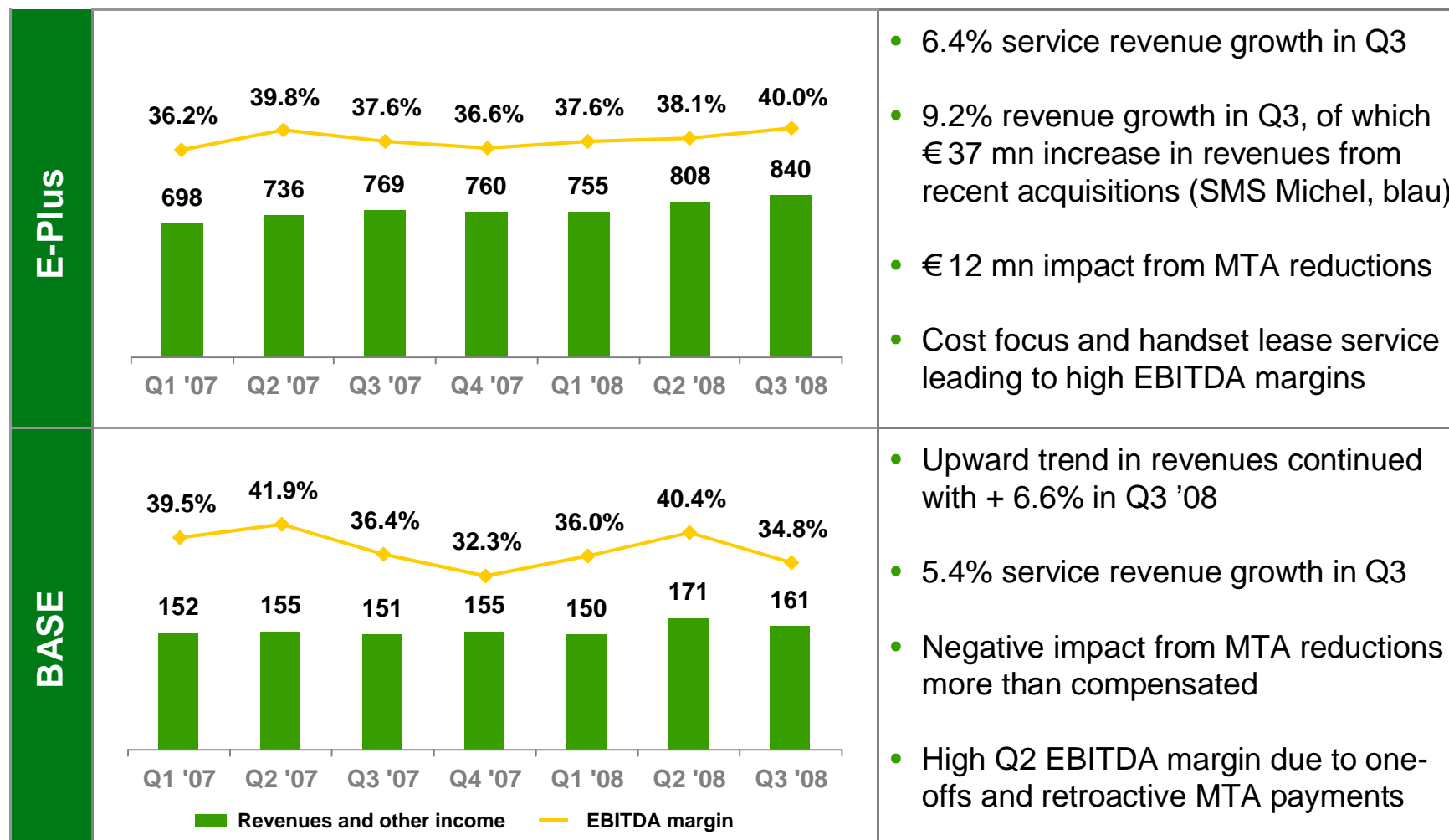
- Focus on demonstrating commercial success until H1 '09
  - Rollout of FttC and FttH in 5 cities each
  - Targeting ~450k homes passed for FttC by YE '08, with limited number of activations
- Ramp-up and full-scale fiber rollout as of H2 '09
  - Decision on rate of ramp-up based on evaluation in H1 '09
  - 700-800k homes passed with FttC by YE '09, in line with commercial migration in Consumer
  - Scale of FttH depending on success of current initiatives and regulation

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# Financial review Mobile International

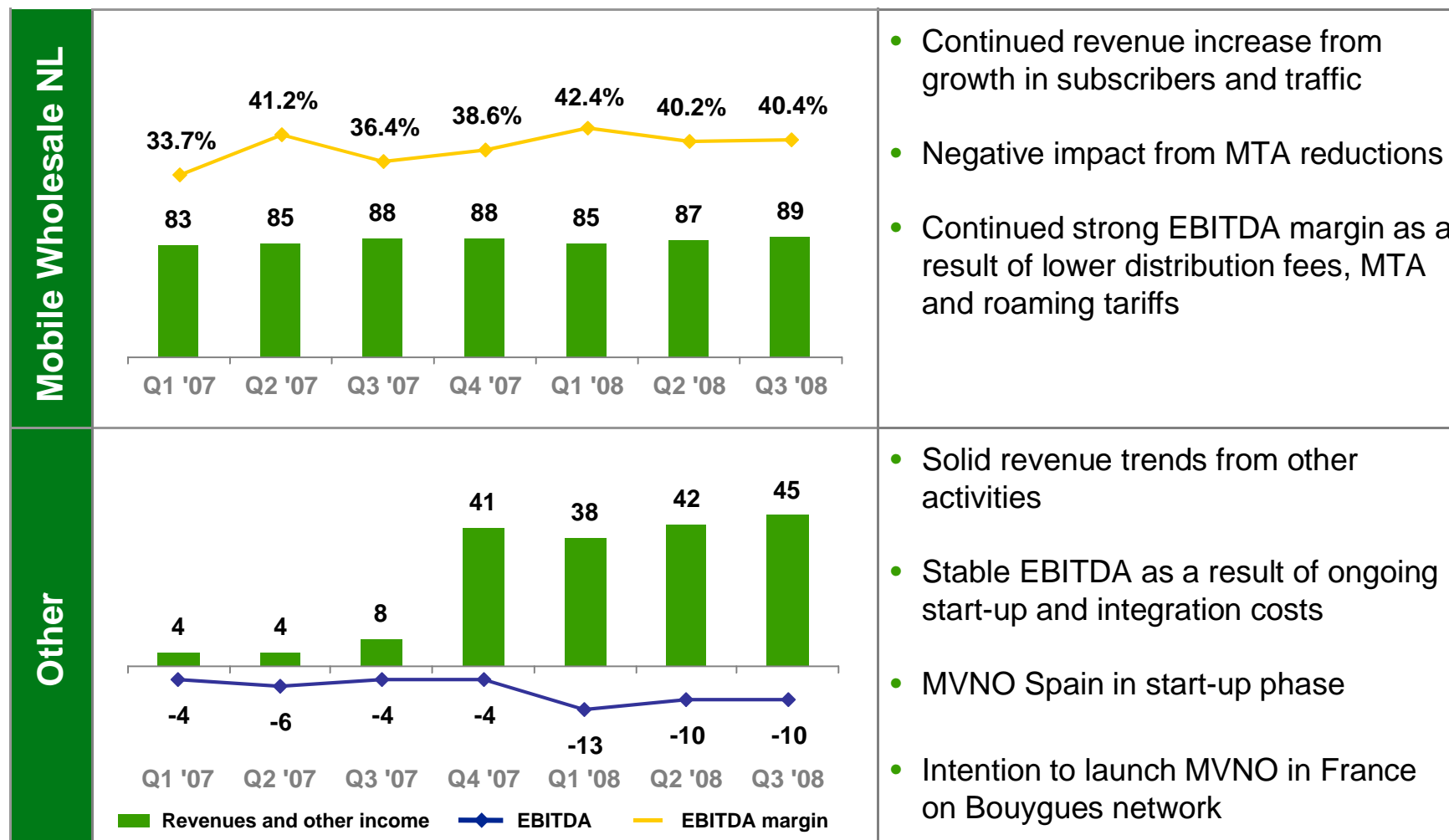
E-Plus growth partly driven by acquisitions, BASE continuing growth path





## Financial review Mobile International (cont'd)

Further growth from mobile wholesale and recent acquisitions



# E-Plus achievements

Challenger strategy continues to unlock value from German market

	German market	E-Plus
General	<ul style="list-style-type: none"> <li>Market growth flat over past two quarters <ul style="list-style-type: none"> <li>Impact from regulatory tariff cuts</li> <li>Rotational churn to lower prices</li> <li>Partly offset by wireless traffic growth</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Consistently outperforming the German market <ul style="list-style-type: none"> <li>~8%-points ahead in service revenue growth</li> <li>Market share 15.3%, up 1.3%-point y-on-y</li> </ul> </li> </ul>
Voice	<ul style="list-style-type: none"> <li>Gradual Fixed-Mobile substitution <ul style="list-style-type: none"> <li>~25% of total minutes are wireless (vs. European average of ~45%)</li> <li>~10% of households mobile-only (up from ~5% in 2006)</li> </ul> </li> <li>Decrease in minute pricing slowing down</li> </ul>	<ul style="list-style-type: none"> <li>Minutes of use (MoU) up ~10% y-on-y</li> <li>Decrease in minute pricing slowing down</li> </ul>
Data	<ul style="list-style-type: none"> <li>Growth in (3G) wireless data traffic and investments</li> <li>Competitors offering own DSL services combined with wireless</li> </ul>	<ul style="list-style-type: none"> <li>Selective in 3G and data</li> <li>Focus on target areas / segments with proven demand</li> </ul>

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## Concluding remarks

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## Q&A

*For further information please contact*

KPN Investor Relations

Tel: +31 70 44 60986

Fax: +31 70 44 60593

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

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

