

KPN will proceed with fiber on a regional basis

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KPN today announces its ambition for fiber in the Netherlands. Following commercial fiber pilots in ten cities, KPN believes Fiber-to-the-Home (fttH) is the long-term superior technology and will proceed with fiber in the Dutch consumer market. As a result, KPN is committed to a gradual, regional fiber roll-out. KPN will deploy a mix of infrastructures going forward with fiber, copper and wireless. As an intermediate step, KPN will upgrade its existing copper network with 'VDSL from central office' (VDSL-CO) before mid-2010, allowing higher broadband speeds and improved TV capabilities including HDTV. This combined technology approach offers KPN the optimal balance between investments and returns.

KPN has conducted ten commercial fiber pilots since the second half of 2008, of which five cities with Fiber-to-the-Curb (FttC) and five cities with FttH. These pilots were intended to test the operational aspects as well as the commercial (ARPU and penetration) potential. Commercial uptake was in line with expectations, however, operational issues with delivery processes and IT caused a significant delay in the number of activations. The pilots delivered promising commercial results with an increase in overall market penetration, broadband market share and ARPU, indicating a positive business case for both FttH and FttC.

KPN has the ambition to reach 1.1-1.3 mn homes passed on FttH through Reggefiber by the end of 2012 (Q3 2009: ~460k). KPN will first focus on commercialization of existing homes passed on FttC (Q3 2009: ~450k), before deciding on further network roll-out. By 2012, KPN targets some 600-800k active customers on FttH and FttC combined, roughly corresponding to 10% of Dutch households. As with its copper and mobile networks, KPN also operates an open access model for fiber, allowing alternative operators on its network.

In the medium term, KPN expects to provide 30-60% of Dutch households with fiber, dependent on the business case by region and on partnering opportunities. Other areas will be serviced via a mix of fixed and mobile infrastructures. With this combined technology approach of gradual migration to fiber and VDSL-CO, KPN continues its strong focus on cash flow generation without materially impacting Group Capex levels, ensuring an optimal balance between investments and returns.

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