

## KPN's Dutch tax position

**Date**  
6 February 2007

This paper provides explanations on the corporate income tax position of KPN in the Netherlands as referred to in the press release of KPN's Full Year results 2006. After several years of no cash payments, KPN expects to pay at the KPN Mobile and KPN Royal level, Dutch corporate tax of approximately EUR 300m in 2007 and approximately EUR 700 – 800m in the medium term.

### Background

With respect to KPN Mobile, KPN issued a tax paper on 27 January 2005. Key elements highlighted in the paper were:

- A EUR 6bn taxable gain for KPN Mobile upon conversion of EUR 14bn of shareholder loans in 2002
- E-Plus being a permanent establishment for Dutch tax purposes as from 2002, allowing KPN Mobile to offset a EUR 11.5bn loss related to E-Plus against its Dutch results, subject to recapture of this loss in later years

In all, this resulted in three periods regarding KPN Mobile's tax payments:

- Period 1: No tax payments due to loss carry forward (EUR 5.5bn at year-end 2002)
- Period 2: Higher tax payments due to recapture
- Period 3: Normal tax payments, once the full EUR 11.5bn has been recaptured

Upon conversion of the above mentioned EUR 14bn of shareholder loans, Royal KPN realized a loss for tax purposes of EUR 6bn which has been used to offset the taxable profits of 2002 and beyond. For Dutch tax purposes, Royal KPN (owner of the majority of KPN's fixed activities) and KPN Mobile are separate fiscal unities and therefore different taxpayers.

### Status

Over the years 2002 to 2006 KPN did not pay corporate income tax, however loss carry forwards and E-Plus loss to be recaptured have changed following operational results, such that these at year-end 2006 are:

- Loss carry forward at KPN Mobile of EUR 0.65bn
- E-Plus loss to be recaptured for Dutch tax purposes of EUR 8.5bn (EUR 9.3bn, 2005 Annual Report)
- Loss carry forward at Royal KPN of EUR 1.1bn (EUR 2.1bn, 2005 Annual Report)

### Illustrative calculator

This paper is accompanied by a simplified calculator, for illustrative purposes, which is indicative for the actual fiscal position and mechanisms, but without detailed complicating factors. It is intended to assist the reader in understanding the tax mechanism and to illustrate possible estimates on Dutch corporate tax payments that KPN will face in the coming years, based on a numerical example of operational forecasts. The numerical example on EBITDA, D&A and interest for 2007 and the years thereafter is derived from 10 analyst forecasts on KPN, and hence neither represent actual KPN figures nor forecasts of profitability.



6 February 2007

Tax Paper

This tax paper is subject to the disclaimer below.

*Certain statements contained in this paper constitute forward-looking statements. These statements may include, without limitation, statements concerning tax rates, consequences, treatments and position 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 our 2005 Annual Report and Form 20-F.*