

KPN announces next steps in its commitment to Fiber-to-the-Home

Date
9 November 2011

Number
050pe

KPN announces three steps to strengthen its commitment to Fiber-to-the-Home ("FttH"), which forms an integral part of its 'Strengthen - Simplify - Grow' strategy. As a first and second step, KPN intends to acquire four fiber service providers currently owned by Reggefiber and Reggeborgh and also intends to acquire Reggefiber's wholesale operator. As a third step, KPN announces an amendment to the Reggefiber joint-venture agreement with Reggeborgh ("joint-venture agreement") designed to provide a clear roadmap toward ultimate control for KPN.

These steps form an important part of KPN's strategy to improve the trend in its broadband market share. KPN is targeting >45% broadband market share by 2015. This strategy is based on two important pillars: i) improving and differentiating the TV and broadband propositions and ii) expanding the addressable market with a hybrid VDSL and FttH network strategy.

KPN's wireline innovation roadmap geared towards differentiated propositions is currently running ahead of schedule with a number of important propositions successfully launched. This includes the roll-out of multi-room IPTV as well as IPTV Online with functionalities on laptop and iPad. To expand the addressable market, by offering increased bandwidth, KPN is simultaneously rolling-out promising technologies over its VDSL network and FttH.

'Today's announcement forms an integral part of our wireline strategy. KPN believes that FttH is an important long-term technology and provides regional strength in the medium-term. We see good results in the fiber areas with increasing broadband and TV market shares and we will continue to roll-out FttH in promising areas via the Reggefiber joint-venture.'

(Eelco Blok, CEO KPN)

Acquisition of fiber service providers

KPN has reached agreement on the terms to acquire Edutel, XMS, and Concepts ICT from Reggeborgh and Lijbrandt from Reggefiber. Together, these service providers deliver TV, broadband and telephony services to ~110k clients over Reggefiber's FttH network. The acquisitions increase KPN's presence in the Dutch FttH market and will allow for a unified approach in existing and future FttH areas.

Acquisition of Reggefiber's wholesale operator

KPN has reached agreement on the terms to acquire Reggefiber Wholesale (Reggefiber's wholesale operator). This will allow Reggefiber to focus solely on the roll-out of FttH and to operate an open access passive FttH network. The acquisition fits neatly with KPN's wholesale strategy and enables larger scale fiber wholesale services.

The completion of the above mentioned acquisitions is subject to approval by the Dutch competition authority ("NMa"). The relevant works councils have been notified.

Amendment to the Reggefiber joint-venture agreement

As from 19 December 2008, KPN has a minority stake of 41% in Reggefiber with Reggeborgh holding the remainder of the shares. Reggefiber is specialized in the construction and operation of FttH access networks. The original joint-venture agreement provided KPN with the possibility to increase its shareholding in Reggefiber when the joint-venture reached specific milestones. In line with the evolution of KPN's wireline strategy, the existing arrangements have now been amended to provide a clear roadmap toward KPN's ultimate control over Reggefiber's operations.

For further information:

Corporate Communicatie

Media Relations

Tel: +31 70 4466300

Fax: +31 70 4466310

E-mail: press@kpn.com

Investor Relations

Tel: +31 70 4460986

Fax: +31 70 4460593

E-mail: ir@kpn.com

In the newly amended structure, KPN holds options to increase its ownership to 60% based on a pre-defined timeline alongside operational milestones. The option exercise prices are based on a fixed price structure. Furthermore, the financing for future roll-out of FttH has been agreed between the shareholders. KPN expects to consolidate Reggefiber in its financial statements after vesting of the second option and approval by the NMa. The options are structured as follows:

- 1) Call / put option for additional 10% of the shares: This first option can be exercised at the earliest of 1.0m Homes Connected at Reggefiber or 31 December 2012. The exercise price is EUR 99m.
- 2) Call / put option for additional 9% of the shares: This second option can be exercised at the earliest of 1.5m Homes Connected at Reggefiber or 1 January 2014. The exercise price is between EUR 116 - 161m, depending on the level of Capex efficiency reached at Reggefiber. Based on current legislation, completion of the second option is subject to approval by the NMa.

At the end of Q3 '11 Reggefiber reached 687k Homes Connected (844k Homes Passed), typically between 80 and 90% of Homes Passed are also Homes Connected. Based on the current anticipated roll-out plan, KPN expects that the second option will not be exercised before 1 January 2014. The roll-out plan has not changed following the amendment to the joint-venture agreement and roll-out continues towards a target of >20% population coverage in 2013.

Reggeborgh retains the option to sell the remaining 40% of its shares. This option can be exercised three and a half years after the second option has been exercised, over a period of one and a half years, for EUR 647m. Based on the current anticipated roll-out plan, KPN expects that this option will not be exercised before 1 July 2017. Alternatively, this option can also be exercised at fair value for a period of seven years after the second option is exercised.

'Reggeborgh has started rolling-out fiber in the Netherlands via Reggefiber as early as 2005. We have combined our experience in rolling-out fiber access infrastructure with KPN's fiber infrastructure activities in 2008 in the Reggefiber joint-venture and have since then connected more than 10% of the Dutch households to fiber. We view the fiber infrastructure as a long term investment and consider today's announced transactions as an important next step.'

(Dik Wessels, Reggeborgh)

For a detailed explanation of the joint-venture agreement reference is made to the 'Reggefiber joint-venture paper' published on KPN's website: http://www.kpn.com/ir_ftth

This press release is subject to the disclaimer below.

"Certain statements contained in this 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 Annual Report 2010. Statements contained in this report regarding the accounting treatment are based on KPN's accounting policies as described in the Annual Report 2010. These accounting effects could differ if changes in the relevant IFRS standards occur."