

Annual Results 2008

Press Conference

27 January 2009



Agenda

Chairman's review	Ad Scheepbouwer, Chairman and CEO
Financial review	Marcel Smits, CFO
Operating review	Ad Scheepbouwer, Chairman and CEO



Highlights 2008

- Solid FY 2008 results, guidance met on all metrics, dividend up 11%
- EBITDA inflection in the Netherlands
- Continued profitable growth at Mobile International
- Getronics on track, € 67 mn goodwill iBasis impaired
- 2010 outlook confirmed

Financial highlights 2008

- Guidance for 2008 met on all metrics
 - EBITDA of € 5.06 bn
 - Capex of € 1.93 bn
 - Free cash flow of € 2.60 bn¹
 - EBITDA inflection reached in the Netherlands²
- Working capital improvement of € 418 mn ahead of plan
- Solid financial profile following € 1.8 bn bond issues in 2008
 - Net debt / EBITDA ratio improved to 2.2x per Q4 '08, vs. 2.4x per Q3 '08
- Maintaining high level of shareholder returns
 - € 1 bn share repurchase program for 2008 completed in September 2008
 - € 1 bn program for 2009 started in November 2008, 19% completed to date
 - Dividend per share proposed of € 0.60 for FY 2008, up 11%

¹ Defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture at E-Plus

² The Netherlands excluding Getronics, iBasis/iBasis the Netherlands, restructuring charges (until Q2 '08) and book gains on sale of real estate

Impact of economic downturn

- Limited impact from economic downturn in 2008
 - No significant impact on FY '08 results, except for real estate disposals
 - Small increase in average interest paid on bonds during 2008
 - Early warning indicators being tracked continuously, no material issues yet
- Actions taken proactively in Q4, in order to be prepared if conditions worsen
 - Reduced number of external staff and tariffs for freelance workers
 - Renegotiation of large supplier contracts
 - Efficiency improvements across the group
- Risks and opportunities further detailed
 - € 120 mn additional cash contribution for pensions in 2009
 - Well positioned as incumbent in the Netherlands and challenger abroad
 - Possible revenue pressure to be compensated by additional cost reductions and selective price increases

Outlook

Confirming outlook for 2010, as announced with 'Back to Growth' strategy

	Reported 2008	Outlook 2010
Revenues and other income	€ 14.60 bn	> € 15 bn
EBITDA	€ 5.06 bn	> € 5.5 bn
Capex	€ 1.93 bn	~ € 2 bn
Free cash flow ¹	€ 2.60 bn	> € 2.4 bn
Dividend per share	€ 0.60	€ 0.80

Outlook 2009

- Meaningful progress towards EBITDA target for 2010
- Free cash flow of ~€ 2.4 bn in 2009
 - Despite expected € 120 mn cash impact from pensions and regulatory developments
 - Despite reversal of € 150 mn non-structural working capital improvements of Q4 '08
 - Anticipating proceeds from real estate disposals of similar magnitude to that of 2008
 - Negative impact from seasonality in Q1 '09

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

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Group results 2008

Solid full-year results

€ mn	Q4 '08	Q4 '07	%	FY '08	FY '07	%
Revenues and other income	3,718	3,659	1.6%	14,602	12,632	16%
– of which Revenues	3,615	3,579	1.0%	14,427	12,461	16%
Operating expenses	3,126	3,025	3.3%	12,005	10,132	19%
– of which Depreciation ¹	397	405	-2.0%	1,614	1,640	-1.6%
– of which Amortization ¹	293	177	66%	847	760	11%
Operating result	592	634	-6.6%	2,597	2,500	3.9%
Financial income/(expense)	-188	-153	23%	-704	-560	26%
Share of profit of associates	-	-1	-	-6	1	-
Profit/(Loss) before taxes	404	480	-16%	1,887	1,941	-2.8%
Taxes	-107	1,101	-	-550	708	-
Profit/(Loss) after taxes	297	1,581	-81%	1,337	2,649	-50%
Earnings per share (€)²	0.18	0.85	-79%	0.77	1.42	-46%
EBITDA³	1,281	1,216	5.3%	5,058	4,900	3.2%

- Revenues and EBITDA for FY '08 containing € 132 mn book gains on real estate, of which € 94 mn in Q4 '08
- Amortization up in Q4 '08 due to goodwill impairment of € 67 mn for iBasis
- High net profit and EPS in Q4 '07 as a result of recognition of € 1.2 bn deferred tax asset at E-Plus

¹ Including impairments, if any

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

³ Defined as Operating result plus depreciation, amortization & impairments

Group cash flow FY '08

Free cash flow of € 2.6 bn ahead of full-year guidance

€ mn	FY '08	FY '07	%
Operating result	2,597	2,500	3.9%
Depreciation and amortization ¹	2,461	2,400	2.5%
Interest paid/received	-597	-471	27%
Tax paid/received	-522	-251	>100%
Change in provisions	-208	-288	-28%
Change in working capital ²	418	163	>100%
Other movements	-119	-163	-27%
Net cash flow from operating activities	4,030	3,890	3.6%
Capex³	1,925	1,688	14%
Proceeds from real estate	180	143	26%
Tax recapture E-Plus	313	-	-
Free cash flow⁴	2,598	2,345	11%
Dividend paid	981	982	-0.1%
Share repurchases	1,103	1,569	-30%
Cash return to shareholders	2,084	2,551	-18%

- Free cash flow of € 2.6 bn for FY '08 ahead of full-year guidance
 - € 180 mn proceeds from real estate
 - Improvement in working capital of € 418 mn, attributable to both creditors and improved collections
 - Increase in interest payments
- Capex of € 1.9 bn for FY '08, up 14% y-on-y
 - Step-up in investments in All-IP and Cybercenters in the Netherlands and 3G in Germany
- € 2.1 bn shareholder returns for FY '08
 - € 1.0 bn dividend
 - € 1.1 bn share repurchases, including € 0.1 bn of 2009 program

1 Including impairments, if any

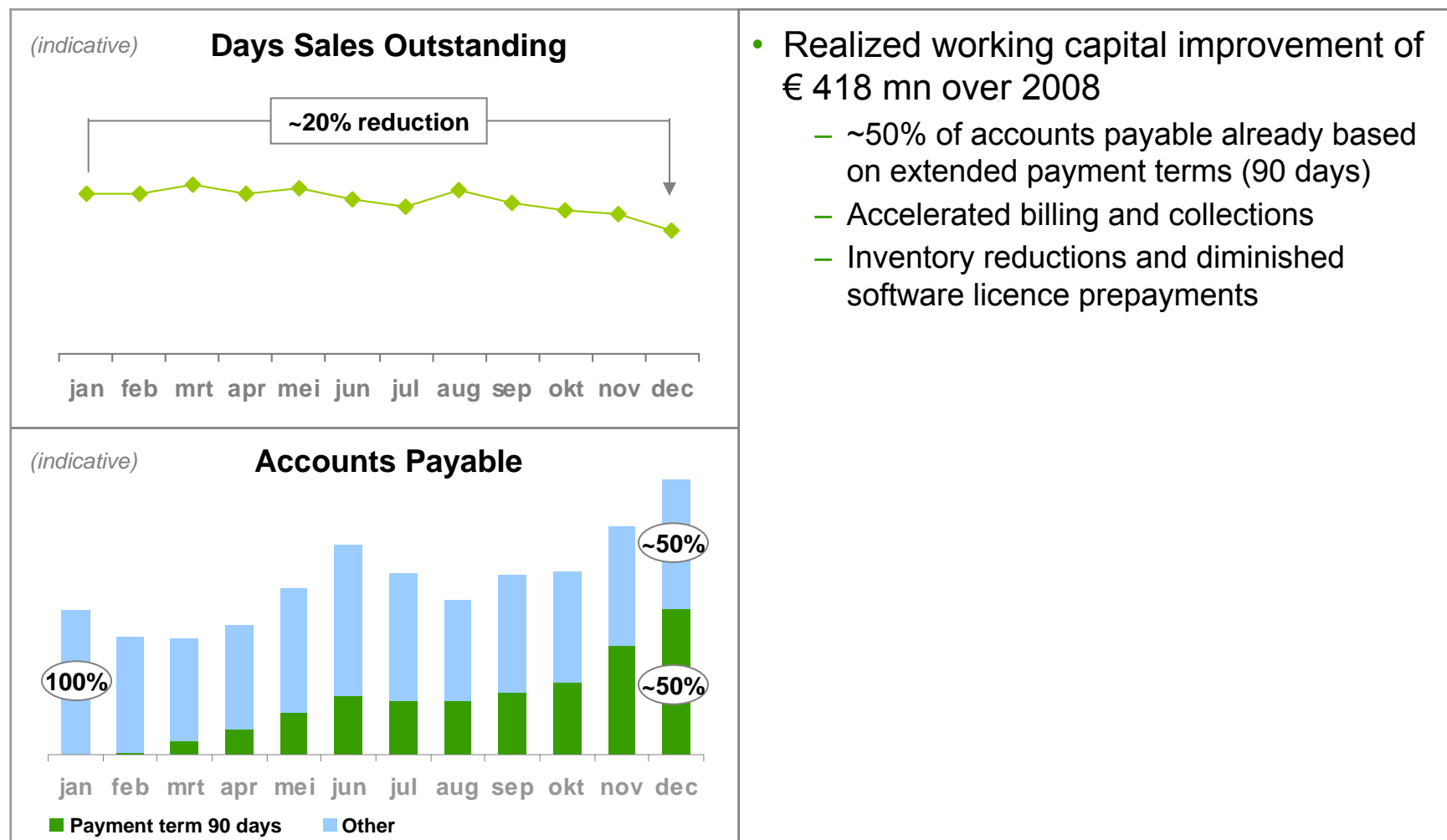
2 Excluding changes in deferred taxes

3 Including Property, Plant & Equipment and software

4 Defined as cash flow from operating activities plus proceeds from real estate minus Capital expenditures and excluding tax recapture at E-Plus

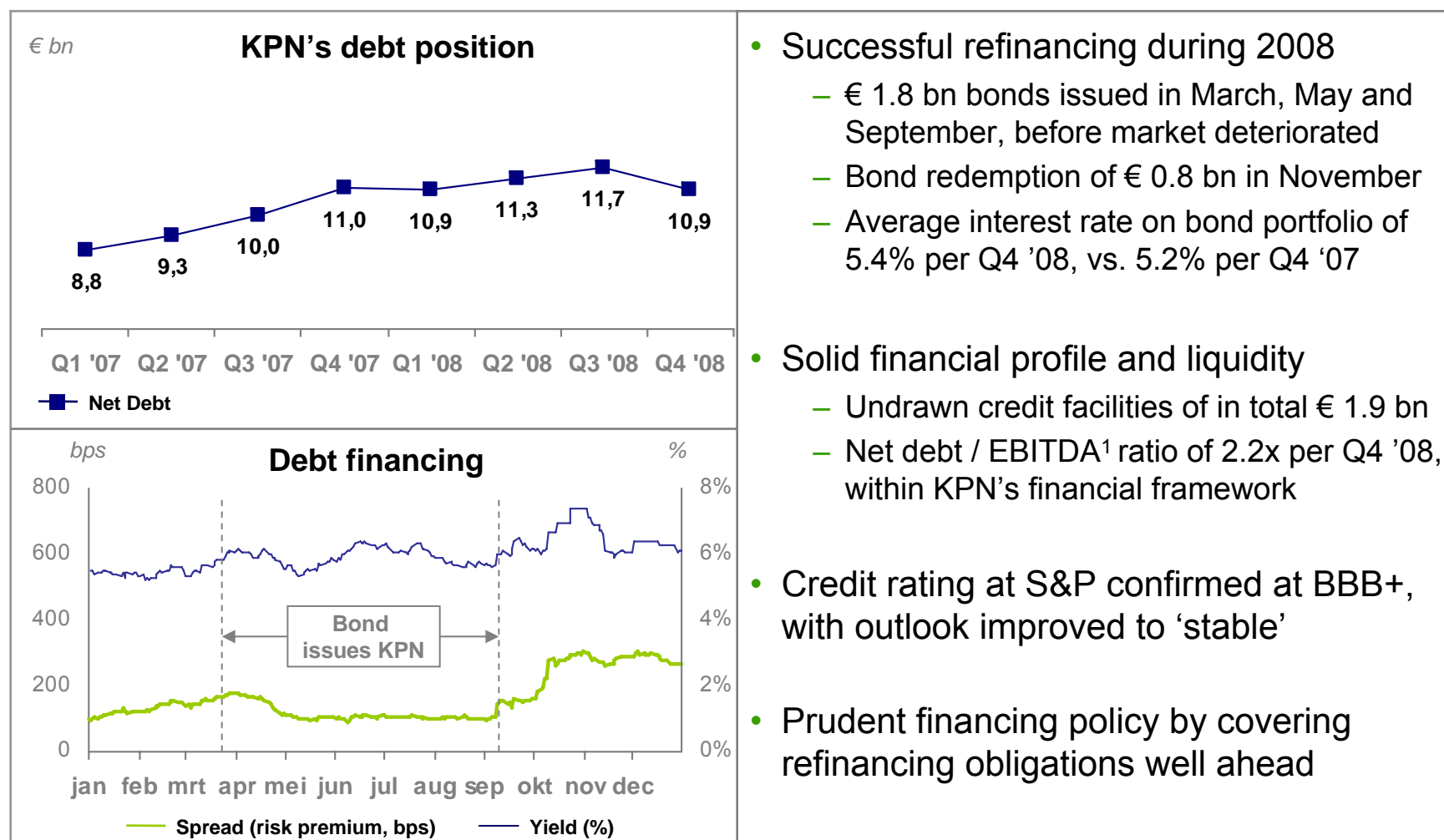
Free cash flow

Substantial improvement in working capital during 2008



Financial profile

Maintaining solid financial profile and sufficient liquidity



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

Pension plans

Additional funding required in 2009, but not unique for Dutch companies

General situation at Dutch companies

- Impact from declining interest rates and deterioration of financial markets
- Several Dutch pension funds below minimum coverage ratio of 105%
 - Dutch Central Bank requiring short term recovery period of 12 quarters¹
 - Ongoing discussions about timing and duration of recovery plan

Pensions plans KPN per Q4 '08

- Average coverage ratio of KPN pension funds at 94% per Q4 '08
- Additional cash funding of ~€ 120 mn in FY '09, payments expected to start per Q2 '09
- No indexation of benefits in 2009

Impact new Collective Labour Agreement

- Decline in pension plans partly mitigated by new collective labour agreement since March 2008
- Indexation based on price inflation instead of wage inflation
- Release of pension provisions of € 199 mn in Q2 '08 and cash contribution lowered by ~€ 40 mn per year

¹ If coverage ratio is below 105%: additional cash funding to be paid in the course of 12 quarters until minimum coverage ratio of 105% is reached

Acquisitions and disposals

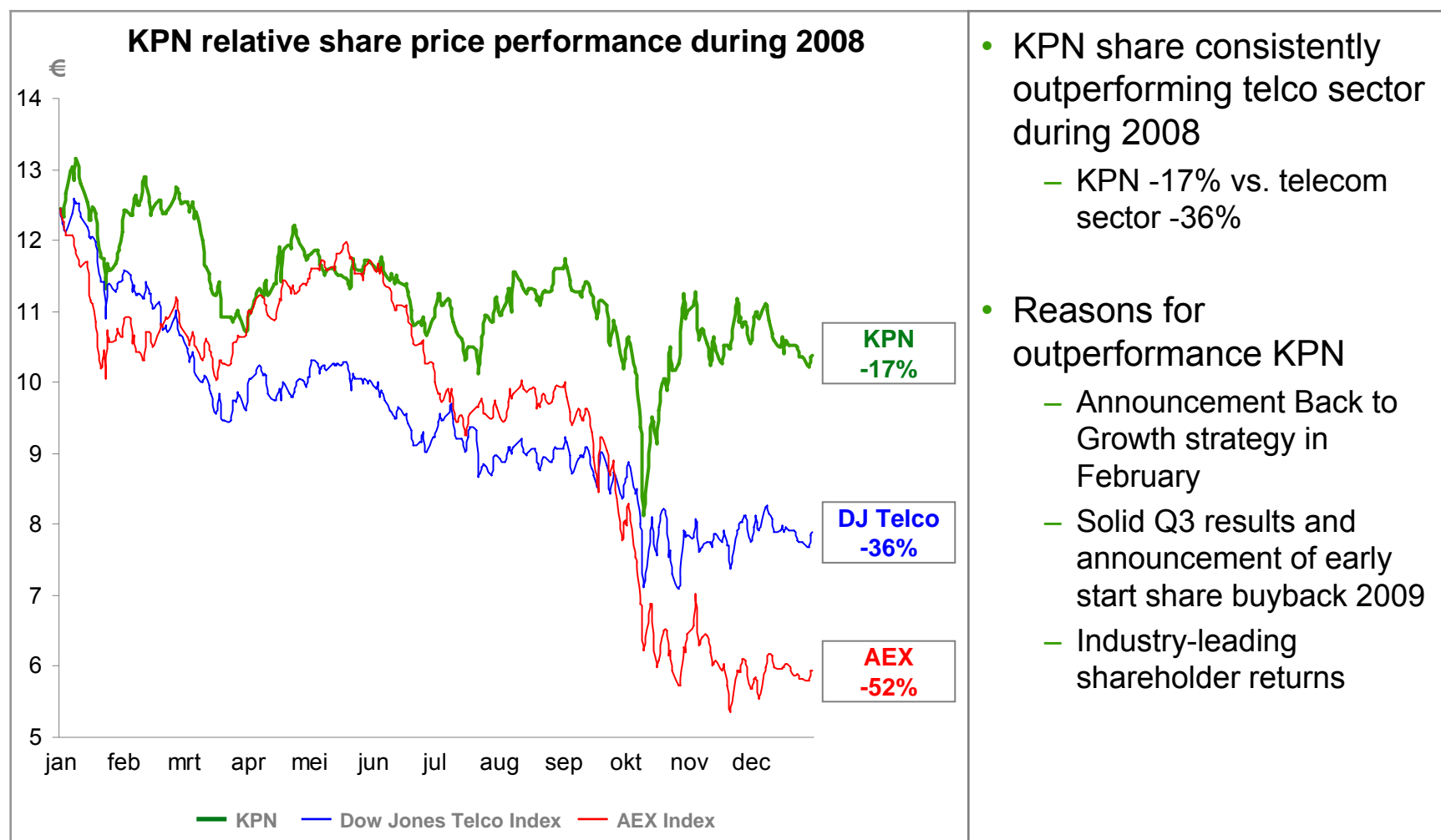
Transactions in 2008 executed at good prices

Main acquisitions and disposals in 2008 (by announcement date)				
	Q1 '08	Q2 '08	Q3 '08	Q4 '08
Acquisitions	<ul style="list-style-type: none"> • SMS Michel • blau Mobilfunk • Ortel Mobile 	<ul style="list-style-type: none"> • Reggefiber JV for FttH 		<ul style="list-style-type: none"> • Debitel NL
Disposals	<ul style="list-style-type: none"> • Getronics Australia 	<ul style="list-style-type: none"> • Getronics North America 	<ul style="list-style-type: none"> • Getronics Business Application Services 	<ul style="list-style-type: none"> • Getronics Business Solutions

- Value of disposals exceeding value of acquisitions
- Strategic acquisitions at Mobile International to strengthen position in specific segments
- Asset disposals at Getronics following announcement of new strategy in February 2008
 - Most transactions already signed before September 2008

Share price

KPN outperforming the market since announcement Back to Growth strategy



Source Bloomberg; prices rebased on KPN share price of € 12.44 on 31 December 2007

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Strategic progress Consumer

Strong improvement in Consumer segment, strategy delivering results

'Back to Growth' strategy

**Strengthen position as
leading consumer
service provider**

**Market share growth in
broadband and
strengthening wireless**

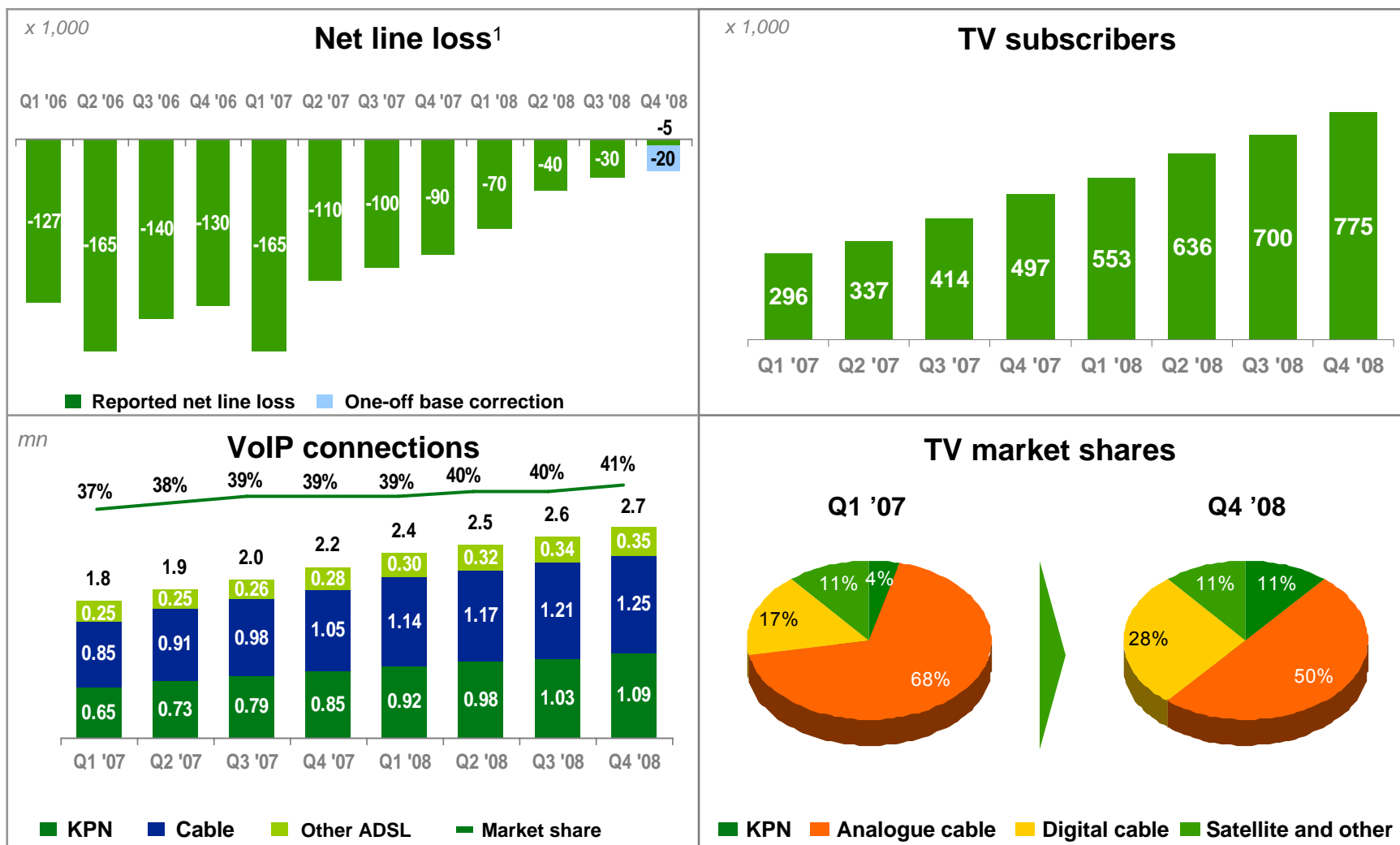
**Reach inflection in
EBITDA**

Achievements 2008

- Consumer strategy delivering results
 - Revenue decline stopped per Q4 '08
 - Shift to customer value
 - Investments for growth (wireless, TV, fiber)
 - Supported by simplification program
- Net line loss improved to low levels
- 11% market share in TV
- Position in wireless improving during 2008
 - Higher quality net adds
 - Service revenues back to growth in Q4 '08

Consumer wireline voice & tv

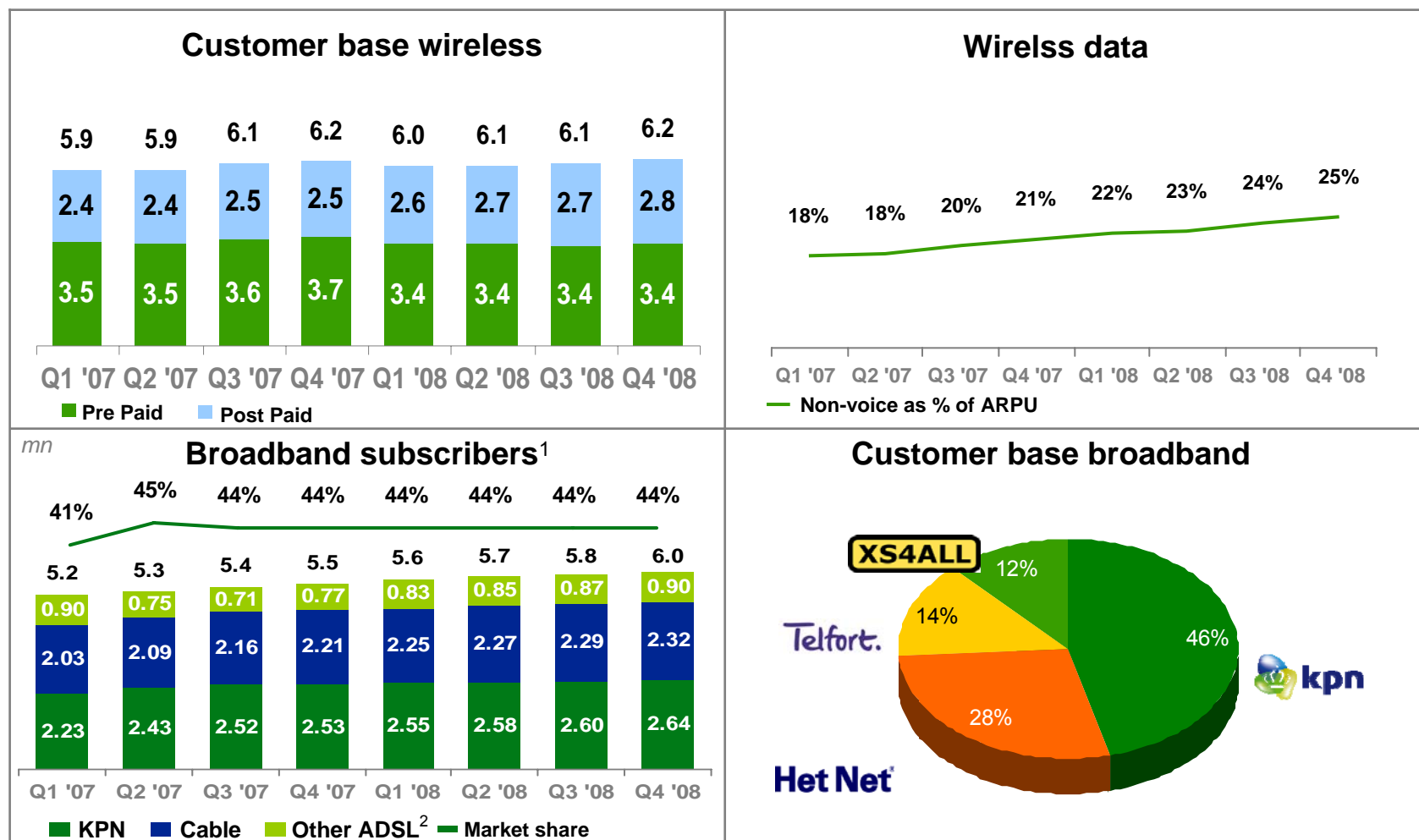
Maximizing value with low net line loss



PSTN / ISDN line loss + growth VoIP Consumer + growth ADSL only + growth WLR; management estimates, including 20k base correction in Q4 '08

Consumer wireless & broadband

Growth in net adds



¹ Based on management estimates, approximately 80% consumers and 20% businesses

² Excluding Bitstream

Fiber

Focus on 5 cities with FttC and 5 cities with FttH, using new delivery process

Propositions



- Simple product portfolio with three distinct propositions
- Focus on superior triple play offers
 - Gold: € 110 / month for up to 100 Mbps
 - Silver: € 80 / month for 50 Mbps
 - Bronze: € 65 / month for 30 Mbps
 - Differentiation on bandwidth, value-added services and content
- Targeting penetration and ARPU uplift
 - Initially 5 cities FttC and 5 cities FttH
 - Decision on rollout speed and direction in H2 '09

Delivery process



- Local marketing approach for fiber
 - Demonstrating fiber possibilities in 'House of Opportunities'
- First customers activated through new delivery process as from Q1 '09
 - Simplified processes based on new product portfolio
 - Single delivery process, customer database and IT infrastructure
 - Using lessons learned from VoIP issues in 2007

Strategic progress Business

Leading managed ICT service provider, upside from Getronics integration

'Back to Growth' strategy

**Leading managed ICT
service provider**

**Preferred supplier for
business market**

**Revenue growth with
'best-in-class' margins**

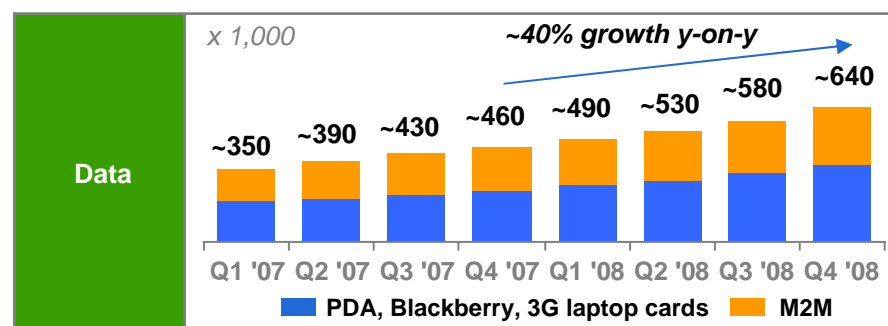
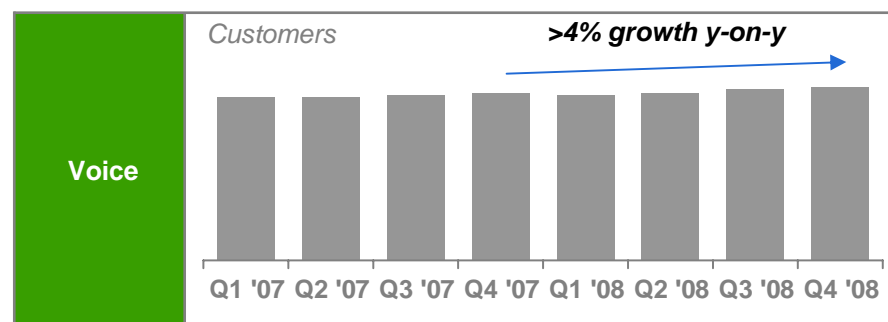
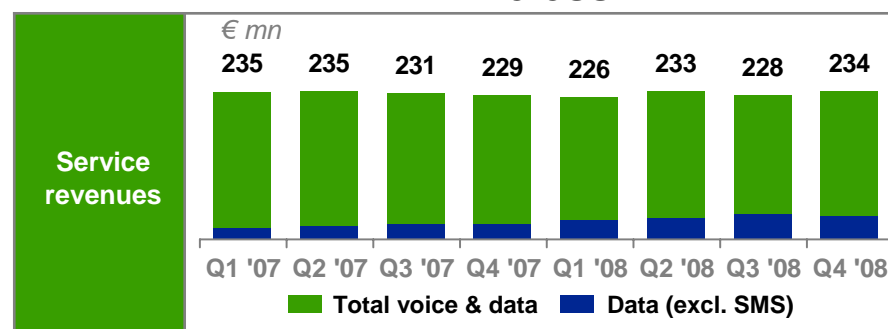
Achievements 2008

- Solid revenue and profitability trends
- Stable market shares in most segments
- Tapping growth potential in wireless data and housing & hosting
- Fully prepared for integration with Getronics in 2009

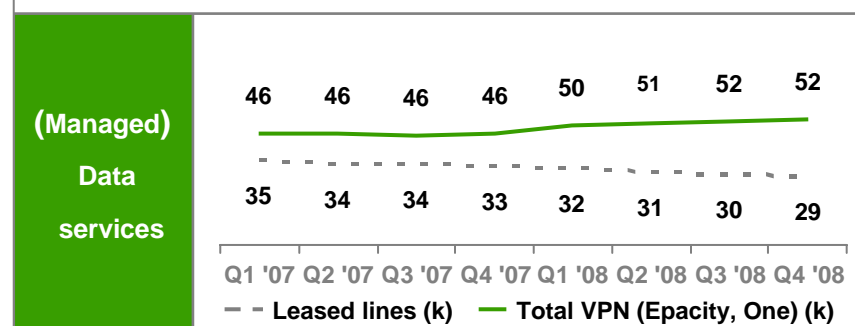
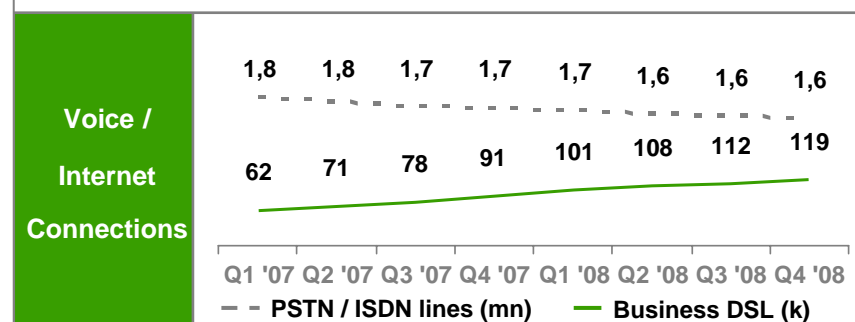
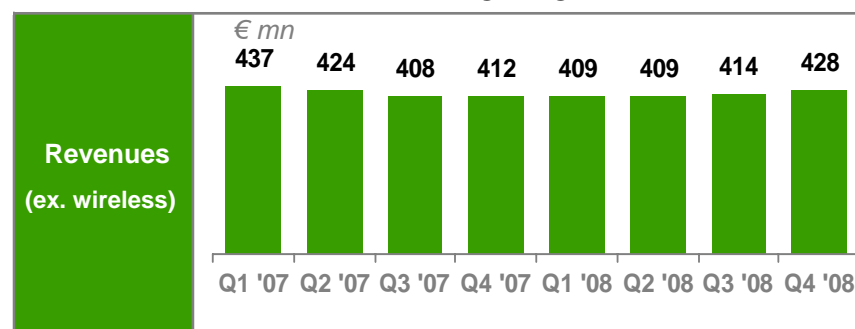
Infrastructure services – wireless & wireline

Wireless services improving, Increase new services in wireline

Wireless

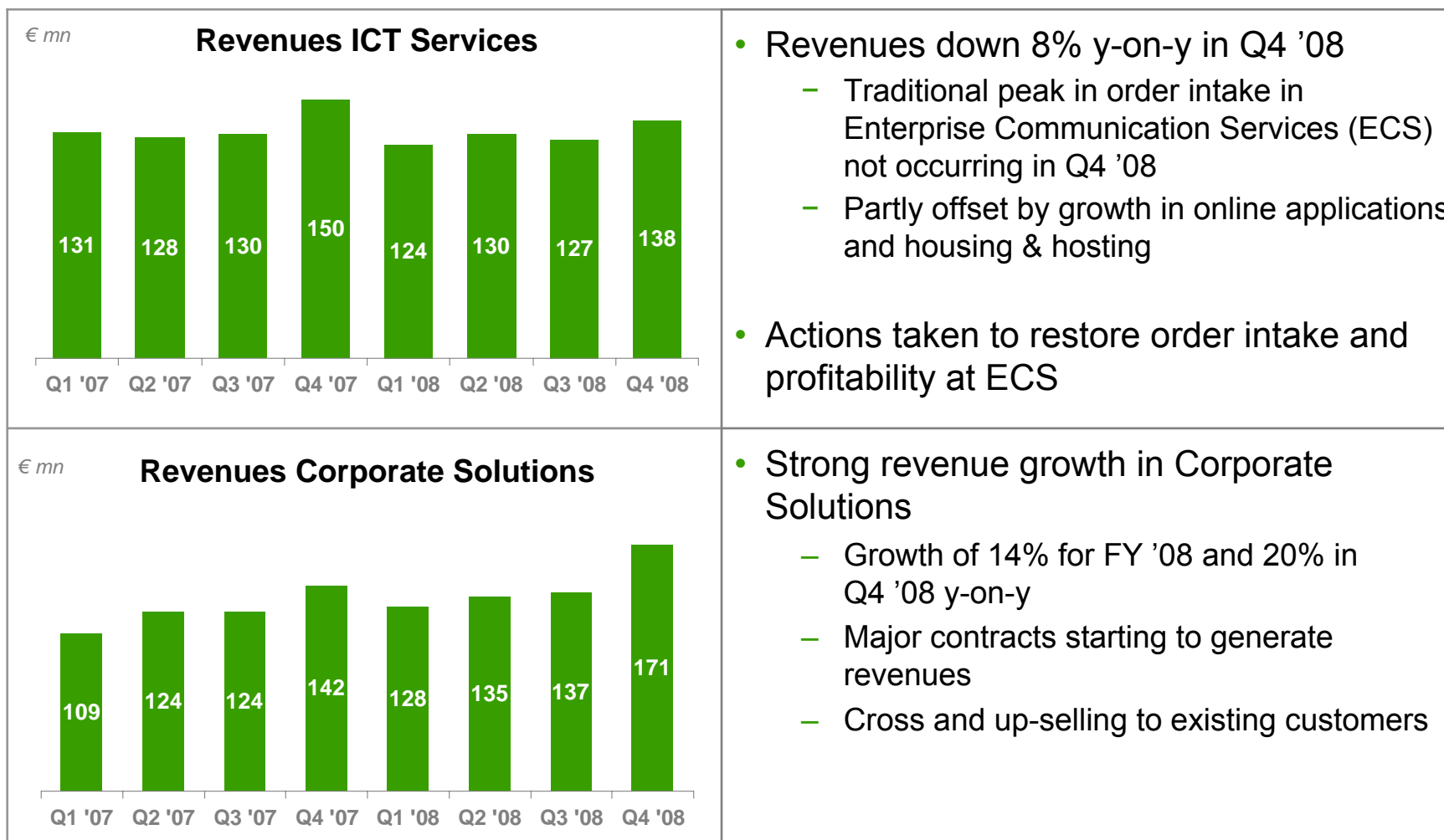


Wireline



ICT Services & Corporate Solutions

Continued weakness in PABX business, growth in managed ICT



Strategic progress Getronics

Restructuring on track, overall solid profitability for ongoing business

'Back to Growth' strategy

Benelux market leader

**Expand global
workspace management**

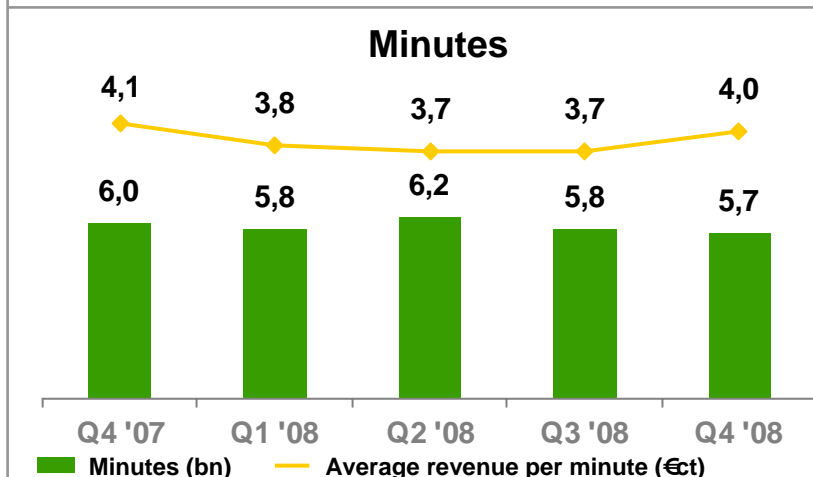
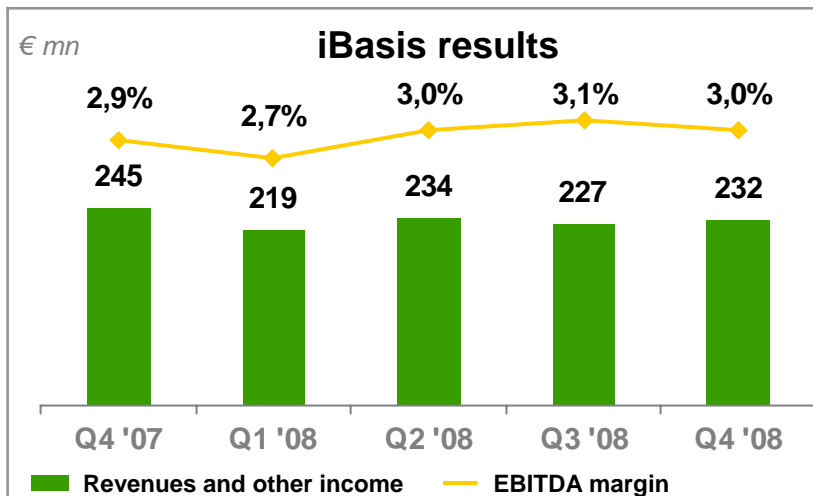
'Best-in-class' margins

Achievements 2008

- Successful transition during 2008
- Timely disposals at good prices
 - Focus on workspace management
 - Total consideration of disposals >€ 500 mn
- Cost reductions on track
 - Headquarters moved to lower-cost location
 - Lower overhead from integration with KPN
- Deal pipeline unimpaired despite restructuring and market environment
- Fully prepared for integration of part of Business market operations into Getronics

iBasis

Revenues down 5% in Q4 '08, goodwill impairment charge of € 67 mn



- Revenues down 5.3% y-on-y in Q4 '08
- Goodwill impairment charge of € 67 mn in Q4 '08
 - Recognizing KPN's 56% share of the \$ 176 mn goodwill impairment at iBasis (under IFRS)
 - Market capitalization substantially below company book value
- iBasis press release for Q4 '08 results published on 26 January
 - Results impacted by declining economic conditions worldwide and exchange rates
 - Integration with KPN Global Carrier Services to be completed mid-2009
 - Expecting business to be relatively flat in 2009

Real estate

€ 180 mn proceeds from sale of real estate in 2008

Disposal strategy 2008

- Guided for proceeds of ~€ 150 mn in 2008 from real estate disposals
 - Guidance lowered from ~€ 300 mn to ~€ 150 mn due to market conditions
 - Sales process changed from block sale to individual disposals
- Focus on optimizing value rather than timing of disposals
 - State of financial markets affecting speed of real estate disposals

Disposals Q4 '08

- Realized proceeds from real estate of € 180 mn in 2008
 - € 22 mn from technical buildings during Q1-Q3 '08, € 18 mn from Telfort towers in Q3 '08
 - € 140 mn from technical buildings in Q4 '08, of which several large buildings

Going forward

- Continuing to optimize value from real estate, rather than timing
- Anticipating proceeds from real estate disposals in 2009 of similar magnitude to that of 2008
- Network rollout made largely independent of real estate disposals

Strategic progress Mobile International

Sustained market outperformance through challenger strategy

	2006 – 2007 <i>Establishing the business model</i>	2008 <i>Refining the business model</i>
Germany	<ul style="list-style-type: none"> • Strong top-line growth through focus on voice / SIM-only with multi-brands • Step change in EBITDA through SIM-only, wholesale and outsourcing 	<ul style="list-style-type: none"> • Sustained customer growth, driven by new brands and wholesale • Continued Fixed-Mobile substitution • Focused marketing and network rollout
Belgium	<ul style="list-style-type: none"> • Sustained top-line growth by focus on consumer segments and wholesale • Efficiency through smart follower for new technology 	<ul style="list-style-type: none"> • Optimization of retail tariffs and wholesale portfolio • Expansion of captive distribution • Tailwind from more favourable MTA ruling
Inter-national MVNOs	<ul style="list-style-type: none"> • First-mover to tap attractive segment • Leveraged wholesale partners across footprint • Prepared international MVNO rollout 	<ul style="list-style-type: none"> • Spain launched in January 2008, fastest growing MVNO • French MVNO prepared, Simyo launched in January 2009

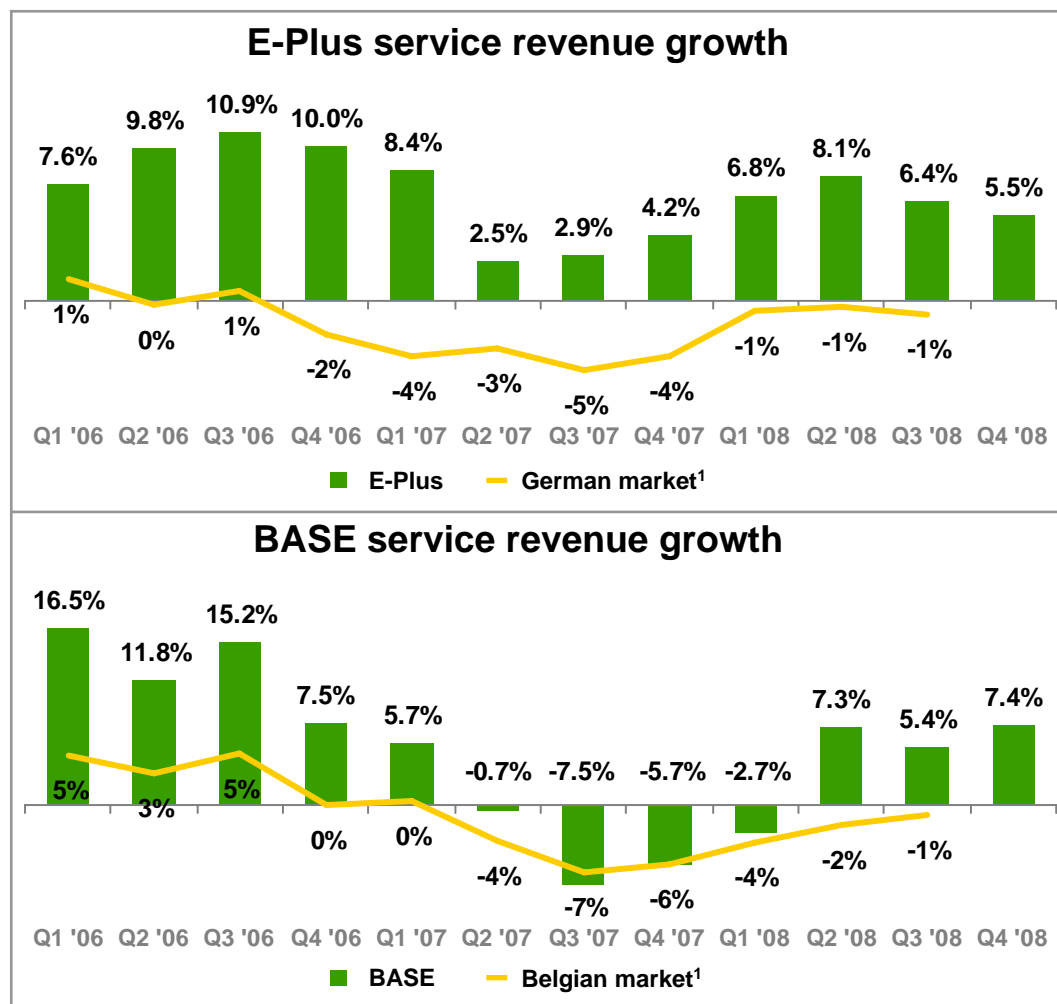
Sustained market outperformance

High-single digit revenue and EBITDA growth in 2008, in line with guidance

Robust financial business model, amongst most profitable # 3 operators

Market outperformance

Service revenue growth consistently higher than overall market growth



- E-Plus ~8% ahead of market growth in past years
- Market contraction in 2007 mainly due to MTA and VAT effects

- BASE ahead of market growth in most quarters
- Tailwind from more favourable MTA ruling in Belgium since Q2 '08

¹ Management estimates

Concluding remarks

- Solid FY 2008 results, guidance met on all metrics, dividend up 11%
- EBITDA inflection in the Netherlands
- Continued profitable growth at Mobile International
- Getronics on track, € 67 mn goodwill iBasis impaired
- 2010 outlook confirmed