

## Q1 results 2009

Solid first quarter, focus on EBITDA and cash flow in economic downturn

### Highlights

- Revenue and EBITDA growth for the Dutch Telco\* business
- Continued profitable growth at Mobile International
- Lower EBITDA at near stable revenues at Getronics, pre-emptive measures taken to maintain profitability
- Implemented measures to mitigate impact of economic downturn, following preparations in previous quarters
- Confirming EBITDA, free cash flow and dividend projections, adjusting revenue guidance

Group financials (In millions of euro, unless indicated otherwise)	Q1 2009	Q1 2008	Δ y-on-y
Revenues and other income (reported)*	3,396	3,570	-4.9%
Getronics revenues and other income (disposed)*	14	192	n.m.
<b>Revenues and other income (existing)*</b>	<b>3,382</b>	<b>3,378</b>	<b>0.1%</b>
- Of which revenues (existing)	3,374	3,340	1.0%
EBITDA (reported)	1,234	1,231	0.2%
Getronics EBITDA (disposed)	0	10	n.m.
<b>EBITDA (existing)</b>	<b>1,234</b>	<b>1,221</b>	<b>1.1%</b>
EBITDA margin (existing)	36.5%	36.1%	
Operating profit (EBIT)	632	648	-2.5%
Profit for the period (net result)	317	334	-5.1%
<b>Earnings per share (in EUR)</b>	<b>0.19</b>	<b>0.19</b>	<b>0%</b>
Cash flow from operating activities	59	648	-91%
Capital expenditures (PP&E and software)	-456	-356	28%
Proceeds from real estate	14	13	7.7%
Tax recapture at E-Plus	327	46	>100%
<b>Free cash flow</b>	<b>-56</b>	<b>351</b>	<b>&gt;-100%</b>

\* 'Dutch Telco business' is defined in the safe harbor section as the Netherlands excluding Getronics, iBasis and book gains on real estate

*"In the first quarter we are reporting organic revenue growth across the board. In the consumer markets both in the Netherlands and internationally we see limited impact of the recession. In the course of the first quarter however, we have seen economic conditions deteriorate more quickly. Whilst we are reporting growth even in Getronics the Netherlands, the downturn in the business markets is now clearly visible. We feel our prudent approach is appropriate in this changing economic climate. All Segments are consequently focusing on EBITDA and cash flow rather than on revenues. We are confirming our EBITDA, free cash flow and dividend per share guidance for 2010."*

Ad Scheepbouwer, CEO KPN

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# KPN Group

## Financial review

Revenues and other income (In millions of euro)	Q1 2009	Q1 2008	Δ y-on-y
<b>KPN Group (reported)</b>	<b>3,396</b>	<b>3,570</b>	<b>-4.9%</b>
- Getronics (disposed)	14	192	n.m.
<b>KPN Group (existing)</b>	<b>3,382</b>	<b>3,378</b>	<b>0.1%</b>
<b>The Netherlands (reported)</b>	<b>2,413</b>	<b>2,602</b>	<b>-7.3%</b>
- Getronics (disposed)	14	192	n.m.
<b>The Netherlands (existing)</b>	<b>2,399</b>	<b>2,410</b>	<b>-0.5%</b>
- Germany	774	755	2.5%
- Belgium	191	182	4.9%
- Rest of World (incl. intercompany revenues)	16	5	> 100%
<b>Mobile International</b>	<b>981</b>	<b>942</b>	<b>4.1%</b>

EBITDA (In millions of euro)	Q1 2009	Q1 2008	Δ y-on-y
<b>KPN Group (reported)</b>	<b>1,234</b>	<b>1,231</b>	<b>0.2%</b>
- Getronics (disposed)	0	10	n.m.
<b>KPN Group (existing)</b>	<b>1,234</b>	<b>1,221</b>	<b>1.1%</b>
<b>The Netherlands (reported)</b>	<b>878</b>	<b>907</b>	<b>-3.2%</b>
- Getronics (disposed)	0	10	n.m.
<b>The Netherlands (existing)</b>	<b>878</b>	<b>897</b>	<b>-2.1%</b>
- Germany	322	284	13%
- Belgium	62	55	13%
- Rest of World	-16	-7	> -100%
<b>Mobile International</b>	<b>368</b>	<b>332</b>	<b>11%</b>

### Revenue trends

On a reported basis, revenue and other income at Group level declined by 4.9% y-on-y, the decrease being mainly attributable to the disposal of a number of Getronics business units. Excluding these disposals the Netherlands showed a decline of 0.5% attributable to the decline of iBasis revenue, which has been consolidated into the results of the Netherlands. Mobile International reported a 4.1% increase which was almost entirely organic growth.

### EBITDA trends

On a reported basis, EBITDA at Group level increased by 0.2% y-on-y. Excluding the effects of the Getronics disposals, the Netherlands shows a decline of 2.1% which is attributable to an EBITDA decline at Getronics and the 2009 book gains being smaller than the 2008 book gains. Mobile International reports an 11% EBITDA increase.

### EUR -56m free cash flow in 2009 versus EUR 351m in 2008

Reported Q1 2009 free cash flow amounted to EUR -56m, which is a decline of EUR 407m versus the prior year (Q1 2008: EUR 351m). The EUR 407m is explained by a difference in the prepayment of corporate income tax of EUR 226m, higher capex of EUR 100m and the reversal of non structural working capital flows in Q4 2008 of EUR 150m.

KPN's surplus cash position allowed for a prepayment of the large majority of KPN's expected Dutch corporate income tax for 2009 in March (payment of EUR 598m), which otherwise would have been evenly spread over the quarters. This resulted in a EUR 10m discount from the Dutch tax authorities. KPN anticipates achieving a further

2009 working capital improvement over and above the structural improvement achieved in 2008 (EUR 268m). KPN's cash flow has a seasonal pattern due to factors including prepayments in particular at E-Plus (rental fees for radio sites) and receipts in the business market being back-end loaded (projects and government) as well as year-end roaming receipts. The free cash flow in Q1 has not been impacted by additional payments to the KPN pension funds which will commence in Q2 2009.

The aforementioned March tax payment of EUR 598m includes EUR 327m tax recapture. This amount is based on the tax authorities' extrapolation of the EBITDA of E-Plus and should not be considered indicative of EBITDA to be achieved by E-Plus in 2009.

#### Improved liquidity position following a EUR 1.5bn bond issue, with net debt/EBITDA<sup>1</sup> ratio at 2.3x

On 4 February 2009, KPN issued a dual tranche Eurobond for the total amount of EUR 1.5bn. See note [7] in the consolidated interim financial statements for details on this issue. The net debt at the end of Q1 2009 amounted to EUR 11.7bn, compared to EUR 10.9bn at the end of the previous quarter. This resulted in a temporary increase in net debt to EBITDA ratio to 2.3x (Q4 2008: 2.2x) mainly caused by the tax prepayment. This is well within KPN's target financial framework of 2.0-2.5x. KPN's credit ratings were unchanged at BBB+ with a stable outlook (Standard & Poor's) and Baa2 with a stable outlook (Moody's).

#### Restructuring charges

In Q1 2009, the restructuring charges totalled EUR 6m (Q1 2008: EUR 9m), comprising EUR 3m for Getronics, EUR 1m for the Netherlands (mainly for vacant office space) as well as a EUR 2m charge for Other activities. For the restructuring at Getronics, announced on 31 March 2009, KPN expects an addition to the restructuring provision of around EUR 30m in Q2 2009.

#### FTE reductions ongoing

In Q1 2009, the number of FTEs reduced by 1,064. This includes a 760 FTE reduction at Getronics, mainly related to divestments and a 413 FTE reduction for the Netherlands (excl. Getronics and acquisitions). The 413 reduction in the Netherlands brings the total FTE reduction since 2005 to 7,072 FTE. At 31 March 2009, KPN's workforce in the Netherlands amounted to 13,254 FTEs (excluding Getronics) and 35,638 FTEs for the whole Group (including Getronics). A number of outsourcing decisions will be taken in the next 12 months as part of the previously announced reduction plans. Due to the integration of parts of the Business Segment into Getronics the number of FTEs at Getronics increased by 2,524, a combination of 3,284 FTEs from the Business Segment and a 760 FTE reduction in Q1 2009.

#### Operating review

The table below illustrates the performance of the Netherlands according to the guidance definition as provided in 2008, adjusted for the organizational changes (see also note [1] of the consolidated interim financial statements).

The Netherlands (In millions of euro)	Revenues and other income			EBITDA		
	Q1 2009	Q1 2008	Δ y-on-y	Q1 2009	Q1 2008	Δ y-on-y
- Consumer	1,031	1,002	2.9%	244	227	7.5%
- Business	634	623	1.8%	196	178	10%
- W&O (national, excl. book gains)	735	759	-3.2%	445	446	-0.2%
- Other (including intercompany)	-576	-597	-3.5%	-2	2	> -100%
<b>Dutch Telco business</b>	<b>1,824</b>	<b>1,787</b>	<b>2.1%</b>	<b>883</b>	<b>853</b>	<b>3.5%</b>
- iBasis	199	219	-9.1%	7	6	17%
- Getronics (existing)	528	534	-1.1%	-15	20	> -100%
- Other gains & losses, eliminations	-152	-130	17%	3	18	-83%
<b>The Netherlands (existing)</b>	<b>2,399</b>	<b>2,410</b>	<b>-0.5%</b>	<b>878</b>	<b>897</b>	<b>-2.1%</b>
- Getronics (disposed)	14	192	n.m.	0	10	n.m.
<b>The Netherlands (reported)</b>	<b>2,413</b>	<b>2,602</b>	<b>-7.3%</b>	<b>878</b>	<b>907</b>	<b>-3.2%</b>

<sup>1</sup> 12 month rolling average excluding book gains, release of pension provisions and restructuring costs, when over EUR 20m

### **Dutch Telco business showing solid revenue and EBITDA growth**

The term 'Dutch Telco business' is defined as the Netherlands excluding Getronics, iBasis and book gains on real estate. The Dutch Telco business delivered a resilient performance in a downward economic climate. Compared to Q1 2008 revenues were up 2.1% (excluding the Debitel acquisition up 1.7%) whilst EBITDA recorded growth of 3.5%. This was the result of stabilizing net line loss, growth in wireless revenues and ongoing cost reductions across the Group. In the second half of 2009, some revenue pressure is expected largely due to MTA cuts and roaming regulation.

The **Consumer Segment** again showed solid revenue and profitability trends. Wireless services continued its upward trend that started two quarters ago. Service revenue growth excluding the Debitel acquisition was 7.6% y-on-y in Q1, compared to 3.9% y-on-y growth in Q4 2008. Revenues from wireless data more than doubled compared to Q1 2008. On the fixed side, market shares were maintained and line loss was stable at 25k compared to Q4. EBITDA improved by 7.5% supported by further cost savings from simplification initiatives.

Revenues in the **Business Segment** increased by 1.8% y-on-y whilst EBITDA was up 10% y-on-y. The wireline business showed robust performance as a result of the managed migration to IP. Due to the deterioration in economic conditions, some clients are starting to rationalize their installed bases in telecom and ICT infrastructure and seeking to renegotiate existing contracts. Measures to maintain profitability are in place. Overall, wireless showed a satisfactory performance in Q1 2009. Service revenues grew by 5.6% y-on-y, mainly driven by strong growth in data.

**Wholesale & Operations national** (excluding book gains) recorded a 3.2% decline in revenues as a result of a continuing decline in traditional business in the Consumer and Business Segments. This loss has been offset by cost reductions, resulting in near stable EBITDA (-0.2% y-on-y).

### **Measures implemented at Getronics to mitigate economic impact**

**Getronics** has made an expedient transformation following the acquisition in October 2007. Through disposal of non-core assets and the integration of specific parts of the KPN Business Segment, the risk profile has been substantially improved compared to the Getronics profile before disposals. With this, Getronics is well-positioned to execute its strategy designed around further strengthening its market lead in workspace management in the Benelux. Revenues of the existing operations were impacted by the economic downturn, with the international revenues down 17% (of which 6% was due to currency effects) compensated by the workspace management services in the Benelux showing a 6% increase. Clients are postponing ICT projects, rationalizing infrastructure and the amount of additional work on existing contracts is decreasing. Pre-emptive measures have been taken to maintain the long-term profitability going forward.

### **Focus on profitability by iBasis in current market circumstances**

**iBasis** published its Q1 2009 results on 27 April 2009. In USD, revenues declined by 21% as a result of lower traffic volumes (down by 12%) and currency effects. Given current market conditions, iBasis is focusing on profitability as evidenced by the improved EBITDA margin of 3.8% in Q1 2009 in local currency compared to 3.4% last year. Please see the Wholesale & Operations chapter for the figures in Euros. KPN recognized an additional impairment of EUR 11m in Q1 2009, reflecting the decrease in the iBasis share price. For a more extensive description of iBasis' financial and operating performance, please refer to the iBasis press release available at [www.ibasis.com](http://www.ibasis.com).

### **Mobile International: continued profitable growth, with 11% EBITDA growth**

**E-Plus** recorded again a quarter of profitable growth with 4.1% service revenue and 13% EBITDA growth. The EBITDA margin was 41.6%, mainly as a result of further SAC/SRC reductions of 22% (partly as a result of the handset lease service). The customer base reached 18 million subscribers, up 17% y-on-y. E-Plus recorded 261k net adds in Q1 2009, despite a clean-up of some 300k inactive prepaid customers.

Within Belgium, **BASE** continues to show profitable service revenue growth of 6.2% y-on-y. With 52k net adds, including a clean-up of 93k of inactive prepaid customers, the total base now amounts to almost 3.5 million customers. By signing a commercial partnership with RTL, BASE is expanding its partnerships into Wallonia.

Revenue growth in **Rest of World** is largely driven by growth from operations in Spain and France. Since its launch in January 2008, Spain currently has over 200k customers, whilst Simyo was launched in France on 11 January 2009. Ortel is experiencing increased price competition in the cultural segment.

## Outlook and risk management

With regard to existing opportunities and risks, reference is made to our 2008 Annual Report and the notes on forward-looking statements at the end of this Interim Financial Report.

### Economic impact

KPN continues to monitor the impact of the economic slowdown through a number of **key indicators**. The company experienced no material impact from the economic downturn in its consumer markets (other than a decrease in roaming revenue), but the impact in the business markets is now apparent. Order intake in the business market is slowing down and order conversion is taking longer. Customers are rationalizing their infrastructure and some are requesting renegotiations of existing contracts. Voice roaming revenues in the Business Segment have also been impacted. In the Consumer Segment KPN has not identified a material change in customers trading down to cheaper packages, nor experienced an increase in churn, nor has the company experienced any increase in bad debtors. Real estate disposals, however, have become markedly more difficult in the current economic climate.

KPN is able to adapt quickly to the economic circumstances through its relatively **flexible cost base**. At Getronics, corrective actions are being taken to protect long-term profitability despite reduced revenue growth prospects. Its workforce is to be reduced by some 1,400 FTE, of which 950 FTE are own staff, thereby lowering the annual cost base by some EUR 60m. Meanwhile, in all Segments in the Netherlands KPN is aiming for some EUR 100m cash savings through optimization of its purchasing costs by renegotiating contracts with suppliers for better terms, curtailing projects, reduction in temporary staff and hiring fewer consultants. KPN has reduced external personnel costs by means of a 20% rate cut for all freelance workers at the start of 2009. Planned restructurings are accelerated and controls are tightened over the number of temporary staff being employed. Subscriber acquisition and retention costs are being managed down and activation fees are re-introduced in the Netherlands. Hitherto limited capex reductions are being executed.

On the **financing** side, since mid-2008, KPN has followed a more conservative liquidity policy, pre-financing upcoming redemptions further in advance. The bonds that were issued in 2008 and 2009 carry higher interest rates than bonds from prior years. As a result the average interest rate after swaps on group outstanding debt as at Q1 2009 was 5.6%, up from 5.4% at year end 2008. A review of other potential impact areas such as counterparty risk, derivatives and insurance has not shown any material downside.

### Pension liability capped

In March 2009, KPN and the KPN pension funds reached an agreement on how to return the coverage ratio of the pension funds to the minimum required level of 105% as set by the Dutch Central Bank, by 2013 at the latest. KPN will make additional payments to the pension funds up to a maximum of EUR 390 million over the coming years, with EUR 120 million for 2009 and a maximum of EUR 90 million for each of the years 2010, 2011 and 2012. Should a coverage ratio of 105% be reached before 2013, KPN will no longer be obliged to continue to make the aforementioned additional payments. Should the coverage ratio not have reached the required level of 105% by 2013, KPN is not obliged to make additional payments to the pension funds in excess of the normal pension premiums. In the latter scenario, measures by the pension funds that could affect pension payments and accrued benefits cannot be ruled out. Based on the nature of Getronics' pension scheme, KPN has agreed with the Getronics pension fund to provide additional security for an amount of up to EUR 12.5 million per annum for the years 2010-2013.

The KPN pension funds under statutory coverage measurements (as required by the Dutch Central Bank acting as the pension regulator) ended the first quarter with an average coverage ratio of 89% (31 December 2008: 94%).

### Regulatory

Regulatory initiatives by the European Commission and national regulators pose new challenges and bring new uncertainties. Recent MTA and roaming regulatory initiatives from the European Commission are assumed to be passed into law and will affect the KPN Group (although the MTA impact for 2009 and 2010 is likely to be limited in view of existing arrangements). The main uncertainty relates to upcoming spectrum auctions in all countries where

KPN operates a mobile network. Reference is made to note [13] Regulatory developments of the consolidated interim financial statements.

## Outlook

Since the introduction of the “Back to Growth” strategy on 5 February 2008, the macro economic conditions in KPN's major markets have deteriorated significantly, with visible acceleration in the course of Q1 2009. Although the Q1 2009 figures have not been materially impacted, the fact that economic slowdown will have an effect is becoming increasingly clear in the business markets in which KPN operates. Having reviewed these developments, the strategic choice has been made to focus on EBITDA and cash flow rather than pursuing revenues with uncertain returns. Across the Group customer acquisition and retention costs are being closely managed with a focus on customer value. At Getronics a clear discipline is in place to only sign profitable contracts, and within iBasis the choice has been made to strengthen operating margins.

Therefore, under these circumstances, all Segments within KPN focus on EBITDA and cash flow and, where necessary, adjust the cost base to market conditions. This means that the revenue guidance for 2010 is adjusted accordingly: on an organic basis, revenues in 2009 are expected to be in line with 2008 and to increase slightly in 2010 compared to 2009. KPN is confirming the EBITDA, capex, free cash flow and dividend per share guidance for 2010. As part of the outlook, KPN is confident in being able to continue market outperformance in Germany and Belgium on an annual basis, whilst delivering profitable growth.

Guidance metrics	2008	Outlook 2009	Outlook 2010
Revenues and other income (existing)	EUR 14.0bn	In line with 2008	Slight increase to 2009
EBITDA	EUR 5.0bn	Meaningful step towards 2010	> EUR 5.5bn
Capex	EUR 1.9bn	~ EUR 2bn	~ EUR 2bn
Free cash flow	EUR 2.6bn	~ EUR 2.4bn	> EUR 2.4bn
Dividend per share	EUR 0.60		EUR 0.80

This means that KPN is able to continue its commitment to industry-leading shareholder returns. As part of the shareholder remuneration policy, KPN returns excess cash to shareholders in the form of dividends and share repurchases. Currently, a EUR 1bn share repurchase program is ongoing.

## Financial review by segment

The following table summarizes key figures per business segment. Within Wholesale & Operations the results of iBasis have been consolidated, as well as the bookgains on real estate disposals (both of which are managed by the Wholesale & Operations unit). Consequently the results shown below for 'Wholesale & Operations' are not identical to those shown on page 3 for 'Wholesale & Operations national' which includes neither iBasis nor real estate disposals.

<b>Revenues and other income</b> <i>(In millions of euro)</i>	Q1 2009	Q1 2008	$\Delta$ y-on-y
<b>KPN Group (reported)</b>	<b>3,396</b>	<b>3,570</b>	<b>-4.9%</b>
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- Consumer	1,031	1,002	2.9%
- Business	634	623	1.8%
- Getronics (existing)	528	534	-1.1%
- Wholesale & Operations	897	945	-5.1%
- Other (incl. intercompany revenues)	-691	-694	0.4%
<b>The Netherlands (existing)</b>	<b>2,399</b>	<b>2,410</b>	<b>-0.5%</b>
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## Consumer

- Solid revenue and profitability trends continued
- Continued upward trend in wireless services
- Focus on customer value and optimal returns continues to pay off

Financial highlights (Amounts in EUR millions)	Q1 2009	Q1 2008	Δ y-on-y	Operating highlights	Q1 2009	Q4 2008	Δ q-on-q
<b>Revenues and other income</b>	<b>1,031</b>	<b>1,002</b>	<b>2.9%</b>	VoIP subscribers (k)	1,129	1,086	43
- Voice wireline	187	219	-15%	Net line loss (k)	25	25	-
- Wireless services	483	410	18%	TV customers (k)	835	775	60
- Internet wireline	261	252	3.6%	Wireless customers (k) <sup>3</sup>	8,458	8,342	116
- Mobile Wholesale NL <sup>2</sup>	49	81	-40%		Q1 2009	Q1 2008	Δ y-on-y
<b>EBITDA</b>	<b>244</b>	<b>227</b>	<b>7.5%</b>	Wireless service rev. (EUR m) <sup>3</sup>	512	480	6.7%
<b>EBITDA margin</b>	<b>23.7%</b>	<b>22.7%</b>		SAC/SRC (EUR) <sup>4</sup>	139	142	-2.1%

### Solid revenue and profitability trends continued

Under worsening economic conditions, revenue and earnings momentum further improved. Revenues and other income were up 2.9% y-on-y (up 2.4% excluding the impact of the Debitel acquisition). This solid performance is driven by customer growth in the core markets (mobile, broadband and TV) and satisfactory ARPU outcomes. Wireless revenues jumped 18% as a result of the acquisition of Debitel in addition to underlying growth (7.6% y-on-y). Conversely, Mobile Wholesale NL revenues were down y-on-y as the Debitel revenues migrated to Consumer wireless. Wireline broadband revenues increased by 3.6%, compared to 6.6% in Q4 2008 reflecting decelerating market growth. Voice wireline revenues came down 15%, an improvement compared to previous quarters. Net line loss remained low at 25k despite intensified commercial activity from competitors. EBITDA for the segment amounted to EUR 244m, up 7.5% y-on-y. This positive result reflects an ongoing focus on streamlined service offerings and cost efficiency.

### Continued upward trend in wireless services

Debitel was successfully integrated into the Consumer Segment, expanding the mobile customer base by approximately 500k. Excluding this acquisition the underlying growth in wireless services was 7.6% y-on-y (versus 3.9% y-on-y growth in Q4 2008). Total net adds in Q1 2009 for wireless services and Mobile Wholesale NL amounted to 116k, including 71k for the KPN, Hi and Telfort brands. Wireless data revenues (excl. SMS/MMS) more than doubled y-on-y. On the downside, Tele2 recently signed a deal to transfer its consumer mobile customers from KPN Mobile Wholesale to the T-Mobile network, which will be implemented in the fourth quarter of 2009. In the second half of 2009, some revenue pressure is expected largely due to MTA cuts and roaming regulation.

### Focus on customer value and optimal returns continues to pay off

The Consumer Segment continued to benefit from its approach to managing its customer base so as to extract maximum value from each segment. A focus on retaining high-value customers, attracting new high-value postpaid subscribers, up-selling broadband subscribers with VoIP and value-added services, and raising prices where appropriate, contributed to solid ARPU results. In addition, KPN's simplification program, which includes further steps towards brand and portfolio rationalization, is key in the strategy to focus on customer value. Despite a competitive Dutch market, ARPUs increased slightly in all market segments.

<sup>2</sup> Excluding Debitel

<sup>3</sup> Including Mobile Wholesale NL

<sup>4</sup> Excluding Mobile Wholesale NL

## Business

- Solid revenues and profitability trends
- Overall satisfactory performance of wireless services, especially in data
- Pre-emptive measures taken to maintain profitability

Financial highlights (Amounts in EUR millions)	Q1 2009	Q1 2008	Δ y-on-y
<b>Revenues and other income</b>	<b>634</b>	<b>623</b>	<b>1.8%</b>
- Voice & Internet wireline	265	272	-2.6%
- Data network services	109	101	7.9%
- Wireless services	224	223	0.4%
<b>EBITDA</b>	<b>196</b>	<b>178</b>	<b>10%</b>
<b>EBITDA margin</b>	<b>30.9%</b>	<b>28.6%</b>	

Operating highlights	Q1 2009	Q4 2008	Δ q-on-q
Access lines voice (k)	1,565	1,581	-16
VPN (k)	54.2	52.0	2.2
Leased lines (k)	27.6	29.0	-1.4
Wireless customers (k)	1,616	1,551	65
	Q1 2009	Q1 2008	Δ y-on-y
Service revenues (EUR m)	247	234	5.6%

### Solid revenue and profitability trends

Despite the deteriorating economic conditions, revenues and other income increased by EUR 11m, or 1.8% y-on-y. The increase in Data network services was partly offset by the decrease in Voice & Internet wireline. EBITDA was up 10%, or EUR 18m to EUR 196m, due to cost control and solid performance of all business lines. The EBITDA margin improved by 2.3%-point y-on-y to 30.9% as a result of a continued focus on cost reductions.

### Overall satisfactory performance wireless services, especially in data

Service revenues grew by 5.6% y-on-y, mainly driven by strong growth in data. Revenues from wireless data continued their upward trend. The continued strong growth in M2M connections, BlackBerrys and laptop data cards was partly offset by a slowdown of growth in PDAs due to strong competition.

### Pre-emptive measures taken to maintain profitability

The impact of the economic downturn in the business markets is now becoming visible. Order intake is slowing down and order conversion is taking longer. Customers are rationalizing their infrastructure and are requesting to renegotiate existing contracts. Voice roaming revenues have also been impacted. Pre-emptive measures to manage the cost base according to revenue trends are being implemented.

## Wholesale & Operations

- Stable performance W&O national, strong cost reduction focus
- First FttC and FttH triple play customers activated
- iBasis focusing on profitability

Financial highlights (Amounts in EUR millions)	Q1 2009	Q1 2008	Δ y-on-y	Operating highlights	Q1 2009	Q4 2008	Δ q-on-q
<b>Revenues and other income</b>	<b>897</b>	<b>945</b>	<b>-5.1%</b>	Access lines retail voice (k)	3,828	3,915	-87
- W&O national	742	776	-4.4%	MDF access lines (k)	3,751	3,702	49
- Real Estate	67	73	-8.2%	- of which line sharing (k)	1,548	1,612	-64
- iBasis (international wholesale)	199	219	-9.1%	Unbundling, estimates (m)	1.1	1.1	-
<b>EBITDA</b>	<b>455</b>	<b>470</b>	<b>-3.2%</b>	- Shared unbundled lines (m)	0.3	0.3	-
<b>EBITDA margin</b>	<b>50.7%</b>	<b>49.7%</b>		- Fully unbundled lines (m)	0.8	0.8	-

### Stable performance W&O national, strong cost reduction focus

The wholesale business in the Netherlands shows a stable trend, taking into account the positive effects of one-off items in Q1 2008. Operating expenses were reduced by EUR 43m or 7.6%. Key drivers of the cost reduction were workforce reductions (from 4,423 FTE at year-end 2008 to 4,259 FTE by the end of Q1 2009), efficiency effects in operations and a reduction in consultancy costs. In Q1 2009, KPN realized proceeds from real estate disposals of EUR 14m.

### FttC and FttH initiatives

In Q1 2009 the first batches of FttC and FttH customers were connected, following a preparation period of more than six quarters. KPN provides dual play and triple play services on both, using a greenfield IT stack for delivery, servicing and invoicing combined with its now proven service platforms for VoIP and IPTV.

FttC will be rolled out initially in five cities in order to validate the FttC business case. In respect of FttH, the approach is different. In Q4 2008 KPN entered into a joint venture (JV) with Reggeborgh, a company associated with Volker Wessels, a major Dutch construction group. Reggeborgh had already been implementing a number of FttH initiatives through its subsidiary Reggefiber, some of them in cooperation with local authorities and building cooperatives. In all, it had committed to over 300,000 homes passed. Under the terms of the JV agreement, KPN took a 41% stake in Reggefiber by contributing EUR 190m, of which EUR 16m was in assets and the remainder in cash. Henceforth the JV will focus on building point-to-point passive FttH infrastructure, i.e. the local access point, the fiber connections to the surrounding homes and the fiber termination unit inside the home. Apart from being a shareholder in Reggefiber, KPN will also be a customer of the JV, using its fiber connections for KPN's own retail and wholesale customers. The JV has circa 330,000 homes passed at the end of Q1, of which some 210,000 homes connected and circa 100,000 homes activated, most of which are pertaining to the pre-JV period. The current funding is broadly sufficient for the roll-out of passive fiber to an additional 200,000 households, bringing the total of homes passed inside the JV to over 500,000. In addition, the JV has entered into a roll-out commitment in Amsterdam for another 100,000 homes passed (subject amongst others to regulatory approvals). All together, and including the projects under construction, the scope of the project portfolio could bring the total of homes passed to over 600,000.

Under the terms of the JV agreement both parties have options to increase KPN's stake to 60% once certain milestones have been achieved, after which Reggeborgh will have a put option for its remaining 40%, all options being exercisable according to a pre-agreed formula. Roll-out beyond the figures mentioned above is contingent on validating the business case for FttH. The 41% stake in Reggefiber is not consolidated. The intention of its shareholders is to attract external debt financing for the JV.

### iBasis

In US dollars, the revenues declined by 21% y-on-y in Q1 2009 as a result of lower traffic volumes (-12%) and currency effects. In euros this was reflected in a 9.1% decline. Given current market conditions, iBasis is focusing on profitability as shown by the improved EBITDA margin of 3.8% in local currency (Q1 2008: 3.4%). In euros the EBITDA margin increased to 3.5% (Q1 2008: 2.7%). In Q1 2009, KPN recognized an additional impairment of EUR 11m, reflecting the decrease in the iBasis share price. For a more extensive description of iBasis' financial and operating performance, please refer to its press release available at [www.ibasis.com](http://www.ibasis.com).

## Getronics

- Revenues slightly down, negative EBITDA partly due to one-offs
- Getronics impacted by economic downturn, restructuring plan implemented
- Several large contract renewals characterize the stable pipeline

Financial highlights (Amounts in EUR millions)	Q1 2009	Q1 2008	Δ y-on-y	Operating highlights	Q1 2009	Q4 2008	Δ q-on-q
<b>Revenues and other income (existing)</b>	<b>528</b>	<b>534</b>	<b>-1.1%</b>	Serviced voice workspaces (m)	0.7	0.6	0.1
- Global services	271	247	9.7%	Serviced IT workspaces (m) <sup>5</sup>	1.6	n.a.	-
- ICT services	232	237	-2.1%				
- International	101	122	-17%	Housing capacity in m <sup>2</sup> (k)	24.9	21.6	3.3
<b>Revenues and other income (disposed)</b>	<b>14</b>	<b>192</b>	<b>n.m.</b>	Hosted servers (k)	9.8	8.9	0.9
<b>EBITDA (existing)</b>	<b>-15</b>	<b>20</b>	<b>&gt;-100%</b>				
<b>EBITDA margin</b>	<b>-2.8%</b>	<b>3.7%</b>					

### Revenues slightly down, negative EBITDA partly due to one-offs

Revenues and other income amounted to EUR 528m compared to EUR 534m in Q1 2008 on a comparable basis. Revenues in the Global services segment (mainly relating to workspace management services in the Netherlands) increased by 9.7% whereas international operations showed a 17% decrease in revenues y-on-y. The decrease in international includes a negative foreign exchange impact of EUR 7m.

In total, the existing EBITDA declined by EUR 35m y-on-y. For EUR 12m this is explained by a decline in operational performance. The remaining EUR 23m is a result of EUR 9m provision releases (mainly an onerous office rental provision release in Q1 2008), claims and negative results on disposals (EUR 6m) and additional pension costs (EUR 8m). The sale of Document Services in the Netherlands was closed in Q1 2009. As of 31 March 2009, no business is classified as held for sale in the consolidated balance sheet (see note [6] of the consolidated interim financial statements).

### Getronics impacted by economic downturn

In the course of the first quarter, Getronics started to feel the impact of the current economic downturn. Revenues of the existing operations were impacted by the economic downturn, with the international revenues down 17% (of which 6% currency effect) compensated by the Dutch operations showing an increase of 6%. The revenue decline is driven by clients rationalizing their infrastructure and postponing investment decisions. Consequently, order conversion is taking longer. Furthermore price pressure has increased, the volume in framework contracts has decreased and complementary projects on top of outsourcing contracts have also declined.

### Corrective restructuring plan implemented

On 31 March 2009, KPN announced that Getronics is reducing personnel costs, as a pre-emptive measure to maintain long-term profitability goals despite reduced revenue growth prospects. Getronics will reduce its total staff by 1,400 FTE. Some 950 FTE are own staff, of which about 700 are located in the Netherlands. This workforce reduction will lower the cost base by some EUR 60m. This measure is intended to accelerate the already ongoing profit improvement plans and process optimizations. The workforce reduction is expected to be finalized by mid 2009. An addition to the restructuring provision of around EUR 30m is expected in Q2 2009.

<sup>5</sup> Number of IT workspaces not available per quarter for 2008 due to annual measurement and including disposals effect

## Germany

- Continued profitable growth: EBITDA up 13%, 4.1% service revenues growth
- Customer base reaching 18 million, up 17%
- Wireless data: national EDGE, selective 3G roll-out

Financial highlights (Amounts in EUR millions)	Q1 2009	Q1 2008	Δ y-on-y	Operating highlights	Q1 2009	Q1 2008	Δ y-on-y
Revenues and other income	774	755	2.5%	Wireless customers (k)	18,038	15,383	17%
- Service revenues	734	705	4.1%	Net adds (k)	261	576	
EBITDA	322	284	13%	ARPU (EUR)	14	16	-13%
EBITDA margin	41.6%	37.6%		Total traffic (minutes in m)	7,364	6,329	16%
				SAC/SRC (EUR)	52	67	-22%

### EBITDA up 13%, 4.1% service revenue growth

Service revenues increased 4.1% y-on-y to EUR 734m and EBITDA is up 13% to EUR 322m. KPN expects that both service revenues and EBITDA growth are ahead of the market in Q1 2009. The acquisition of blau Mobilfunk had a consolidated impact of EUR 4m on service revenues in Q1 2009. The EBITDA margin of 41.6%, up 4.0%-points compared to Q1 2008, was positively impacted through the 22% y-on-y SAC/SRC reduction (partly as a result of the handset lease service) and the continued efficient deployment through a regional focus. In Q1 2009, approximately EUR 17m of capex relating to the handset lease proposition is included.

KPN is confident to be able to continue market outperformance in Germany on an annual basis, whilst delivering profitable growth. For the next quarters a softening of the market growth is expected due to further regulatory MTA reduction and roaming tariff cuts and further impact of the economic downturn.

### Customer base up 17% reaching 18 million customers

E-Plus gained 261k net adds in Q1, which was lower than in previous quarters due to a clean-up of some 300k inactive prepaid customers. The net adds are driven by both postpaid and prepaid, resulting in 18 million customers, up 17% y-on-y. The new brands now represent 66% of the total customer base, or 11.9 million customers.

### Wireless data: national EDGE rollout, selective 3G

The national EDGE rollout started end of February 2009 and a coverage level of 90% is expected by the end of 2009. With respect to 3G, E-Plus continues to implement a smart-follower strategy based on market demand through deploying UMTS and rolling out HSPA in focus regions where the business case is attractive.

## Belgium

- Continued profitable growth
- EBITDA up 13%, BASE reported 6.2% service revenue growth
- Focused 3G strategy, network based on a combination of EDGE and UMTS

Financial highlights (Amounts in EUR millions)	Q1 2009	Q1 2008	Δ y-on-y	Operating highlights <sup>6</sup>	Q1 2009	Q1 2008	Δ y-on-y
<b>Revenues and other income</b>	<b>191</b>	<b>182</b>	<b>4.9%</b>	Wireless customers (k)	3,497	2,992	17%
- Service revenues	183	177	3.4%	Net adds (k)	52	137	
				ARPU (EUR)	15	17	-12%
<b>EBITDA</b>	<b>62</b>	<b>55</b>	<b>13%</b>	Total traffic (minutes in m)	1,292	1,140	13%
<b>EBITDA margin</b>	<b>32.5%</b>	<b>30.2%</b>		SAC/SRC (EUR)	18	26	-31%

### Continued profitable growth: EBITDA up 13%, BASE reported 6.2% service revenue growth

Revenues and other income increased by 4.9% in Q1 2009 to EUR 191m. Key drivers behind the higher revenues were the increased customer base and higher traffic related revenues. EBITDA increased by 13% mainly due to revenue increase of postpaid and wholesale. This resulted in an EBITDA margin of 32.5%. In the same quarter, BASE reported a 6.2% y-on-y services revenue growth.

With 52k net adds in Q1, including a clean-up of 93k inactive prepaid customers, the total base now includes 3.5 million customers. By signing a commercial partnership with RTL, BASE is expanding its partnerships into Wallonia.

### Focused 3G strategy, network based on a combination of EDGE and UMTS

After reaching the regulatory target of 50% coverage in 2007, BASE's focus has shifted to the roll-out of HSPA. In the first phase, BASE will roll out HSPA in the principal cities of Belgium. The first services on HSPA are expected to be launched towards the end of 2009. In the second phase, BASE will expand its HSPA network towards the intermediate cities.

<sup>6</sup> Refers to BASE only

## **Rest of World**

### **Continued growth in Spain**

In Spain, KPN has continued to strengthen its position as the leading MVNO with 200k customers through market share gains against a backdrop of an economic downturn and overall tariff reductions from the leading network operators. The continued growth at low cost mainly results from the online segment through KPN's international Simyo brand, the blau brand and from the cultural segment through several partners targeting various ethnic minorities. In March 2009, the portfolio of wholesale partnerships was extended with Banco Santander leveraging its branch outlets to target its client base with a high share of immigrants.

### **Simyo launched in France**

Launched in January, consumer demand for Simyo is gaining momentum in the French market due to its simple and transparent offering of EUR 0.19 per minute. Growth of Simyo is expected through an enhanced offering, such as "member-get-member" and automatic top-up functionality. Similar to Spain, KPN expects to launch further partnerships with locally and internationally established companies in the next quarters.

### **Ortel firmly established across markets**

The cultural segments in all our markets are outperforming overall market growth due to new entrants and existing players increasingly promoting cheap international calls to attract new customers and build market share. Despite increased competition, Ortel, as one of the key pillars of KPN's multi-brand strategy, remains firmly established across its footprint as the leading MVNO in the cultural market with its strong brand, targeted offer and strong presence in local distribution.

## **Consolidated Interim Financial Statements for the first quarter ending 31 March 2009 and 2008**

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# Unaudited Consolidated Statement of Income

<i>(In millions of euro, unless indicated otherwise)</i>		For the first quarter ending 31 March	
		2009	2008
Revenues		3,388	3,532
Other income		8	38
<b>Revenues and other income [1]</b>		<b>3,396</b>	<b>3,570</b>
Own work capitalised		-21	-24
Cost of materials		209	249
Work contracted out and other expenses		1,231	1,260
Employee benefits		546	637
Depreciation, amortization and impairments		602	583
Other operating expenses		197	217
<b>Total operating expenses</b>		<b>2,764</b>	<b>2,922</b>
<b>Operating profit [2]</b>		<b>632</b>	<b>648</b>
Finance income [3]		9	13
Finance costs [3]		-193	-169
Other financial results [3]		9	-9
Share of the profit of associates and joint ventures, net of tax		1	-6
<b>Profit before income tax</b>		<b>458</b>	<b>477</b>
Income taxes [4]		-141	-143
<b>Profit for the period</b>		<b>317</b>	<b>334</b>
Profit attributable to:			
Owners of the parent		317	335
Minority interest		0	-1
<b>Earnings per share on a non diluted basis (in EUR)</b>		<b>0.19</b>	<b>0.19</b>
<b>Earnings per share on a fully diluted basis (in EUR)</b>		<b>0.19</b>	<b>0.19</b>

## Unaudited Consolidated Statement of Comprehensive Income

(In millions of euro, unless indicated otherwise)	For the first quarter ending 31 March	
	2009	2008
<b>Profit for the period</b>	<b>317</b>	<b>334</b>
<b>Other comprehensive income:</b>		
Cash flow hedges:		
Gains or (losses) arising during the period	-48	-4
Tax	<u>12</u>	<u>1</u>
	-36	-3
Currency translation adjustments:		
Gains or (losses) arising during the period	-7	-4
Tax	<u>-</u>	<u>-</u>
	-7	-4
Fair value adjustment available for sale financial assets:		
Gains or (losses) arising during the period	-2	-
Tax	<u>-</u>	<u>-</u>
	<u>-2</u>	<u>-</u>
<b>Other comprehensive income for the period, net of taxes</b>	<b><u>-45</u></b>	<b><u>-7</u></b>
<b>Total comprehensive income for the year, net of tax</b>	<b>272</b>	<b>327</b>
Total comprehensive income attributable to:		
Owners of the parent	275	328
Minority interest	-3	-1

## Consolidated Statement of Financial Position

	As at	
<b>ASSETS</b> <i>(In millions of euro)</i>	<b>31 March 2009</b> <b>(unaudited)</b>	<b>31 December 2008</b>
<b>NON-CURRENT ASSETS</b>		
Goodwill	5,670	5,659
Licenses	3,080	3,156
Software <sup>7</sup>	691	676
Other intangibles	532	569
<b>Total intangible assets</b>	<b>9,973</b>	<b>10,060</b>
Land and buildings	902	921
Plant and equipment	5,839	5,811
Other tangible non-current assets	167	197
Assets under construction	869	807
<b>Total property, plant &amp; equipment</b>	<b>7,777</b>	<b>7,736</b>
Investments in associates and joint ventures [5]	212	135
Available-for-sale financial assets	52	52
Derivative financial instruments	135	133
Deferred tax assets	1,663	1,733
Trade and other receivables	216	210
<b>Total non-current assets</b>	<b>20,028</b>	<b>20,059</b>
<b>CURRENT ASSETS</b>		
Inventories	139	137
Trade and other receivables	2,407	2,295
Income tax receivables	569	102
Available-for-sale financial assets	2	2
Cash	1,955	1,199
<b>Total current assets</b>	<b>5,072</b>	<b>3,735</b>
<b>Non-current assets and disposal groups held for sale [6]</b>	<b>22</b>	<b>119</b>
<b>TOTAL ASSETS</b>	<b>25,122</b>	<b>23,913</b>

<sup>7</sup> Including development costs of software, which was included in other intangibles in KPN's 2008 Annual Report

As at		
<b>LIABILITIES</b> <i>(In millions of euro)</i>	<b>31 March 2009</b> <b>(unaudited)</b>	<b>31 December 2008</b>
<b>GROUP EQUITY</b>		
Share capital	411	411
Share premium	9,650	9,650
Other reserves	-579	-228
Retained earnings	-5,784	-6,103
<b>Equity attributable to owners of the parent</b>	<b>3,698</b>	<b>3,730</b>
Minority interest	26	29
<b>Total group equity</b>	<b>3,724</b>	<b>3,759</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings [7]	12,394	10,876
Derivative financial instruments	204	192
Deferred tax liabilities	1,532	1,624
Provisions for retirement benefit obligations [8]	880	892
Provisions for other liabilities and charges	494	427
Other payables and deferred income	327	346
<b>Total non-current liabilities</b>	<b>15,831</b>	<b>14,357</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	4,090	4,280
Borrowings [7]	1,160	1,165
Derivative financial instruments	6	2
Income tax payables	133	128
Provisions for other liabilities and charges	178	186
<b>Total current liabilities</b>	<b>5,567</b>	<b>5,761</b>
<b>Liabilities directly associated with non-current assets and disposal groups classified as held for sale [6]</b>	<b>-</b>	<b>36</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>25,122</b>	<b>23,913</b>

## Unaudited Consolidated Statement of Cash Flows

<i>(In millions of euro)</i>	First quarter ending 31 March	
	2009	2008
<b>Profit before income tax</b>	<b>458</b>	<b>477</b>
Finance costs – net	175	165
Share of the profit of associates and joint ventures	-1	6
<i>Adjustments for:</i>		
Depreciation, amortization and impairments	602	583
Share-based compensation	6	2
Other income	-5	-15
Changes in provisions (excluding deferred taxes)	-42	-61
Inventories	-3	14
Trade receivables	76	40
Prepayments and accrued income	-212	-163
Other current assets	25	-34
Trade payables	-175	-63
Accruals and deferred income	-65	-28
Current liabilities (excluding short-term financing)	-10	-40
<i>Change in working capital:</i>	<i>-364</i>	<i>-274</i>
Taxes paid	-612	-106
Interest paid	-158	-129
<b>Net cash flow provided by operating activities</b>	<b>59</b>	<b>648</b>
Acquisition of subsidiaries, associates and joint ventures	-80	-52
Disposal of subsidiaries, associates and joint ventures	42	4
Investments in intangible assets (excluding software)	-1	-9
Disposal of intangibles	-	2
Investments in property, plant & equipment and software [11]	-456	-356
Disposal of property, plant & equipment and software	19	14
Other changes and disposals	3	-
<b>Net cash flow used in investing activities</b>	<b>-473</b>	<b>-397</b>
Share repurchases [9]	-315	-199
Dividends paid [10]	-	-
Exercised options	6	2
Proceeds from borrowings [7]	1,500	-
Repayments of borrowings <sup>8</sup> [7]	-24	-20
Other changes	-5	-
<b>Net cash flow used in financing activities</b>	<b>1,162</b>	<b>-217</b>
<b>Changes in cash</b>	<b>748</b>	<b>34</b>
<b>Net Cash at beginning of period</b>	<b>771</b>	<b>-138</b>
Changes in cash	748	34
Exchange rate differences	1	-1
<b>Net Cash at end of period</b>	<b>1,520</b>	<b>-105</b>
Bank overdrafts	435	553
<b>Cash at end of period</b>	<b>1,955</b>	<b>448</b>

<sup>8</sup> Reclassification of credit facility as it is used as bank overdraft and therefore included in net cash and cash equivalents as of Q2 2008. Restated numbers for Q1 2008 following this reclassification.

## Unaudited Consolidated Statement of Changes in Group Equity

Amounts in millions of euro, except number of shares	Number of subscribed shares	Share capital	Share premium	Other reserves	Retained earnings	Equity attribu- table to owners of the parents	Minority interests	Total Group equity
<b>Balance as of 1 January 2008</b>	<b>1,843,482,213</b>	<b>443</b>	<b>11,120</b>	<b>-608</b>	<b>-6,465</b>	<b>4,490</b>	<b>28</b>	<b>4,518</b>
Share based compensation (net of tax)	-	-	-	-	2	2	-	2
Exercise of options	-	-	-	2	-	2	-	2
Shares repurchased	-	-	-	-213	-	-213	-	-213
Total comprehensive income for the period	-	-	-	-7	335	328	-1	327
<b>Balance as of 31 March 2008</b>	<b>1,843,482,213</b>	<b>443</b>	<b>11,120</b>	<b>-826</b>	<b>-6,128</b>	<b>4,609</b>	<b>27</b>	<b>4,636</b>
<b>Balance as of 1 January 2009</b>	<b>1,714,362,792</b>	<b>411</b>	<b>9,650</b>	<b>-228</b>	<b>-6,103</b>	<b>3,730</b>	<b>29</b>	<b>3,759</b>
Share based compensation (net of tax)	-	-	-	-	2	2	-	2
Exercise of options	-	-	-	6	-	6	-	6
Shares repurchased	-	-	-	-315	-	-315	-	-315
Total comprehensive income for the period	-	-	-	-42	317	275	-3	272
<b>Balance as of 31 March 2009</b>	<b>1,714,362,792</b>	<b>411</b>	<b>9,650</b>	<b>-579</b>	<b>-5,784</b>	<b>3,698</b>	<b>26</b>	<b>3,724</b>

# Notes to Consolidated Interim Financial Statements

## Company profile

KPN is the leading telecommunications and ICT service provider in the Netherlands, offering wireline and wireless telephony, internet and TV to consumers and end-to-end telecom and ICT services to business customers. KPN's subsidiary Getronics operates a global ICT services company with a market leading position in the Benelux, offering end-to-end solutions in infrastructure and network-related IT. In Germany and Belgium, KPN pursues a multi-brand strategy in its wireless operations and holds number three market positions through E-Plus and BASE. In Spain and France, KPN offers wireless services as an MVNO through its Simyo brand and through partners. KPN provides wholesale network services to third parties and operates an efficient IP-based infrastructure with global scale in international wholesale through iBasis.

## Accounting policies

### *Basis of presentation*

These consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. As permitted by IAS 34, the consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with KPN's 2008 Annual Report. In addition, the notes to these consolidated interim financial statements are presented in a condensed format. The applied accounting principles are in line with those as described in KPN's 2008 Annual Report. These consolidated interim financial statements have not been audited and are based on IFRS as adopted by the European Union.

As of 1 January 2009, IAS 1 (revised) "Presentation of Financial Statements" became effective and has been applied by KPN. IAS 1 (revised) uses the terms "statement of income" (previously "income statement"), "statement of financial position" (previously "balance sheet") and "statement of cash flows" (previously "cash flow statement") and introduces a "statement of comprehensive income." IAS 1 (revised) also requires the presentation of a statement of financial position at the beginning of the first comparative period presented if an entity has changed its accounting policies retrospectively or made retrospective restatements.

As of 1 January 2009 IAS 23 (revised) "Borrowings Costs" became effective and has been applied by KPN. In accordance with IAS 23 (revised), as of 1 January 2009 borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets are capitalized as part of the cost of that asset. In Q1 2009, IAS 23 (revised) did not have a material impact.

### *Critical accounting estimates and judgments*

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period as well as the information disclosed. For KPN's critical accounting estimates and judgments, reference is made to the notes to the Consolidated Financial Statements contained in the 2008 Annual Report, including the determination of deferred tax assets for loss carry forwards and the provision for tax contingencies, the determination of fair value and value in use of cash-generating units for goodwill impairment testing, the amortization and depreciation rates of intangible assets with definite lives and property, plant and equipment, the assumptions used to determine the provision for retirement benefit obligations and periodic pension cost, such as expected salary increases, return on plan assets and benefit increases and the 'more likely than not' assessment required to determine whether or not to recognise a provision for other liabilities and charges and related contingencies. Also reference is made to Note 29 'Financial Risk Management' to the Consolidated Financial Statements contained in the 2008 Annual Report which discusses KPN's exposure to credit risk and financial market risks. Actual results in the future may differ from those estimates. Estimates and judgments are being continually evaluated and based on historic experience and other factors, including expectations of future events believed to be reasonable under the circumstances.

## [1] Revenues and other income

Following a number of previously announced organizational changes that came into effect as of the start of this year, KPN publishes its Q1 results in a new reporting format. The main changes that have taken place are the integration of specific parts of KPN's Business Segment into Getronics and the migration of KPN's Dutch mobile wholesale business to the Consumer Segment. Furthermore, operations in Belgium are now being reported as one entity.

The new reporting format will only have an impact on a segment basis, not on Group numbers. For an explanatory presentation and restated facts and figures for 2008 on a quarterly basis, please see [www.kpn.com/ir](http://www.kpn.com/ir).

The reportable segments are based on KPN's internal structure and internal reporting to the CEO. For a description of the activities of these segments, reference is made to the 2008 Annual Report. For operating profit reference is made to note [2] and for other segment information reference is made to note [11].

Revenues and Other income	Q1 2009				Q1 2008			
	External revenues	Other income	Inter-segment revenues	Total revenues and Other income	External revenues	Other income	Inter-segment revenues	Total revenues and Other income
Consumer	977	-	54	1,031	949	-	53	1,002
Business	562	-	72	634	553	-	70	623
Getronics	505	-	37	542	702	-	24	726
Wholesale & Operations	334	7	556	897	360	18	567	945
Other (incl. intercompany)	1	1	-693	-691	-1	-1	-692	-694
<b>The Netherlands</b>	<b>2,379</b>	<b>8</b>	<b>26</b>	<b>2,413</b>	<b>2,563</b>	<b>17</b>	<b>22</b>	<b>2,602</b>
Germany	755	-	19	774	748	1	6	755
Belgium	177	-	14	191	177		5	182
Rest of World (incl. intercompany)	38	-	-22	16	4	-1	2	5
<b>Mobile International</b>	<b>970</b>	<b>-</b>	<b>11</b>	<b>981</b>	<b>929</b>	<b>0</b>	<b>13</b>	<b>942</b>
<b>Other</b>	<b>39</b>	<b>-</b>	<b>1</b>	<b>40</b>	<b>40</b>	<b>21</b>		<b>61</b>
Eliminations	-	-	-38	-38	-	-	-35	-35
<b>KPN Total</b>	<b>3,388</b>	<b>8</b>	<b>0</b>	<b>3,396</b>	<b>3,532</b>	<b>38</b>	<b>0</b>	<b>3,570</b>

KPN Total revenues are down 4.9%. This decline is mainly caused by a decline at Getronics. Since the acquisition date of 23 October 2007, Getronics sold those parts of its portfolio which did not fit in its future strategy. As of Q1 2009 Getronics concluded its disposal program. Excluding Getronics disposed, revenues and other income are up 0.1%. This growth is attributable to growth in the Consumer and Business Segment and continued growth in Mobile International. For more detailed information on revenues, reference is made to the Management Report. The other income in Wholesale & Operations is mainly from book gains on Real Estate. Furthermore, other income of EUR 21m in Q1 2008 within Segment Other mainly consists of a release of the provision regarding the sale of a subsidiary in 2002.

## [2] Operating profit

Operating profit, DAI and EBITDA	Q1 2009			Q1 2008		
	EBITDA	Depreciation, Amortization & Impairments (DAI)	Operating profit	EBITDA	Depreciation, Amortization & Impairments (DAI)	Operating profit
Consumer	244	78	166	227	70	157
Business	196	19	177	178	17	161
Getronics	-15	44	-59	30	32	-2
Wholesale & Operations	455	244	211	470	258	212
Other (incl. intercompany)	-2	10	-12	2	8	-6
<b>The Netherlands</b>	<b>878</b>	<b>395</b>	<b>483</b>	<b>907</b>	<b>385</b>	<b>522</b>
Germany	322	169	153	284	163	121
Belgium	62	35	27	55	33	22
Rest of World (incl. intercompany)	-16	1	-17	-7	1	-8
<b>Mobile International</b>	<b>368</b>	<b>205</b>	<b>163</b>	<b>332</b>	<b>197</b>	<b>135</b>
<b>Other</b>	<b>-12</b>	<b>2</b>	<b>-14</b>	<b>-8</b>	<b>1</b>	<b>-9</b>
<b>KPN Total</b>	<b>1,234</b>	<b>602</b>	<b>632</b>	<b>1,231</b>	<b>583</b>	<b>648</b>

Total EBITDA for KPN Group is up 0.2%. EBITDA for KPN Group's existing businesses, which is without Getronics disposals, is up 1.1%. As with the revenues, growth is driven by the Consumer and Business Segments and continued growth at Mobile International. Operating profit is down 2.5% mainly attributable to a decrease at Getronics. The depreciation, amortization and impairments increased as a result of two impairment losses on goodwill at Wholesale & Operations (iBasis, EUR 11m) and Getronics (disposal of Business Solutions, EUR 13m).

## [3] Finance costs and income

Finance costs have risen EUR 24m y-on-y while finance income decreased by EUR 4m. This is due to the higher interest rates of the bonds that were issued in 2008 and 2009 compared to prior years. As a result, the average interest rate after swaps on Group outstanding debt as at Q1 2009 was 5.6%, up from 5.4% at year end 2008. Reference is also made to note [7] Borrowings.

## [4] Income taxes

The effective tax rate in Q1 2009 was 30.9% compared to 29.6% in Q1 2008. The increase in effective tax rate is mainly due to goodwill impairments of EUR 24m recorded in Q1 2009 which are not deductible for corporate income tax purposes and higher taxable income in Germany, which has higher tax rates.

KPN settled the preliminary Dutch corporate income tax assessment for 2009 of EUR 608m by a prepayment of EUR 598m to the Dutch tax authorities in Q1 2009. KPN has benefitted from a EUR 10m discount based on the applicable Dutch tax legislation for such a prepayment. The discount has been recorded as a reduction of interest paid in the Consolidated Statement of Cash Flows. An amount of EUR 327m of the prepayment was attributable to the E-Plus tax recapture.

#### **[5] Investments in associates and joint ventures**

In Q1 2009 KPN contributed EUR 74m equity to match the 41% share in the Reggefiber investments over 2008. This equity contribution completed the incorporation of Reggefiber. The purchase price allocation for KPN's stake in Reggefiber is still provisional (amongst others the valuation of the options).

#### **[6] Non-current assets, liabilities and disposal groups held for sale**

At 31 December 2008, a number of businesses of Getronics were classified as disposal groups held for sale. These businesses were Business Solutions for local governments and healthcare and Document Services, both in the Netherlands.

The sale of Business Solutions was closed in January 2009 and the sale of Document Services in March 2009. There were no businesses classified as held for sale at 31 March 2009.

KPN is selling part of its real estate portfolio which becomes redundant after migration to the new All-IP infrastructure. The buildings and accompanying land are located mainly in city center areas and offer significant redevelopment opportunities. At 31 March 2009 properties with a book value of EUR 22m were classified as 'non-current assets held for sale'.

#### **[7] Borrowings**

On 4 February 2009 KPN issued a dual tranche Eurobond consisting of two bonds for respectively an amount of EUR 750m, with a 5 year maturity and a coupon of 6.25% and for an amount of EUR 750m, with a 10 year maturity and a coupon of 7.50%. The proceeds from these bonds will be used to refinance debt and for general corporate purposes. Following the execution of these Eurobond transactions, KPN terminated its EUR 0.4bn backstop credit facility which was signed in October 2008.

#### **[8] Provisions for retirement benefit obligations**

KPN will make additional payments to the pension funds up to a maximum of EUR 390m over the coming years, with EUR 120m for 2009 and a maximum of EUR 90m for each of the years 2010, 2011 and 2012. Should a coverage ratio of 105% be reached before 2013, KPN will no longer be obliged to continue to make additional payments. KPN will not be required to make additional payments should the coverage ratio not have reached the required level of 105% by 2013.

Based on the nature of Getronics' pension scheme, KPN has agreed with the Getronics pension fund to provide additional security for an amount of up to EUR 12.5m per annum for the years 2010-2013.

#### **[9] Share Repurchase Program**

On 19 November 2008, KPN commenced its EUR 1bn share repurchase program for 2009 that will run until the end of 2009. Under this program KPN repurchased 30.9 million shares at an average price of EUR 10.23, for a total amount of EUR 315m between 1 January and 31 March 2009.

In total KPN repurchased 40.5 million shares for a total amount of EUR 418m from November 2008 until 31 March 2009.

#### **[10] Dividend**

No dividend has been paid in Q1. See note [14] Subsequent events for details on the final dividend pay-out over 2008.

## [11] Other Segment information

	As at 31 March 2009		As at 31 December 2008		First quarter ending 31 March	
					2009	2008
Assets, liabilities and capex	Total assets	Total liabilities	Total assets	Total liabilities	Capex	Capex
Consumer	2,667	2,389	3,099	2,985	53	45
Business	1,690	1,573	5,783	5,841	36	23
Getronics	2,960	2,767	3,357	3,165	15	46
Wholesale & Operations	6,763	6,533	11,763	11,731	180	146
Other	-839	-828	-1,605	-1,607	7	6
<b>The Netherlands</b>	<b>13,241</b>	<b>12,434</b>	<b>22,397</b>	<b>22,115</b>	<b>291</b>	<b>266</b>
Germany	10,262	29,967	10,130	29,934	142	68
Belgium	1,706	332	1,711	361	18	18
Rest of World	66	108	62	86	1	2
<b>Mobile International</b>	<b>12,034</b>	<b>30,407</b>	<b>11,903</b>	<b>30,381</b>	<b>161</b>	<b>88</b>
<b>Other</b>	<b>-153</b>	<b>-21,443</b>	<b>-10,387</b>	<b>-32,342</b>	<b>4</b>	<b>2</b>
<b>KPN Total</b>	<b>25,122</b>	<b>21,398</b>	<b>23,913</b>	<b>20,154</b>	<b>456</b>	<b>356</b>

On KPN total level the main changes of the assets relate to the prepayment of income tax and a higher cash position on the asset side, on the liabilities side the main change relates to the bond issues in February 2009. On KPN total level the capex spending has increased by EUR 100m. This increase is mainly due to 2G network investments in Germany.

The intercompany positions on the balance sheet of the segments are eliminated through the segments Other.

Due to organisational changes within the segments Business, Getronics and Wholesale and Operations the assets and liabilities changed compared to 31 December 2008.

## [12] Off-balance sheet commitments

The off-balance sheet commitments as of 31 March 2009, amounting to EUR 4.6bn, were EUR 0.1bn higher compared to 31 December 2008 (EUR 4.5bn) disclosed in the 2008 Annual Report. The difference is mainly caused by increases in purchasing commitments of EUR 0.2bn and decreases in rental and lease contracts of EUR 0.1bn.

## [13] Regulatory Developments

### Belgium: auction fourth UMTS licence

End of March, the Belgian government announced its plans to auction a fourth UMTS license after the summer holidays of 2009. According to the government:

- 5 MHz will be made available in the 2100 MHz frequency band for a fourth UMTS operator;
- identical coverage requirements will apply between the vested operators and a new entrant;
- it expects to receive a minimum license fee of EUR 40m.

KPN thinks a fourth operator will face difficult market circumstances in the light of a maturing market in which a number of revenue streams will disappear. Also, there is a difficult regulatory environment, although this is slightly improving. Much work remains to be done.

**Belgium: Radiation**

In January 2009, the Belgian Constitutional Court ruled that the Regions are exclusively competent to adopt (maximum) radiation levels for telecom installations. As a consequence, this decision confirmed the validity of the 3V/m-radiation norm that was imposed by the Brussels region in 2007. Once the Brussels government has adopted the necessary execution measures, this norm will become applicable. Similar strict radiation norms are currently being prepared by the Flemish and the Walloon region. KPN has the opinion that a stricter regulation will have to be accompanied by measures to increase the number of sites, to ensure coverage and the continuity of services.

**Belgium: Update on MTR regulation**

End of 2008, BIPT started a project for the development of a LR(A)IC-bottom-up cost model in order to determine MTA-levels as from 2010. Pending BIPT's decision on the MTA-levels as from 2010, BASE will provisionally continue to apply the MTA-level of December 2008 (EUR 0.1041).

**Germany: Mobile Termination Rates**

BNetzA has published the final regulatory orders in relation to mobile termination rates. E-Plus filed a legal action against the regulatory order concerning E-Plus in January 2009.

On 31 March 2009, BNetzA approved for the time period of 1 April 2009 until 30 November 2010 MTR of EUR 0.0714/min for E-Plus and O2 and MTR of EUR 0.0659/min for Vodafone and T-Mobile. BNetzA has set all MTRs by way of a national benchmark against Vodafone's cost documentation.

E-Plus will examine the chances of a lawsuit against its own decision and the decision of the other operators which all would have to be filed within one month.

**Germany: E-GSM Frequencies**

BNetzA has withdrawn the provision Nr. 2 of the assignment of the E-GSM frequencies by which E-Plus has been obliged to pass on frequencies to Deutsche Bahn if Deutsche Bahn proves additional demand. Therefore the appeal of E-Plus against provision Nr.2 has been handled in favour of E-Plus.

**Germany: Spectrum refarming and spectrum auction**

In November 2008, the German regulator started an official consultation on the 'refarming' of GSM spectrum. The consultation ended mid-January 2009. Based on the comments of the market players, the regulator is going to submit a keypoint paper in May or June 2009. The keypoint paper of the FNA will most likely define the procedural way of how refarming will be implemented in Germany. The keypoint paper will be subject to further consultation of interested parties. The final decision on refarming will be taken before the frequency auction will take place. The final decision on refarming (and re-distribution of 900 MHz frequencies) is expected in Q4 2009 and spectrum auctions are expected to be completed in 2010.

In the meantime, the European Commission has submitted a new draft of the so called 'GSM directive'. The draft directive addresses the point that refarming could, under specific circumstances (e.g. not all mobile operators are able to make use of the refarming option), result in competitive distortions. Member states should therefore examine whether the implementation of the new directive could distort competition. If they conclude that distortion is the case, they should consider a re-allocation of the spectrum. The draft directive requires the approval of the European Parliament and Council.

**EU roaming**

The European Parliament, the Council and the Commission agreed on amending the Roaming directive with effect from 1 July 2009 within the European Union. Voice charges will be:

- from 1 July 2009: a maximum of EUR 0.43 per minute (excluding VAT) for outgoing and a maximum of EUR 0.19 per minute (excluding VAT) for incoming roaming calls;
- from 1 July 2010: a maximum of EUR 0.39 per minute (excluding VAT) for outgoing and a maximum of EUR 0.15 per minute (excluding VAT) for incoming roaming calls;
- from 1 July 2011: a maximum of EUR 0.35 per minute (excluding VAT) for outgoing and a maximum of EUR 0.11 per minute (excluding VAT) for incoming roaming calls.

For retail and wholesale billing from July 2009, only actually utilized minutes on a per second base may be used, except for the first 30 seconds for retail and wholesale billing.

For roaming SMS new maximum tariffs are proposed at EUR 0.11 retail and EUR 0.04 wholesale, from 1 July 2009.

Starting 1 July 2009 a maximum wholesale rate of EUR 1.00 per Mb will apply for data roaming. This cap will be set at EUR 0.80 per 1 July 2010 and at EUR 0.50 per 1 July 2011 (all excluding VAT).

For data roaming, additional information obligations towards customers for data roaming will be introduced, which includes facilities for customers to set maximum billing levels for data roaming by 1 March 2010.

#### **[14] Subsequent events**

##### **EUR 0.40 final dividend for FY 2008, up 11%**

At the Annual General Meeting of shareholders, held on 7 April 2009, a final dividend for 2008 of EUR 0.40 per share has been approved. An interim dividend of EUR 0.20 per share had already been paid in August 2008. The final net dividend of EUR 564m was paid on 21 April 2009, while dividend taxes will be paid in May 2009.

##### **Share repurchase after 31 March**

As part of the share repurchase program for 2009, KPN repurchased 6.2 million shares at an average price of EUR 9.55, for a total amount of EUR 59.2m between 1 April and 27 April 2009.

##### **Cancellation of shares**

In Q2 2009, KPN will conclude the cancellation of 43,457,887 ordinary shares which have been repurchased as part of the EUR 1bn share repurchase program 2009. Following this cancellation, KPN will have 1,670,904,905 shares outstanding as of 30 June 2009.

## **Safe harbor**

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

*This interim financial report contains a number of non-GAAP figures, such as existing and disposed revenues and other income, 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.*

*The term **existing** indicates that only the Getronics business that was part of KPN Group as at the end of the reporting period of the interim financial statements are included. The term **disposed** refers to the Getronics business which is no longer part of KPN Group at the end of the reporting period of the interim financial statements. The term existing and disposed refers to, and only to, businesses that were part of Getronics at the initial consolidation of Getronics within the KPN Group on 23 October 2007.*

*The term **Dutch Telco business** is defined as the Netherlands excluding Getronics, iBasis and book gains on real estate disposals.*

*All market share information in this interim 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.*

### **Forward-looking statements**

*Certain statements contained in this interim 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 2008 Annual Report.*