

## Solid third quarter results

### Sound financial profile

### Highlights

- The Netherlands comfortably delivering on upgraded EBITDA guidance for 2008
- Mobile International showing continued profitable growth
- Confirming 2010 objectives as stated in 'Back to Growth' strategy
- Solid liquidity profile after Q3 bond issue, announcing EUR 1bn share buyback for 2009

Group financials (In millions of euro, unless indicated otherwise)	Q3 2008	Q3 2007	YTD 2008	YTD 2007	Δ y-on-y	Δ YTD
<b>Revenues and other income</b>	<b>3,652</b>	<b>3,037</b>	<b>10,884</b>	<b>8,973</b>	<b>20%</b>	<b>21%</b>
- Of which revenues	3,626	3,007	10,812	8,882	21%	22%
<b>EBITDA</b>	<b>1,279</b>	<b>1,220</b>	<b>3,777</b>	<b>3,684</b>	<b>4.8%</b>	<b>2.5%</b>
EBITDA margin	35.0%	40.2%	34.7%	41.1%	-	-
Operating result (EBIT)	701	680	2,005	1,866	3.1%	7.4%
Profit for the period (net result)	353	355	1,040	1,068	-0.6%	-2.6%
<b>Earnings per share (in EUR)</b>	<b>0.20</b>	<b>0.19</b>	<b>0.59</b>	<b>0.57</b>	<b>5.3%</b>	<b>3.5%</b>
<b>Dividend per share (in EUR)</b>	<b>-</b>	<b>-</b>	<b>0.20</b>	<b>0.18</b>	<b>-</b>	<b>11%</b>
Cash flow from operating activities	876	962	2,701	2,678	-8.9%	0.9%
Capital expenditures (PP&E and software)	-505	-378	-1,312	-981	34%	34%
Proceeds from real estate	26	42	40	124	-38%	-68%
Tax recapture at E-Plus	68	-	185	-	-	-
<b>Free cash flow</b>	<b>465</b>	<b>626</b>	<b>1,614</b>	<b>1,821</b>	<b>-26%</b>	<b>-11%</b>

"The third quarter of 2008 was another solid quarter. Our domestic business is set to comfortably achieve the guidance we upgraded at the Q2 results. With that, the years of domestic EBITDA decline have come to an end. With 2008 being 'flat', we are confident about returning to EBITDA growth next year and that is the achievement of the first milestone of our ambitious 'Back to Growth' strategy. Meanwhile our international business continues its profitable growth as a result of sustained outperformance of competition. So far we have not seen an impact of an economic downturn on our operations, but we have developed contingency plans to protect our cash flow in case of economic headwind. Hence we are confirming our 2010 objectives and given our solid liquidity profile, we will start our EUR 1bn share buyback program for 2009 already in November 2008."

Ad Scheepbouwer, CEO KPN

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# KPN Group

## Financial review

Revenues and other income (In millions of euro)	Q3 2008	Q3 2007	YTD 2008	YTD 2007	Δ y-on-y	Δ YTD
<b>KPN Group</b>	<b>3,652</b>	<b>3,037</b>	<b>10,884</b>	<b>8,973</b>	<b>20%</b>	<b>21%</b>
- Consumer	1,021	1,053	3,008	3,122	-3.0%	-3.7%
- Business	809	810	2,416	2,465	-0.1%	-2.0%
- Getronics	465	-	1,484	-	-	-
- Wholesale & Operations	944	918	2,862	2,773	2.8%	3.2%
- Other (incl. intercompany revenues)	-642	-672	-1,942	-2,075	-4.5%	-6.4%
<b>The Netherlands</b>	<b>2,597</b>	<b>2,109</b>	<b>7,828</b>	<b>6,285</b>	<b>23%</b>	<b>25%</b>
- E-Plus	840	769	2,403	2,203	9.2%	9.1%
- BASE	161	151	482	458	6.6%	5.2%
- Mobile Wholesale NL	89	88	261	256	1.1%	2.0%
- Other (incl. intercompany revenues)	45	8	125	16	> 100%	> 100%
<b>Mobile International</b>	<b>1,135</b>	<b>1,016</b>	<b>3,271</b>	<b>2,933</b>	<b>12%</b>	<b>12%</b>

### Revenues and other income

- Group revenues and other income were up 20% y-on-y, or EUR 615m to EUR 3.7bn, mainly driven by acquisitions. Revenues and other income for the Netherlands were up 23% due to the consolidation of Getronics and iBasis as of Q4 2007. Book gains on sale of real estate contributed EUR 20m to Group revenues and other income (Q3 2007: EUR 30m). Within Mobile International, revenues and other income increased by 12% or EUR 119m due to organic growth at E-Plus and BASE, the acquisitions of SMS Michel and blau Mobilfunk in Q1 and Q2 2008 (reported in E-Plus) and the acquisition of Tele2 Belgium (consolidated as of Q4 2007, reported in Mobile International Other).

EBITDA (In millions of euro)	Q3 2008	Q3 2007	YTD 2008	YTD 2007	Δ y-on-y	Δ YTD
<b>KPN Group</b>	<b>1,279</b>	<b>1,220</b>	<b>3,777</b>	<b>3,684</b>	<b>4.8%</b>	<b>2.5%</b>
- Consumer	194	179	590	556	8.4%	6.1%
- Business	199	187	587	570	6.4%	3.0%
- Getronics	18	-	76	-	-	-
- Wholesale & Operations	471	475	1,394	1,483	-0.8%	-6.0%
- Other	8	-1	20	-4	> 100%	> 100%
<b>The Netherlands</b>	<b>890</b>	<b>840</b>	<b>2,667</b>	<b>2,605</b>	<b>6.0%</b>	<b>2.4%</b>
- E-Plus	336	289	928	835	16%	11%
- BASE	56	55	179	180	1.8%	-0.6%
- Mobile Wholesale NL	36	32	107	95	13%	13%
- Other	-10	-4	-33	-14	> 100%	> 100%
<b>Mobile International</b>	<b>418</b>	<b>372</b>	<b>1,181</b>	<b>1,096</b>	<b>12%</b>	<b>7.8%</b>

### EBITDA

- EBITDA y-on-y is up 4.8% or EUR 59m. The increase in the Netherlands of EUR 50m is amongst others attributable to a EUR 25m contribution from Getronics and iBasis, continuing cost savings and the absence of costs related to resolve the 2007 VoIP issues (Q3 2007: EUR 10m). The y-on-y EBITDA improvement of Mobile International is partially attributable to the introduction of a handset lease service in Germany. The Q3 2008 EBITDA of minus EUR 10m reported under Mobile International - Other includes EUR 5m of start-up costs incurred in Spain.

### **Free cash flow on track**

In Q3 2008, free cash flow amounted to EUR 465m (Q3 2007: 626m). YTD 2008 free cash flow amounts to EUR 1,614m (YTD 2007: 1,821m). The YTD difference of EUR 207m can be explained by EUR 331m higher capital expenditures, EUR 64m higher net tax payments (excluding the E-Plus tax recapture) and EUR 32m more interest paid, partially compensated by a lower working capital outflow (EUR 111m better than in prior year) and a EUR 93m EBITDA improvement.

Good progress in the working capital improvement program is being made. The project to extend the payments terms is on track, as well as the earlier collection and sale of old debtors in the trade receivable portfolio. Smaller contributions come amongst others from inventory reductions, diminished software licence prepayments and accelerated billing. In Q4, a significant working capital inflow is expected, due to the ongoing improvement program as well as seasonality effects at Wholesale & Operations, Getronics and E-Plus. Note that in Q4 2007 working capital movement was an inflow of EUR 459m.

KPN confirms its guidance to realize at least EUR 2.4bn free cash flow this year. This includes approximately EUR 150m of real estate proceeds. Whilst KPN expects to conclude negotiations on the sale of more properties in Q4 2008, a slowdown is anticipated in closing of transactions as parties take longer to arrange financing and fewer parties are active on the market. KPN's focus is on optimizing the value from real estate, rather than the timing of proceeds. As announced earlier in 2005, the value of the real estate portfolio is estimated at around EUR 1bn.

### **Effective tax rate in Q3**

The effective tax rate in Q3 2008 was 32.8% compared to 33.8% in Q3 2007. In 2008, a tax charge in line with the normal effective tax rate was recorded at E-Plus, as a result of the recognition of deferred tax assets totaling EUR 1.3bn at E-Plus in the closing balance of 2007. For more information about the recognized deferred tax asset at E-Plus, please refer to the separate tax paper published on 5 February 2008 (available on [www.kpn.com/ir](http://www.kpn.com/ir)). In Q3 2007, an additional tax charge was recorded relating to prior years.

### **EUR 138m corporate income tax paid in Q3 2008**

In Q3 2008, KPN paid approximately EUR 137m net Dutch corporate income tax, of which EUR 68m was attributable to the E-Plus tax recapture.

### **EUR 850m bond issue**

In September KPN issued a Eurobond for an amount of EUR 850m, with a 5 year maturity and a coupon of 6.25%. Following the successful execution of this Eurobond transaction, KPN has terminated its EUR 1bn backstop credit facility which was signed in July 2008.

### **Additional credit facility of EUR 400m in line with prudent financing policy**

KPN has signed agreements with two relationship banks, ING Wholesale Banking and Fortis Bank Nederland, adding a EUR 400m credit facility to the existing credit facility of EUR 1.5bn.

### **2.4x Net debt to EBITDA<sup>1</sup>**

Net debt at the end of Q3 2008 amounted to EUR 11.7bn up from EUR 11.3bn in the previous quarter. In the third quarter shareholder remuneration totaled EUR 0.8bn, exceeding free cash flow of EUR 0.5bn. Net debt at year end is anticipated to decrease as a result of Q4 free cash flow (approximately EUR 0.8bn) and disposal proceeds relating to Getronics (approximately EUR 0.3bn). Net debt to EBITDA stood at 2.4x as per the end of Q3 and is anticipated to come down to approximately 2.2x as per year end (2.3x at year end 2007). KPN's credit ratings remained unchanged at BBB+ with a negative outlook (Standard & Poor's) and Baa2 with a stable outlook (Moody's).

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<sup>1</sup> 12 month rolling average excluding book gains, release of pension provisions and restructuring costs (until Q2 2008), all over EUR 20m

### **Solid liquidity profile after Q3 bond issue**

In 2008 KPN significantly improved its liquidity position with bonds issued in March and September for a total of EUR 1.8bn versus EUR 1bn bond redemptions (of which EUR 768m due in November). In addition, 2008 disposal proceeds (Getronics) will exceed cash spent on acquisitions.

As per the end of the third quarter KPN had EUR 0.7bn cash (gross position of EUR 1.3bn, to be netted for cash pool commitments of EUR 0.6bn), whilst there were no drawings on the EUR 1.5bn credit facility (valid until 2013). With 2008 bonds issued exceeding 2008 bond redemptions KPN has a solid liquidity profile. Going forward it is the intention to safeguard this conservative position.

### **Interim dividend of EUR 0.20 per share paid in August, EUR 344m in total**

In the third quarter, KPN paid EUR 0.20 per share interim dividend for 2008, totalling EUR 344m (including dividend tax).

### **EUR 1bn share repurchase program completed**

On 17 September 2008, KPN completed its EUR 1.0bn share repurchase program for 2008. In Q3 2008, KPN repurchased 32.9 million shares at an average price of EUR 11.06, for a total amount of EUR 364.1m. With that, in 2008, a total of 88.5 million shares have been repurchased at an average price of EUR 11.30 per share. In addition to the EUR 1bn share repurchase program KPN bought 6.0 million shares in Q3 2008 to cover its share based compensation obligations for a total amount of EUR 67.6m.

Out of the total of 88.5 million repurchased shares, 57.8 million have been cancelled in Q3 2008, whilst the remaining 30.7 million shares are to be cancelled in the fourth quarter. KPN has 1,745,066,080 shares outstanding as of 30 September 2008 (anticipated to be 1,714 million shares at year end).

### **EUR 1bn share repurchase program for 2009 announced**

Today, KPN announced EUR 1bn of share repurchases for FY2009, assuming no material transactions and assuming no material further deterioration of financial markets in the period. The share repurchase program will commence in November 2008 and will run until the end of 2009.

## **Operating review**

### **The Netherlands: returning to EBITDA growth**

- The Dutch business reports its second consecutive quarter of EBITDA<sup>2</sup> growth. Whilst Q1 showed a decline of 2.7%, Q2 saw an increase of 2.1%, and in Q3 a 6.6% increase is reported (of which about half is positively influenced by one off items)
- KPN is expecting to comfortably achieve its upgraded guidance for EBITDA<sup>2</sup> in the Netherlands of 'flat', having achieved a YTD improvement of EUR 48m (partially attributable to lower management fee charges). Apart from the strengthening trend in consecutive quarters, this represents a distinct improvement versus 2007 which saw an EBITDA<sup>2</sup> decline versus 2006 of approximately EUR 200m.
- Revenue meanwhile, continues to marginally decline, with Q3 external revenue showing an increase of 0.5% (attributable to one off items) and Q2 showing a decrease of 0.1% (Q1 decrease 3.1%).
- All segments contributed to the Q3 organic EBITDA<sup>2</sup> improvements
- In the Consumer Segment, net line loss went further down and improving to a low level of around 30k, the growth of the broadband market decelerates (KPN market share stable at around 44%). A recovery of growth of wireless services is coming from strong net additions in earlier quarters, whilst active management for customer value and our simplification program are contributors to EBITDA improvement.
- Business continued to strengthen with brisk growth in wireless data, outsourcing and new ICT services nearly making up for the declines in traditional business lines. Wireless voice revenue continued to contract and remedial actions are being implemented.
- Wholesale & Operations delivered a distinct contribution to external revenues due to growth in wholesale line rental.
- Meanwhile, Getronics provided a satisfactory contribution to revenue and EBITDA, even though revenue and EBITDA in Q3 were lower than in the first two quarters of 2008 (due to ongoing disposals, seasonality effects and restructuring and integration costs).

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<sup>2</sup> The Netherlands excluding Getronics, iBasis/iBasis the Netherlands, restructuring costs (until Q2 2008) and book gains on sale of real estate

- Please refer to the iBasis press release issued on 21 October 2008 for a description of financial and operating performance.

### **Mobile International: revenue and EBITDA growth**

- E-Plus continues to outperform the market with 6.4% y-on-y service revenue growth (Q1: 6.8%, Q2: 8.1%), as a result of customer and usage growth. At 40% the Q3 EBITDA margin was considerably higher than margins reported in recent quarters (Q4 '07: 37%, Q1/Q2 '08: 38%) as a result of cost savings, handset lease service and acquisitions. Under the terms of the handset rental business launched in Q2, customers can rent handsets independent from wireless subscriptions (rental contracts classifying as operational lease under IFRS).
- BASE Belgium, is on track to deliver solid revenue growth ahead of market trends. Despite the challenges posed by 2008 termination rate cuts, the company shows a Q3 y-on-y service revenue growth of 5.4% (Q2: 5.3% excluding one offs), whilst YTD EBITDA is flat compared to the prior year.
- Other: revenue growth is driven by recent acquisitions (Tele2 Belgium and a small net contribution from Ortel). The quarter EBITDA of minus EUR 10m is for a large part attributable to start-up costs incurred in Spain. Meanwhile, Ortel is performing better than expected with a positive contribution to EBITDA.

### **FTE reductions on track**

In Q3, the number of FTEs in the Netherlands was reduced by 415 FTEs (excluding Getronics). The FTE reduction YTD Q3 amounted to 1,048 FTEs (excluding Getronics), in line with plan. Outside the Netherlands, the number of FTEs in Q3 compared to Q2 decreased by 3,395 to 13,498 FTEs, due to the sale of the Getronics' businesses in North America. Including Getronics, at 30 September 2008, KPN's workforce in the Netherlands amounted to 25,421 FTEs and, as a Group, KPN employed 38,919 FTEs.

### **Restructuring charges**

Third quarter restructuring charges amounted to EUR 21m, of which EUR 3m Getronics, EUR 3m Mobile International (relating to Sympac) and EUR 6m in Other activities (Q3 2007: EUR 8m). The remaining EUR 9m relates to the Netherlands, which was not foreseen as part of the EUR 207m restructuring provision taken in Q2. The EUR 9m relates to extra charges relating to restructuring plans initiated before Q2 2008 and the closure of an office building.

### **Economic impact**

KPN so far has not experienced an impact from the changing economic climate on its ongoing operations. Early warning indicators are being tracked, such as increased bad debts, higher churn, and rotational churn to lower pricing schemes. On the financing side bonds have been placed in 2008 at higher interest rates than in prior years. The average interest rate on group outstanding debt as per Q3 2008 was 5.4% (up from 5.2% at year end 2007). Disposals of subsidiaries until now were unaffected but may become more difficult, whilst it is clear that prevailing liquidity problems in the financial markets affect the speed at which KPN can execute its real estate disposal program. A review of other potential impact areas such as counterparty evaluation, derivatives, insurance and others has not shown any material risks.

Contingency plans aimed at preserving cash flow generation are in place for different economic scenarios, ranging from mild recession to economic downturn.

### **Pension position**

As per 30 June 2008, KPN showed a solid pension position with a coverage ratio of 132% for its main pension plan, whilst the value of pension gains or losses remained within a 10% corridor of obligations or assets. Since then, the volatile financial markets have increasingly impacted defined benefit pension plans at Dutch companies. Whilst the coverage ratio as per 30 September 2008 was 116%, the ratio has further deteriorated during the fourth quarter. As at 17 October 2008 the coverage ratio stood at around 105%, which is around par with the minimum ratio required by Dutch regulation (below which funds have to make a coverage ratio recovery plan). This has no cash or P&L impact for KPN in 2008.

Only in the hypothetical situation that 17 October 2008 would represent the situation of 31 December 2008, the declined coverage ratio would result in an additional P&L impact for KPN in 2009 (there is neither a cash impact nor a P&L impact in 2008). As per 17 October 2008, the additional cash payment for 2009 is estimated at approximately EUR 60m. The estimated additional P&L impact is of roughly the same amount. Over the years, KPN and the KPN pension funds have taken various measures to reduce volatility of pension charges. These measures include amongst others: maximizing limits of salary above which pension contributions are being made on defined contribution basis rather than defined benefit, changing

the pension plan to be based on average pay instead of final pay, making indexation of pension(rights) conditional on the coverage ratio's of the pension fund, hedging part of the interest rate decline risk and in the last collective labour agreement linking indexations to the Consumer Price Index rather than wage indexation.

## Performance vs. Outlook

### On track to meet guidance for 2008

In Q2, KPN upgraded the EBITDA<sup>3</sup> outlook for the Netherlands from at least EUR 3,174m to at least EUR 3,308m, due to strong underlying performance. KPN expects to comfortably achieve its upgraded guidance for EBITDA<sup>3</sup> in the Netherlands of 'flat', having achieved a YTD improvement of EUR 48m (partially attributable to lower management fee charges).

KPN has guided for high single-digit growth in its Mobile International business for the period 2008 to 2010. YTD 2008 revenues increased by 11.5% and EBITDA increased by 7.8% compared to the same period last year. Getronics Q4 EBITDA is anticipated to be around zero, as a result of higher restructuring costs. Segment Other activities is guided to report a loss of approximately EUR 100m in 2008, in line with previous guidance.

In all, KPN anticipates EBITDA for the group to be around EUR 5bn for the whole of 2008 (including book gains of broadly EUR 100m on real estate disposals).

Both capex and free cash flow for 2008 are on track to meet guidance of approximately EUR 2bn and at least EUR 2.4bn, respectively.

KPN confirms its objectives for 2010 as communicated on 5 February 2008, amongst others of at least EUR 5.5bn of EBITDA and EUR 2.4bn of free cash flow in 2010 and EUR 0.80 of dividend per share over 2010.

It is as yet too early to assess the impact of possible regulatory initiatives from the European Commission which may represent both risks and opportunities.

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<sup>3</sup> The Netherlands excluding Getronics, iBasis/iBasis the Netherlands, restructuring costs (until Q2 2008) and book gains on sale of real estate

# Consumer

## Financial review

<b>Consumer financial highlights</b> <i>(In millions of euro unless indicated otherwise)</i>	Q3 2008	Q3 2007	YTD 2008	YTD 2007	$\Delta$ y-on-y	$\Delta$ YTD
- Voice wireline	198	247	627	805	-20%	-22%
- Wireless services	467	464	1,324	1,348	0.6%	-1.8%
- Internet wireline	252	242	752	675	4.1%	11%
- Other (incl. intercompany revenues)	104	100	305	294	4.0%	3.7%
<b>Revenues and other income</b>	<b>1,021</b>	<b>1,053</b>	<b>3,008</b>	<b>3,122</b>	<b>-3.0%</b>	<b>-3.7%</b>
<b>Operating expenses</b>	<b>896</b>	<b>937</b>	<b>2,625</b>	<b>2,744</b>	<b>-4.4%</b>	<b>-4.3%</b>
<i>Of which: depreciation, amortization and impairments</i>	69	63	207	178	9.5%	16%
<b>EBITDA</b>	<b>194</b>	<b>179</b>	<b>590</b>	<b>556</b>	<b>8.4%</b>	<b>6.1%</b>
<b>EBITDA margin</b>	<b>19.0%</b>	<b>17.0%</b>	<b>19.6%</b>	<b>17.8%</b>	-	-

### Decrease in revenues and other income of 3.0%

Revenues and other income for the Consumer Segment in Q3 2008 decreased by EUR 32m, or 3.0% y-on-y. This decline is slightly higher than previous quarter (2.4% decrease y-on-y), with roaming tariff cuts in the holiday season having a bigger impact. The Q3 decline is better than the decline in Q1 08 (5.5% decrease y-on-y), reflecting the trend to an increased contribution of non-traditional revenue sources. Revenues decreased in voice wireline with approximately the same rate as previous quarter (-20% y-on-y, compared to -19% in Q2), Internet services increased (4.1% y-on-y, compared to 13% in Q2) and revenues continued to grow in TV driven by good Digitenne performance. Wireless services increased (0.6% y-on-y, compared to -1.1% in Q2). During Q3 the impact of MTA cuts and roaming revenue reductions annualized which resulted in underlying growth showing up in September revenues.

### EBITDA increased by 8.4% to EUR 194m

Despite negative impacts from MTA (EUR 7m) and roaming cuts, EBITDA increased by 8.4% or EUR 15m to EUR 194m compared to the third quarter of 2007. Operating costs declined by 4.4% y-on-y, supported by cost savings, a company-wide simplification program and a widened use of capex intensive propositions. EBITDA was positively influenced by contributions from most of the business lines. As in the previous quarter, the broadband business increasingly contributed to EBITDA growth. Overall, the segment showed a 2.0%-point increase in the EBITDA margin y-on-y to 19.0%.

## Operating review

### Successful in managing market for value; net line loss down to 30k

While the market growth of (new) broadband lines is slowing down, KPN is shifting from a strategy of maximizing subscriber market share towards a customer value based multi-brand strategy for broadband and VoIP. This is combined with proactive retention schemes for high-value PSTN customers. In the broadband market, KPN maintained its market share at 44% in Q3. The VoIP customer base grew by 47k q-on-q to well over 1 million customers, continuing to outperform the market with circa 45% of net additions of market growth. As a result, line loss declined further from 40k in Q2 2008 to 30k in Q3 2008.

A major simplification program was started in order to reduce brands, simplify the services portfolio, implement uniform and standardized processes in order to increase 'First-Time-Right' and lastly to reduce the complexity of IT. The migration efforts can affect customer experience and service and are temporarily putting an additional burden on support staff, affecting services levels. Actions are in place to deal with these issues which are expected to be overcome in the fourth quarter.

### Trend in wireless service revenues further improved

Wireless revenue trends continued to improve fuelled by solid growth in the postpaid customer base (plus 70k) and continued growth of data services. Wireless service revenue showed a decrease of 0.9% y-on-y (decrease of 0.7% in Q2 and 5.3% in Q1). The Q3 decrease is entirely attributable to MTA and roaming cuts

(excluding these wireless service revenues increased in Q3 by approximately 6-7% y-on-y (Q2: 5-6%). In accordance with this analysis, September service revenue showed solid growth.

At the end of September 2008, the postpaid customer base reached 2.7m, up 9% y-on-y, now representing 45% of the total customer base (plus 4% points vs. September 2007). At the same time, revenues from wireless data (excluding SMS/MMS) increased by 25% q-on-q, underpinned by a rapid increase of the number of mobile broadband users (up 70% q-on-q) and laptop cards customers (up 27% q-on-q). Data as % of ARPU increased to 24%, compared to 20% in Q3 2007.

### Further growth in TV

TV continues to grow and delivers an increasing contribution to revenues. KPN's estimated share in the digital TV market is 21% at the end of September 2008, with 64k new customers added in Q3. KPN TV customers totaled 700k (+69% y-on-y). As from October, the price for Digitenne was increased from EUR 6.95 to EUR 7.50 a month. KPN continues to expand its DVB-T network and added circa 550k households to the coverage area since 30 June 2008.

## Business

### Financial review

<b>Business financial highlights</b> <i>(In millions of euro unless indicated otherwise)</i>	Q3 2008	Q3 2007	YTD 2008	YTD 2007	Δ y-on-y	Δ YTD
- Infrastructure Services	619	627	1,872	1,931	-1.3%	-3.1%
<i>Of which: Wireless services</i>	205	219	640	662	-6.4%	-3.3%
- Corporate Solutions	137	124	400	357	10%	12%
- ICT Services	127	130	381	389	-2.3%	-2.1%
- Other (incl. intercompany revenues)	-74	-71	-237	-212	4.2%	12%
<b>Revenues and other income</b>	<b>809</b>	<b>810</b>	<b>2,416</b>	<b>2,465</b>	<b>-0.1%</b>	<b>-2.0%</b>
<b>Operating expenses</b>	<b>640</b>	<b>650</b>	<b>1,914</b>	<b>1,975</b>	<b>-1.5%</b>	<b>-3.1%</b>
<i>Of which: depreciation, amortization and impairments</i>	30	27	85	80	11%	6.3%
<b>EBITDA</b>	<b>199</b>	<b>187</b>	<b>587</b>	<b>570</b>	<b>6.4%</b>	<b>3.0%</b>
<b>EBITDA margin</b>	<b>24.6%</b>	<b>23.1%</b>	<b>24.3%</b>	<b>23.1%</b>	-	-

### Revenues and other income at EUR 809m stable but supported by a one-off gain of EUR 10m

Revenues and other income for the Business Segment in Q3 2008 were stable compared to Q3 2007, but Q3 2008 includes a one off gain relating to services provided to the government. Excluding this item, the revenue decline in the segment was marginally lower than declines reported in Q2 (minus 1.6%) and in Q1 (minus 4.2%). The decline in revenues from Infrastructure Services slowed down to 1.3% or EUR 8m y-on-y compared to -2.0% in Q2 and -5.8% in Q1. The decrease in wireless voice revenue was partly offset by the continued strong increase in wireless data (up 50% y-on-y). Remedial actions to reverse the trend in wireless voice are being implemented. Revenues from Corporate Solutions continued its strong upward trend with 11% to EUR 137m as major contracts are being implemented. Revenues from ICT Services were 2.3% lower y-on-y on the back of slow order intake for IP-PABX implementations.

### EBITDA up 6.4% to EUR 199m

At EBITDA level the aforementioned one off item (EUR 10m) is offset by a one off cost of EUR 8m in relation to settlement of several legal cases with OPTA and competitors (please refer to the regulatory paragraph for further details). EBITDA for the Business Segment was up 6.4% or EUR 12m to EUR 199m driven by Infrastructure services and despite the impact of roaming and termination cuts. The EBITDA margin improved with 1.5% points to 24.6% compared to 23.1% in the same quarter last year.



## Operating review

### Revenue trends continue to improve quarter over quarter

In wireline services, there is a continued migration from traditional to IP-based services. The rate of decline in traditional services is decreasing with KPN focusing on a managed migration to IP. In voice, a continued decline in PSTN/ISDN is substituted by IP-based voice services like VoIP and IP-PBX. As for data connections, traditional services like leased lines, Frame Relay and ATM are substituted by IP-based data services like E-VPN, almost reaching the 10k mark, and managed VPN connections, which grew to 19k. In the business of managed data services, KPN sees growing demand for end-to-end managed solutions and taps into this segment by cross- and upselling on its large customer base in connectivity.

### Continuing growth in new services

Revenues from hosting services showed a steady growth compared to the same quarter last year as the number of hosted servers increased to 2.2k. Hosting services were up 57% y-on-y. Housing services capacity was up 86% y-on-y, with existing capacity almost fully sold out. A fourth KPN Cybercenter is almost completed, adding a substantial amount of capacity since September for which KPN is experiencing strong demand. Online applications continued its growth as the number of accounts increased to almost 90k effectively one year after launch. Revenues from Enterprise Communication Services in Q3 2008 were weak following slow order intake for IP-PABX implementations. Market shares remain stable in this area and the focus is on achieving operational excellence so as to maintain or improve profitability levels.

### Stable revenues in wireless services

Revenues from wireless services were stable as the decrease in revenues caused by the MTA and roaming cuts were offset by the continued growth of wireless data services. Within wireless voice KPN enjoyed subscriber growth of 4% y-on-y in Q3 but service revenue declined as a result of deteriorating ARPU. Wireless data revenues continue to be an important source of growth with a growth rate of around 50% y-on-y. Growth is coming from M2M connections, PDAs, BlackBerrys and laptop data cards.

### Corporate Solutions continues strong revenue growth of 10% in Q3

Corporate Solutions provides a full portfolio of integrated ICT and outsourcing services to top-500 customers in the Netherlands. In Q3 2008, revenues from Corporate Solutions continued its growth path as major contracts start generating revenues and by cross and upselling to existing customers. At the end of this quarter the number of managed voice workspaces was up 32% y-o-y to 346k.

## Getronics

### Financial review

<b>Getronics financial highlights</b> <i>(In millions of euro unless indicated otherwise)</i>	Q3 2008	Q2 2008	Q1 2008	YTD 2008
<b>Revenues and other income</b>	<b>465</b>	<b>504</b>	<b>515</b>	<b>1,484</b>
<b>Operating expenses</b>	<b>465</b>	<b>519</b>	<b>514</b>	<b>1,498</b>
<i>Of which: depreciation, amortization and impairments</i>	<i>18</i>	<i>49</i>	<i>23</i>	<i>90</i>
<b>EBITDA</b>	<b>18</b>	<b>34</b>	<b>24</b>	<b>76</b>
<b>EBITDA margin</b>	<b>3.9%</b>	<b>6.7%</b>	<b>4.7%</b>	<b>5.1%</b>

### Revenues and other income in Q3 of EUR 465m

In Q3 2008, Getronics generated revenues of EUR 463m. Revenues in the Benelux were solid and in line with Q1 and Q2 revenues. Compared to Q2 2008, revenues were EUR 41m lower in Q3, primarily due to the divestment of the businesses in North America on 20 August 2008 and the divestment of Everest on 7 July 2008.

### **EBITDA of EUR 18m impacted by restructuring and integration costs**

Q3 EBITDA amounted to EUR 18m including EUR 15m restructuring and integration costs. Restructuring and integration costs are expected to increase further in Q4 2008. In the Netherlands, significant contributions to EBITDA came from the consulting and data center & hosting services businesses. The Getronics business has a seasonal results pattern.

### **Businesses classified as held for sale**

A number of non-core businesses of Getronics have been classified as held for sale in the Consolidated Balance Sheet as at 30 September 2008. These businesses include Business Application Services, Business Solutions for Local Governments and Healthcare and Document Services (all in the Netherlands). Please refer to Appendix K for further details.

## **Operating review**

### **Divestment of non-core activities progressing well**

KPN announced a divestment program on 5 February 2008. The scope of the divestment program was enlarged by the sale of the North American operations on 20 August 2008 to CompuCom, in exchange for cash and an 11% minority interest in the enlarged CompuCom business.

Meanwhile KPN made progress in the disposal of non-core assets in the Benelux. On 25 July 2008, KPN announced that Getronics reached an agreement in principle with Capgemini for the sale of the Business Application Services activities of Getronics in the Netherlands. The agreement is subject to the condition precedent being satisfied that the central works council of Getronics has had the possibility to give their advice regarding the sale of the Business Application Services activities. In addition to the transaction with Capgemini, a business by the name of Everest was sold on 7 July 2008.

In total, KPN has divested circa EUR 700-750m in annual revenues, arriving at a run rate for 2008 of about EUR 1.4bn. The total transaction value of the divestments since 1 January 2008 amount to more than EUR 500m. The total goodwill allocated to these divestments is approximately EUR 210m.

### **Several large contract wins are highlighting the strong pipeline**

Getronics concluded a number of major wins in Q3, highlighting a strong pipeline. 'Project Gold' is a EUR 40m contract with the Dutch government for standardized workspaces for up to 21,000 employees across 22 government organisations. With NXP Semiconductors, Getronics concluded a EUR 15m contract for workspace management services for up to 15,000 employees in 25 countries in EMEA and the Americas. A EUR 23m joint contract with IBM was signed to manage part of Martinair's IT organisation.

### **Solid operational performance of core assets**

The business units of Getronics that KPN has deemed core, are steadily progressing a variety of profit improvement programs such as de-layering the organisation, renegotiations of onerous contracts, vacating office space and others. Simultaneously, a program is being executed to strengthen internal control standards to KPN's own levels.

The performance of Getronics' core assets in the Benelux was solid and in line with Q1 and Q2. Taking into account the normal seasonal trend, with the holiday period in July and August, the consulting and global services business continued to improve their profitability. Under a new management team the UK business made good progress with results during Q3.

# Wholesale & Operations

## Financial review

<b>Wholesale &amp; Operations financial highlights</b> <i>(In millions of euro unless indicated otherwise)</i>	Q3 2008	Q3 2007	YTD 2008	YTD 2007	$\Delta$ y-on-y	$\Delta$ YTD
Revenues	922	887	2,816	2,686	3.9%	4.8%
<i>Of which: iBasis (incl. iBasis the Netherlands)</i>	227	-	680	-	-	-
<i>Of which: Real Estate</i>	59	90	237	271	-34%	-13%
Other income	22	31	46	87	-29%	-47%
<i>Of which: iBasis</i>	-	-	-	-	-	-
<i>Of which: Real Estate</i>	6	30	22	86	-80%	-74%
<b>Revenues and other income</b>	<b>944</b>	<b>918</b>	<b>2,862</b>	<b>2,773</b>	<b>2.8%</b>	<b>3.2%</b>
<b>Operating expenses</b>	<b>716</b>	<b>695</b>	<b>2,220</b>	<b>2,225</b>	<b>3.0%</b>	<b>-0.2%</b>
<i>Of which: depreciation, amortization and impairments</i>	243	252	752	935	-3.6%	-20%
<b>EBITDA</b>	<b>471</b>	<b>475</b>	<b>1,394</b>	<b>1,483</b>	<b>-0.8%</b>	<b>-6.0%</b>
<i>Of which: iBasis</i>	7	-	20	-	-	-
<i>Of which: Real Estate</i>	33	67	125	203	-51%	-38%
<b>EBITDA margin</b>	<b>49.9%</b>	<b>51.7%</b>	<b>48.7%</b>	<b>53.5%</b>	-	-

### Revenues up 3.9% to EUR 922m

Revenues in Q3 2008 increased by EUR 35m, mainly as a result of the consolidation of iBasis as from 1 October 2007 (iBasis reporting EUR 227m revenue in Q3, including the business acquired from KPN), partly offset by continued (but decelerating) line loss in the Consumer and Business Segments. Other income decreased by EUR 9m to EUR 22m which relates mainly (EUR 20m) to book gains on the sale of real estate (including the sale of Telfort towers with a book gain of EUR 14m). In Q3 2007, a EUR 30m book gain was included in other income regarding the sale of the Coolsingel premises in Rotterdam.

### EBITDA down 0.8% to EUR 471m

EBITDA decreased by EUR 4m compared to Q3 2007 due to the continuing decline in traditional voice (both access and traffic) and the EUR 10m lower book gains on the sale of real estate in Q3 2008. This effect was partly offset by cost savings from FTE reductions. The 1.8%-point drop in EBITDA margin is mainly caused by lower book gains on real estate sales and lower margins at iBasis. Depreciation and amortization costs were EUR 9m lower, in spite of accelerated depreciation charges of the (traditional) copper access network in Q3 2008 (EUR 17m).

## Operating review

### Progress sale of real estate portfolio

As announced earlier in 2005, the value of the real estate portfolio is estimated at EUR 1bn. This relates to buildings being both completely and partially vacated, in most instances allowing for a redevelopment of the premises.

It is expected that 2008 proceeds will amount to approximately EUR 150m. Whilst in Q4 2008, KPN expects to conclude negotiations on the sale of more properties, a slowdown is anticipated in closing of transactions as parties take longer to arrange financing and fewer parties are active on the market. KPN's focus is on optimizing the value from real estate, rather than the timing of proceeds.

### All-IP status update

KPN is making substantial progress towards the roll-out of a fiber based access network. The IP-based services platforms for VoIP and IPTV are fully operational, stable and scalable (VoIP over 1 million customers, IPTV currently over 30,000 subscribers). The backbone is now entirely fiber based, generating an increase in transmission capacity at lower costs. During 2008, KPN has implemented a new ordering, installation and customer care IT infrastructure for fiber based services in the Consumer market. This implementation provides for a clean break with existing legacy systems as it is based on 'off the shelf' IT

applications. It provides for integrated functionality across the Consumer segment (amongst others supporting retail, call centers and customer self care) into the segment Wholesale & Operations (network provisioning). The implementation incorporates all the learnings from the 2007 VoIP roll-out problems, such as ensuring that cancellations and customers changing residence can be supported on a fully automated basis before starting a mass roll-out.

A joint venture with Reggefiber for the joint investment and operation of the passive layer of Fiber-to-the-Home (FttH) has been negotiated. Approval from the Dutch competition authority NMa is pending. KPN has agreed MoUs with the largest unbundlers in the Netherlands for migration to the new infrastructure.

Meanwhile, the competitive landscape is changing considerably in the Netherlands, with DSL and cable operators consolidating and KPN establishing a sizeable position in the TV market. In addition, KPN has obtained very positive results from protecting the value of traditional services through selective retention programs. This allows for a 'managed migration' to IP, rather than a network forced migration so as to maximize cash flow whilst protecting market share, ARPU and competitive position.

The roll-out of the fiber based access network will be executed in a two-step process. Until H1 2009, KPN will focus its efforts on demonstrating commercial success of Fiber-to-the-Curb (FttC) and FttH in 5 cities each. In H1 2009, a decision is expected to be taken on the rate of ramp-up for the subsequent quarters, based on an evaluation of the roll-out in the 2x5 cities and the by then clarified regulatory landscape (FttH).

In FttC, KPN will achieve 450k homes passed by year end 2008 and anticipates 700-800k homes passed by year end 2009, assuming a positive ramp-up decision. Pending the ramp up decision, customer migration to fiber will be limited in 2008 (tens of thousands) as the migration will ramp up only in H2 2009 with sales starting in about 25 cities. In FttH, KPN is currently engaged in projects in Enschede and Almere. The scale of future FttH deployment will depend on the success of the current projects, approval of the Reggefiber joint venture and regulation. In Fiber-to-the-Office (FttO), KPN has rolled out fiber in 92 business parks, with the further roll-out driven by market demand.

Cumulative investment in fiber rings, street cabinets, service platforms and other smaller elements of the fiber based access networks stands at around EUR 300m.

Meanwhile, the timing of real estate disposals has been made largely independent of the network roll-out. After disposal, buildings will continue to be used until vacating with temporary lease-back agreements. In the meantime, KPN is optimizing real estate ahead of vacating exchanges. Asset optimization lowers the amount of equipment and floor space used and provides cost reduction opportunities.

#### **iBasis Q3 2008 results published on 21 October 2008**

iBasis has published its Q3 2008 results on 21 October 2008. For a more extensive description of the financial and operating performance, please refer to the iBasis press release available at [www.ibasis.com](http://www.ibasis.com).

#### **iBasis share repurchase program completed; KPN's share in iBasis increased to 56%**

On 20 August 2008, iBasis completed its share repurchase program of USD 15m (ordinary shares), as authorized by its Board of Directors on 28 April 2008. As a result KPN's share in iBasis increased to 56%.

# E-Plus

## Financial review

<b>E-Plus financial highlights</b> <i>(In millions of euro unless indicated otherwise)</i>	Q3 2008	Q3 2007	YTD 2008	YTD 2007	$\Delta$ y-on-y	$\Delta$ YTD
Service revenues	782	735	2,244	2,095	6.4%	7.1%
Hardware and other revenues	58	34	159	108	71%	47%
<b>Revenues and other income</b>	<b>840</b>	<b>769</b>	<b>2,403</b>	<b>2,203</b>	<b>9.2%</b>	<b>9.1%</b>
<b>Operating expenses</b>	<b>670</b>	<b>635</b>	<b>1,965</b>	<b>1,870</b>	<b>5.5%</b>	<b>5.1%</b>
<i>Of which: depreciation, amortization and impairments</i>	<i>166</i>	<i>155</i>	<i>490</i>	<i>502</i>	<i>7.1%</i>	<i>-2.4%</i>
<b>EBITDA</b>	<b>336</b>	<b>289</b>	<b>928</b>	<b>835</b>	<b>16%</b>	<b>11%</b>
<b>EBITDA margin</b>	<b>40.0%</b>	<b>37.6%</b>	<b>38.6%</b>	<b>37.9%</b>	-	-

### Revenues and other income up 9.2% to EUR 840m

Revenues and other income at E-Plus increased by 9.2% in Q3 or EUR 71m to EUR 840m, due to the continued success of the 'Challenger' strategy, and the acquisitions of SMS Michel and blau Mobilfunk in 2008 with a total impact of EUR 37m on revenues and other income. Service revenues increased in Q3 by EUR 47m or 6.4% including a minor contribution from blau Mobilfunk. The MTA impact on Q3 revenues amounted to EUR 12m.

### EBITDA up 16% to 336m

EBITDA in Q3 2008 amounted to EUR 336m, up 16% or EUR 47m compared to Q3 2007 mainly due to the continued focus on costs. Subscriber acquisition and retention costs went down by 41% y-on-y in Q3. In the course of Q2, E-Plus launched a new service of handset leases which are provided to customers independent of their mobile voice/data subscription. Customers can choose from a variety of models and from different service levels, such as being able to hand in their phone in exchange for the newest model at regular intervals. Under IFRS these handset leases are treated as operational leases and consequently these handsets are depreciated over the lifetime of the handset. In Q3 EUR 29m of capex related to these handset leases is included in the E-Plus figures. As a consequence, the reported EBITDA margin is no longer directly comparable with prior quarters. The MTA impact on Q3 EBITDA amounted to EUR 7m.

## Operating review

### Continued success of 'Challenger' strategy in Germany

Since the introduction of the 'Challenger' strategy three years ago, E-Plus has unlocked significant value from the German market. The company continues to do what it does best: offering attractive voice and data propositions that meet customer demand. German market growth has been flat over the past two quarters, the net result of regulatory tariff cuts, rotational churn to lower prices and growth in wireless traffic. E-Plus has been able to consistently outperform the market in service revenue growth by about 8%-point. In the past three years, MoU has doubled, mainly driven by new brands which offer attractive minute pricing and as a result drive elasticity. Additionally, E-Plus has several MVNO partners which generate substantial revenues at low costs.

### Customer base exceeds 17 million subscribers

E-Plus had again a strong quarter with record net adds of 864k (mainly wholesale prepaid customers), the highest number since 2000, driven by the new brands. The customer base consists of both postpaid and prepaid and is currently over 17.0 million subscribers, up 21% compared to Q3 2007. The new brands now represent 61% of the total customer base or 10.5 million customers. E-Plus continues to outperform the market with 6.4% y-on-y service revenue growth (Q1: 6.8%, Q2: 8.1%), as a result of continued customer and usage growth.

### Strengthening distribution and focus on SAC/SRC

E-Plus has a strong focus on costs, especially through managing SAC/SRC. E-Plus has differentiated dealer commissions in order to incentivize dealers to stimulate growth in the high-value segment. In addition,

more and more captive channels are used through selective acquisitions like SMS Michel and blau Mobilfunk.

## BASE

### Financial review

<b>BASE financial highlights</b> <i>(In millions of euro unless indicated otherwise)</i>	Q3 2008	Q3 2007	YTD 2008	YTD 2007	$\Delta$ y-on-y	$\Delta$ YTD
Service revenues	155	147	462	447	5.4%	3.4%
Hardware and other revenues	6	4	20	11	50%	82%
<b>Revenues and other income</b>	<b>161</b>	<b>151</b>	<b>482</b>	<b>458</b>	<b>6.6%</b>	<b>5.2%</b>
<b>Operating expenses</b>	<b>132</b>	<b>126</b>	<b>385</b>	<b>363</b>	<b>4.8%</b>	<b>6.1%</b>
<i>Of which: depreciation, amortization and impairments</i>	27	30	82	85	-10%	-3.5%
<b>EBITDA</b>	<b>56</b>	<b>55</b>	<b>179</b>	<b>180</b>	<b>1.8%</b>	<b>-0.6%</b>
<b>EBITDA margin</b>	<b>34.8%</b>	<b>36.4%</b>	<b>37.1%</b>	<b>39.3%</b>	-	-

#### Revenue and other income up 6.6% to EUR 161m

Revenues and other income at BASE increased by 6.6% in Q3 or EUR 10m to EUR 161m, despite an MTA reduction as per 1 July 2008 (EUR 6m effect in Q3). Key drivers behind higher revenue are increased subscription fees and higher traffic related revenues.

#### EBITDA increase of 1.8% to EUR 56m

EBITDA in Q3 2008 amounted to EUR 56m, up 1.8% or EUR 1m compared to Q3 2007. The above mentioned revenue increase was largely offset by higher operational expenses mainly related to network costs. The MTA effect on EBITDA amounted to EUR 4m in Q3.

### Operating review

#### Continued growth in service revenues

Despite the challenges posed by 2008 termination rate cuts, the company showed a Q3 y-on-y service revenue growth of 5.4% (Q2: 5.3% excluding one-offs). The improved service revenue performance mainly resulted from continued subscriber growth and the good performance of the postpaid plans, in particular the success of BASE's flat fee offers.

#### BASE continues to deliver customer growth

In the third quarter of 2008, BASE added another 147k customers to its client base, of which 15k are postpaid customers. The number of customers at the end of the third quarter totaled 3.2 million, up 19% (or 519k subscribers) compared to Q3 2007.

#### Solid contribution of Allo Telecom

Like in the second quarter, Allo Telecom continued its increased contribution to revenues resulting from increased gross adds and hardware revenues. In Q3, new subscribers generated by Allo Telecom shops increased by 20% versus Q2, with relatively many new clients in the Walloon region.

# Mobile Wholesale NL

## Financial review

<b>Mobile Wholesale NL financial highlights</b> (In millions of euro unless indicated otherwise)	Q3 2008	Q3 2007	YTD 2008	YTD 2007	$\Delta$ y-on-y	$\Delta$ YTD
Service revenues	87	88	256	254	-1.1%	0.8%
Hardware and other revenues	2	-	5	2	> 100%	> 100%
<b>Revenues and other income</b>	<b>89</b>	<b>88</b>	<b>261</b>	<b>256</b>	<b>1.1%</b>	<b>2.0%</b>
<b>Operating expenses</b>	<b>59</b>	<b>63</b>	<b>174</b>	<b>182</b>	<b>-6.3%</b>	<b>-4.4%</b>
<i>Of which: depreciation, amortization and impairments</i>	6	7	20	21	-14%	-4.8%
<b>EBITDA</b>	<b>36</b>	<b>32</b>	<b>107</b>	<b>95</b>	<b>13%</b>	<b>13%</b>
<b>EBITDA margin</b>	<b>40.4%</b>	<b>36.4%</b>	<b>41.0%</b>	<b>37.1%</b>	-	-

### Continued organic growth, revenues up 1.1%

Revenues and other income at Mobile Wholesale NL increased in Q3 by 1.1% or EUR 1m to EUR 89m, due to higher subscription fees and increased traffic related revenues. Volume of outgoing traffic increased 13% y-o-y. The effect of MTA regulation on revenues in Q3 is EUR 3m.

### EBITDA increase of 13% to EUR 36m; MTA impact of EUR 2m

EBITDA increased in Q3 with 13% or EUR 4m to EUR 36m. Decrease in MTA (EUR 2m) and roaming tariffs positively affect cost development y-o-y, while distribution fees have also decreased compared to Q3 2007.

## Operating review

Customer base increased with 62k in Q3 2008. Driver of growth is postpaid with over 48k net additions. Partners in the business and machine-to-machine markets have increased their customer base. Prepaid base increased by 14k customers even though churn rate has gone up as a result of strong competition in the ethnic segment and fewer campaigns with acquisition subsidy. The migration of RaboMobiel customers to the KPN network started in Q2 and has been successfully completed in September 2008. Both in Q2 and Q3, RaboMobiel contributed positively to the increase in the prepaid and postpaid base as a result of the migration of their existing customer base and due to their continued success in acquiring new customers.

# Mobile International - Other (incl. intercompany)

## Financial review

<b>Mobile International - Other financial highlights</b> (In millions of euro unless indicated otherwise)	Q3 2008	Q3 2007	YTD 2008	YTD 2007	$\Delta$ y-on-y	$\Delta$ YTD
Service revenues	51	9	104	27	> 100%	> 100%
Hardware and other revenues	41	5	112	9	> 100%	> 100%
Intercompany revenues	-47	-6	-91	-20	> -100%	> -100%
<b>Revenues and other income</b>	<b>45</b>	<b>8</b>	<b>125</b>	<b>16</b>	<b>&gt; 100%</b>	<b>&gt; 100%</b>
<b>Operating expenses</b>	<b>65</b>	<b>12</b>	<b>179</b>	<b>30</b>	<b>&gt; 100%</b>	<b>&gt; 100%</b>
<i>Of which: depreciation, amortization and impairments</i>	10	-	21	-	-	-
<b>EBITDA</b>	<b>-10</b>	<b>-4</b>	<b>-33</b>	<b>-14</b>	<b>&gt; -100%</b>	<b>&gt; -100%</b>
<b>EBITDA margin</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	-	-

## Results driven by recent acquisitions

In line with H1, the revenues and EBITDA movement compared to last year reflects recent acquisitions, most notably Tele2 Belgium (consolidated as from 1 October 2007). Compared to Q2, revenues increased by 7.1% to EUR 45m, with all service providers contributing, while EBITDA remained stable. The consolidation of Ortel Mobile (consolidated as from 22 April 2008) had in Q3 an impact on external revenues of approximately EUR 33m, largely offset by a shift of EUR 26m from external to internal revenues within E-Plus, BASE and Mobile Wholesale NL, being the host networks for Ortel.

## Operating review

### Intention to launch French MVNO

Based on the success of the wholesale business model in all markets, KPN explores opportunities to bring this model in other Western European markets to leverage its expertise in executing MVNOs and multi-brand strategies. Following the launch of its Spanish MVNO in January 2008, KPN also intends to act as an MVNO in France on the network of Bouygues Telecom.

### Continued outperformance Ortel

Ortel Mobile continues to outperform market growth in all its markets through distinctive offerings, such as attractive international calling rates, targeted at ethnic segments which are wholesale partner on KPN's network. In September, Ortel has launched its "Roam-Like-Home" proposition, offering calls within KPN's footprint (Netherlands, Germany and Belgium) for attractive on-net rates.

## Other activities

### Financial and operating review

<b>Other activities financial highlights</b> <i>(In millions of euro unless indicated otherwise)</i>	Q3 2008	Q3 2007	YTD 2008	YTD 2007	$\Delta$ y-on-y	$\Delta$ YTD
Revenues	1	2	2	4	-50%	-50%
Other income	-	-1	20	4	> 100%	> 100%
<b>Revenues and other income</b>	<b>1</b>	<b>1</b>	<b>22</b>	<b>8</b>	<b>0.0%</b>	<b>&gt; 100%</b>
<b>Operating expenses</b>	<b>29</b>	<b>-6</b>	<b>94</b>	<b>26</b>	<b>&gt; 100%</b>	<b>&gt; 100%</b>
<i>Of which: depreciation, amortization and impairments</i>	<i>-1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>&gt; -100%</i>	<i>-</i>
<b>EBITDA</b>	<b>-29</b>	<b>8</b>	<b>-71</b>	<b>-17</b>	<b>&gt; -100%</b>	<b>&gt; -100%</b>
<b>EBITDA margin</b>	<b>&gt; -100%</b>	<b>&gt; 100%</b>	<b>&gt; -100%</b>	<b>&gt; -100%</b>	<b>-</b>	<b>-</b>

### Revenues and other income

- Other income YTD 2008 includes a release of a provision in Q1 of EUR 20m regarding the sale of a subsidiary in 2002. Revenues and other income of EUR 1m is stable compared to Q3 2007.

### EBITDA

- In 2008, Other activities is expected to report a loss of approximately EUR 100m. This amount is representative of annual corporate expenses that do not pertain to operating companies such as Board of Management, corporate projects, corporate functions for tax, legal, treasury and audit, as well as expenses for corporate social responsibility projects and the interest costs for the Social Plan 2001 provision. In 2008, items of a more incidental nature also reported under Other activities, broadly even out (amongst others EUR 207m restructuring charges for 2008-2010, EUR 199m release of pension provisions, EUR 20m release of a provision related to the 2002 sale of a subsidiary). In 2007 the loss reported under Other activities amounted to EUR 45m. The difference of EUR 55m higher loss in 2008, is partly explained by one off items and partly by lower management fee charges to the operating companies.
- EBITDA in the third quarter of 2008 is in line with developments described above. EBITDA in the third quarter of 2007 included releases of provisions and accruals (amongst others related to employee benefits and taxation).



## Other developments

### Regulatory developments

#### Mobile Termination Rates Germany

BNetzA published a new draft market decision in relation to the market for call termination on individual mobile networks (now market 7, previously market 16) for national consultation. According to those draft decisions all MNOs and also the full MVNOs were qualified as dominant players on their respective individual networks.

Further, BNetzA published four new draft regulatory orders in relation to such market for call termination on individual mobile networks. According to those draft decisions, the regulator envisages to impose the same obligations on all mobile operators as in the previous regulatory order (i.a. reference offer, non-discrimination obligation and ex ante obligation).

#### Retention

In the new draft market analysis concerning the end-customer market for fixed calls (Market 3-6 of the old EU market recommendation) BNetzA states that Deutsche Telekom has no longer significant market power in such markets. However, E-Plus in its statement concerning this draft analysis, argued that Deutsche Telekom still has significant market power in the market of national fixed-to-mobile calls and that Deutsche Telekom's fixed-to-mobile tariffs are excessively high.

As Deutsche Telekom has not passed the reduction of MTA tariffs to end-customers and as Deutsche Telekom's fixed-to-mobile tariffs still are excessive, E-Plus filed also a complaint at BNetzA and asked for low prices for fixed-to-mobile calls.

#### Dutch Telecom Agency formally ordered Telfort regarding UMTS license

On 11 June 2008, the Dutch Telecom Agency of the Ministry of Economic Affairs formally ordered Telfort to remedy the insufficient roll-out of the Telfort UMTS license, according to the Telfort UMTS license requirements, to which the Agency concluded on 3 April 2008. Telfort had the opportunity to remedy the roll-out within three months, or face a fine. Telfort and KPN have to fulfill the obligation, which will be verified by the Agency after 11 September. Vodafone, Tele2 and Telfort have objected to the order, on which a hearing is scheduled for 29 October 2008.

#### EUR 1.5m fine by OPTA

On 17 October 2008, OPTA fined KPN for an amount of EUR 1.5m for selectively providing discounts to Business customers as from 2006 to early 2008. In setting the EUR 1.5m fine, OPTA has taken into consideration that KPN provides EUR 8m compensation to competition for this and previous violations of the Dutch Telecom law. On 17 October OPTA also rendered a verdict on KPN's appeal to two fines of EUR 4.5m in total, relating to inappropriate discounts in 2007. OPTA has judged that the appeal was unfounded, but lowered these fines with 15%.

#### MTA reduction in the Netherlands

As of 1 July 2008, MTA in the Netherlands has been lowered from EUR 0.10 to EUR 0.09 for KPN and Vodafone, while T-Mobile's rate went from EUR 0.114 to EUR 0.104. These reductions are part of the covenant taken over and inserted in OPTA's July 2007 MTA decision which runs to mid 2010. By this time, KPN and Vodafone will have a termination rate of EUR 0.07 and T-Mobile will have a rate of EUR 0.081. However, OPTA's July 2007 MTA decision has been appealed by UPC. The court (CBb) has indicated in an interim decision that it will annul OPTA's decision, resulting in OPTA having to reconsider or repair its original decision.

#### Court Decision and BIPT fine against Belgacom in relation to F2M

Following a complaint lodged by BASE in 2007, the Antwerp Commercial Court ruled in its decision of 17 July 2008 that Belgacom should adapt its F2M-rates to the reduced MTA-tariffs of BASE as from 1 October 2008. On the same topic, BIPT (the Belgian telecom regulator) imposed a fine of EUR 3.1m upon Belgacom because the latter had not (timely) reflected the subsequent MTA-reductions that the mobile operators had implemented since November 2006, in (reduced) F2M retail tariffs.

#### Draft amendment of Roaming regulation

On 23 September 2008, the European Commission published draft amendments to the roaming regulation, which will now be discussed in the Council and Parliament. The proposals aim at amending the directive with effect as of 1 July 2009.

The most important proposed changes are:

- The glide path for retail tariff reductions is extended. As from 1 July 2009, annual reductions will be required until 1 July 2012. For calls made in other European Economic Area (EEA) countries the reductions are EUR 0.43, 0.40, 0.37 and 0.34. For calls received in other EEA countries EUR 0.19, 0.16, 0.13 and 0.10. Wholesale reductions are proposed tot 0.26, 0.23, 0.20 and 0.17 on the same dates.
- For retail and wholesale billing as of July 2009 only actually utilised minutes on a per second base may be used, except for the first 30 seconds for retail billing.
- For SMS new maximum tariffs are proposed at EUR 0.11 retail and 0.04 wholesale, as of 1 July 2009.
- As of 1 July 2009 a maximum wholesale rate of EUR 1.00 per Mb is proposed for data roaming. On retail level for data roaming additional information obligations towards customers will be introduced, which includes facilities for customers to set maximum billing levels for data roaming by 1 July 2010.

#### **KPN delisted from Frankfurt Stock Exchange**

On 13 August KPN delisted its ordinary shares from the Frankfurt Stock Exchange. Before that, KPN delisted in April 2008 its ADRs (American Depositary Receipts) from the New York Stock Exchange and its ordinary shares from the London Stock Exchange. As a result, since 13 August 2008 KPN is only listed on the Amsterdam Stock Exchange.

# General

## Accounting principles

This condensed consolidated interim financial information has been prepared in accordance with IAS 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the 2007 Annual Report. The applied accounting principles are in line with those as described in the 2007 Annual Report. All figures in this quarterly report are unaudited and based on IFRS.

## Safe harbor

Certain statements contained in this quarterly 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, its 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 2007 Annual Report.

All figures in this quarterly report are unaudited and based on IFRS. This quarterly report contains a number of non-GAAP figures, such as EBITDA and free cash flow. These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures. All market share information in this quarterly report is based on management estimates based on externally available information, unless indicated otherwise.

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 all cases, a reconciliation of EBITDA and the nearest GAAP measure (operating result) is provided. 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, all over EUR 20m. For 2008 and subsequent years, 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 at E-Plus.

## 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 mobile operations and holds number three market positions through E-Plus and BASE. KPN provides wholesale network services to third parties and operates an efficient IP-based infrastructure with global scale in international wholesale through iBasis.

At 30 September 2008, KPN served over 37 million customers, of which 29.8 million in wireless services, 4.0 million in wireline voice, 2.5 million in broadband Internet and 0.7 million in TV. With 25,323 FTEs (38,919 FTEs including Getronics), KPN posted revenues of EUR 10.9bn and an EBITDA of EUR 3.8bn in the period January – September 2008. KPN was incorporated in 1989 and is listed on the Amsterdam Stock Exchange, having recently delisted from the New York, London and Frankfurt Stock Exchanges.

## Results 2008 for the third quarter and period January - September, ending 30 September 2008

### APPENDICES

#### Financial Statements

- A) Consolidated Income Statement
- B) Consolidated Balance Sheet
- C) Consolidated Cash Flow Statement
- D) Consolidated Changes in Group Equity
- E) Other Disclosures
- F) Service revenues Dutch wireless services activities
- G) Revenues & EBITDA the Netherlands (as per guidance definition)
- H) Impact of MTA tariff reductions
- I) Operating result to EBITDA
- J) Noteworthy items
- K) Businesses Getronics classified as held for sale

You will find more information regarding the Key Operating Metrics on our website [www.kpn.com/ir](http://www.kpn.com/ir), section Publications, Financial publications, Quarterly factsheets.

## Appendix (A) Consolidated Income Statement

<i>(In millions of euro, unless indicated otherwise)</i>	Q3 2008	Q3 2007	YTD 2008	YTD 2007
Revenues	3,626	3,007	10,812	8,882
Other income	26	30	72	91
<b>Revenues and other income</b>	<b>3,652</b>	<b>3,037</b>	<b>10,884</b>	<b>8,973</b>
Own work capitalized	-30	-30	-77	-103
Cost of materials	259	227	744	634
Work contracted out and other expenses	1,332	1,126	3,927	3,242
Salaries and social security contributions	585	332	1,660	1,045
Depreciation, amortization and impairments	578	540	1,772	1,818
Other operating expenses	227	162	853	471
<b>Total operating expenses</b>	<b>2,951</b>	<b>2,357</b>	<b>8,879</b>	<b>7,107</b>
<b>Operating result</b>	<b>701</b>	<b>680</b>	<b>2,005</b>	<b>1866</b>
Finance income	13	9	39	24
Finance costs	-180	-145	-532	-417
Other financial results	-9	-6	-23	-14
Share of profit of associates and joint ventures	-	-1	-6	2
<b>Profit before income tax</b>	<b>525</b>	<b>537</b>	<b>1,483</b>	<b>1,461</b>
Income tax	-172	-182	-443	-393
<b>Profit for the period</b>	<b>353</b>	<b>355</b>	<b>1,040</b>	<b>1,068</b>
Profit attributable to minority shareholders	4	-	3	-1
Profit attributable to equity holders	349	355	1,037	1,069
<b>Earnings per ordinary share/ADS, on a non diluted basis (in EUR)</b>	<b>0.20</b>	<b>0.19</b>	<b>0.59</b>	<b>0.57</b>
<b>Earnings per ordinary share/ADS on a fully diluted basis (in EUR)</b>	<b>0.20</b>	<b>0.20</b>	<b>0.59</b>	<b>0.57</b>

## Appendix (B) Consolidated Balance Sheet

ASSETS (In millions of euro)	September 30, 2008	December 31, 2007
<b>NON-CURRENT ASSETS</b>		
<i><b>Intangible assets</b></i>		
Goodwill	5,718	5,781
Licenses	3,230	3,457
Software	379	410
Other intangibles	782	776
<b>Total intangible assets</b>	<b>10,109</b>	<b>10,424</b>
<i><b>Property, plant &amp; equipment</b></i>		
Land and buildings	824	793
Plant and equipment	5,692	6,070
Other tangible fixed assets	180	211
Assets under construction	1,033	792
<b>Total property, plant &amp; equipment</b>	<b>7,729</b>	<b>7,866</b>
Investments in joint ventures and associates	21	27
Derivative financial instruments	-	11
Deferred tax assets	1,821	2,185
Trade and other receivables	271	197
<b>Total non-current assets</b>	<b>19,951</b>	<b>20,710</b>
<b>CURRENT ASSETS</b>		
Inventories	156	150
Trade and other receivables	2,607	2,759
Available-for-sale financial assets	2	3
Derivative financial instruments	11	-
Cash and cash equivalents	1,333	1,148
<b>Total current assets</b>	<b>4,109</b>	<b>4,060</b>
<b>Non-current assets and disposal groups held for sale</b>	<b>380</b>	<b>27</b>
<b>TOTAL</b>	<b>24,440</b>	<b>24,797</b>

## Appendix (B) Consolidated Balance Sheet – continued

LIABILITIES (In millions of euro)	September 30, 2008	December 31, 2007
<b>GROUP EQUITY</b>		
Equity attributable to equity holders	3,526	4,490
Minority interests	23	28
<b>Total group equity</b>	<b>3,549</b>	<b>4,518</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	10,660	9,454
Derivative financial instruments	265	329
Deferred tax liabilities	1,720	2,055
Retirement benefit obligations	954	1,198
Provisions for other liabilities and charges	458	390
Other payables and deferred income	344	276
<b>Total non-current liabilities</b>	<b>14,401</b>	<b>13,702</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	3,776	3,897
Borrowings	2,122	2,301
Derivative financial instruments	1	28
Current tax liabilities	322	278
Provisions for other liabilities and charges	160	73
<b>Total current liabilities</b>	<b>6,381</b>	<b>6,577</b>
<b>Liabilities directly associated with non-current assets and disposal groups classified as held for sale</b>	<b>109</b>	<b>-</b>
<b>TOTAL</b>	<b>24,440</b>	<b>24,797</b>

## Appendix (C) Consolidated Cash Flow Statement

<i>(In millions of euro)</i>	Q3 2008	Q3 2007	YTD 2008	YTD 2007
<b>Profit before income tax</b>	<b>525</b>	<b>537</b>	<b>1,483</b>	<b>1,461</b>
Finance costs – net	176	142	516	407
Share of the profit of associates and joint ventures	-	1	6	-2
<i>Adjustments for:</i>				
Depreciation, amortization and impairments	578	540	1,772	1,818
Share-based compensation	14	2	15	7
Other income	-24	-31	-47	-91
Changes in provisions (excluding deferred taxes)	-48	-66	-150	-198
<i>Changes in working capital:</i>				
Inventories	-5	3	-9	-5
Trade receivables	25	32	111	-3
Prepayments and accrued income	-1	63	-145	-75
Other current assets	46	-35	9	-23
Accounts payables	-103	-149	172	-198
Accruals and deferred income	-33	6	-232	-42
Current liabilities (excluding short-term financing)	-30	46	-91	43
Received dividends	-	4	-	7
Taxes received (paid) <sup>4</sup>	-138	-38	-329	-80
Interest paid	-106	-95	-380	-348
<b>Net cash flow provided by operating activities</b>	<b>876</b>	<b>962</b>	<b>2,701</b>	<b>2,678</b>
Acquisition of subsidiaries, associates and joint ventures	-9	-300	-171	-533
Disposal of subsidiaries, associates and joint ventures	117	-	114	15
Investments in intangible assets (excluding software)	-6	-	-25	-7
Disposal of intangibles	1	16	1	16
Investments in property, plant & equipment and software <sup>5</sup>	-505	-378	-1,312	-981
Disposal of property, plant & equipment and software	26	42	40	124
Other changes and disposals	-	1	7	-
<b>Net cash flow used in investing activities</b>	<b>-376</b>	<b>-619</b>	<b>-1,346</b>	<b>-1,366</b>
Share repurchases	-427	-666	-1,000	-1,174
Share repurchases for option plans	-68	-	-68	-
Dividends paid	-344	-337	-981	-982
Exercised options	2	2	19	25
Proceeds from borrowings <sup>6</sup>	850	700	1,781	1,718
Repayments of borrowings <sup>5</sup>	-2	-2	-264	-1,010
Other changes	1	-	-7	-
<b>Net cash flow used in financing activities</b>	<b>12</b>	<b>-303</b>	<b>-520</b>	<b>-1,423</b>
<b>Changes in cash and cash equivalents</b>	<b>512</b>	<b>40</b>	<b>835</b>	<b>-111</b>
<b>Net Cash and cash equivalents at beginning of period</b>	<b>184</b>	<b>278</b>	<b>-138</b>	<b>429</b>
Changes in cash and cash equivalents	512	40	835	-111
Exchange rate differences	1	-	-	-
<b>Net Cash and cash equivalents at end of period</b>	<b>697</b>	<b>318</b>	<b>697</b>	<b>318</b>
Add: Debit cash balances	636	357	636	357
<b>Cash and cash equivalents at end of period</b>	<b>1,333</b>	<b>675</b>	<b>1,333</b>	<b>675</b>
<i>Of which classified as held for sale</i>	-	-	-	-

<sup>4</sup> Of which EUR 68m related to the tax recapture at E-Plus in Q3 2008 (YTD 2008: EUR 185m)

<sup>5</sup> Of which investments for software (2008 Q3: EUR 111m, 2008 YTD: EUR 283m, 2007 Q3: EUR 64m, 2007 YTD: EUR 196m)

<sup>6</sup> Reclassification of credit facility as it is used as bank overdraft and therefore included in net cash and cash equivalents as of 2008.



## Appendix (D) Consolidated Statement of Changes in Group Equity

<i>(In millions of euro, except for number of shares)</i>	Attributable to equity holders	Minority Interests	Total Group Equity
<b>Balance as of 1 January, 2007</b>	<b>4,195</b>	<b>1</b>	<b>4,196</b>
- Cash flow hedges, net of taxes	49	-	49
- Currency translation adjustments	-	-	-
<b>Net income recognized directly in equity</b>	<b>49</b>	<b>-</b>	<b>49</b>
- Profit for the year	1,069	-1	1,068
<b>Total recognized income up to 30 September 2007</b>	<b>1,118</b>	<b>-1</b>	<b>1,117</b>
- Share-based compensation	7	-	7
- Tax on share-based compensation	9	-	9
- Exercised options	25	-	25
- Shares repurchased (including for option and share plans and repurchase cost)	-1,120	-	-1,120
- Dividends paid	-982	-	-982
- Interest on dividend tax paid (net effect)	-2	-	-2
- New consolidations / other	-	2	2
<b>Total changes</b>	<b>-2,063</b>	<b>2</b>	<b>-2,061</b>
<b>Balance as of 30 September 2007</b>	<b>3,250</b>	<b>2</b>	<b>3,252</b>
<b>Number of issued shares as of 30 September 2007</b>	<b>1,928,551,326</b>		
<b>Weighted average number of outstanding shares during the period 1 January 2007 up to 30 September 2007 (excluding the average number of repurchased shares and shares for option and share plans)</b>	<b>1,882,678,358</b>		
<b>Balance as of 1 January 2008</b>	<b>4,490</b>	<b>28</b>	<b>4,518</b>
- Cash flow hedges, net of taxes	9	-	9
- Currency translation adjustments	13	-	13
<b>Net income recognized directly in equity</b>	<b>22</b>	<b>-</b>	<b>22</b>
- Profit attributable to equity holders	1,037	3	1,040
<b>Total recognized income up to 30 September 2008</b>	<b>1,059</b>	<b>3</b>	<b>1,062</b>
- Share-based compensation	7	-	7
- Tax on share-based compensation	-1	-	-1
- Exercised options	19	-	19
- Shares repurchased (including for option and share plans and repurchase cost)	-1,068	-	-1,068
- Dividends paid	-981	-	-981
- Interest on dividend tax paid (net effect)	-	-	-
- Other	1	-8	-7
<b>Total changes</b>	<b>-2,023</b>	<b>-8</b>	<b>-2,031</b>
<b>Balance as of 30 September, 2008</b>	<b>3,526</b>	<b>23</b>	<b>3,549</b>
<b>Number of issued shares as of 30 September 2008<sup>7</sup></b>	<b>1,745,066,080</b>		
<b>Weighted average number of outstanding shares during the period from 1 January 2008 up to 30 September 2008 (excluding the average number of repurchased shares and shares for option and share plans)</b>	<b>1,753,604,643</b>		

<sup>7</sup> On 17 September 2008, KPN cancelled 57,836,433 shares repurchased under the 2008 repurchase program. After cancellation of these shares, the total number of issued shares amounts to 1,745,066,080.

## Appendix (E) Other Disclosures

### Business combinations

During the period to 30 September 2008, KPN acquired companies and activities, which qualify as business combinations under IFRS. Consequently, the provisions of IFRS 3 are to be applied for those acquisitions. In Q3 there were no new acquisitions. The acquisitions in Q1 2008 were SMS Michel Communication GmbH, ApplicationNet BV, Gemnet CSP BV and IPT Medical Services BV. The acquisitions in Q2 2008 were Ortel Mobile Holding BV, blau Mobilfunk GmbH and Station to Station BV (reference is made to the press releases KPN First Quarter Results 2008 and KPN Second Quarter Results 2008). There were no business combinations in Q3 2008. KPN has performed provisional purchase price allocations for the acquisitions in 2008 and finalized the purchase price allocation for Versatel/Tele2 Belgium, which was acquired in on 1 October, 2007. The provisional purchase price allocations and the changes in the finalized purchase price allocation are shown in aggregate below:

<i>(In millions of euro)</i>	
Considerations paid for business combinations (net of cash)	159
Total cash and bank overdrafts included in acquired companies	2
Total deferred consideration	68
<b>Total gross consideration for business combinations including transaction costs</b>	<b>229</b>
Fair value net assets acquired (refer to table below)	-50
<b>Goodwill paid for new business combinations</b>	<b>179</b>

The assets and liabilities arising from these acquisitions<sup>8</sup> are as follows:

<i>(In millions of euro)</i>	Fair value as of acquisition date
Trade name	36
Customer relationships	14
Other intangibles	30
Property, plant and equipment	19
Other non-current assets	3
Inventories	12
Other current assets	51
Cash and cash equivalents and bank overdrafts	2
Provisions	-14
Long-term interest bearing debt	-11
Deferred tax liabilities	-24
Current liabilities	-68
<b>Net assets at fair value at acquisition date</b>	<b>50</b>
Total consideration paid	229
<b>Goodwill</b>	<b>179</b>

### Off-balance sheet commitments

The off-balance sheet commitments as of 30 September 2008, amounting to EUR 4.4bn, were EUR 0.1bn higher compared to those as of 31 December 2007 (EUR 4.3bn) disclosed in the 2007 Annual Report. The difference is mainly caused by increases in capital expenditure commitments of EUR 0.1bn and other contingent liabilities (mainly guarantees) of EUR 0.1bn, and a decrease of rental and lease contracts of EUR 0.1bn.

<sup>8</sup> If these acquisitions had occurred on 1 January 2008, KPN estimates consolidated revenues would have been approximately EUR 28m higher and profit for the year would have been unaffected

## Appendix (F) Service revenues Dutch wireless services activities

<i>(In millions of euro)</i>	Q3 2008	Q3 2007	YTD 2008	YTD 2007
<b>Service revenues</b>	<b>764</b>	<b>764</b>	<b>2,226</b>	<b>2,250</b>
- Consumer Segment	441	445	1,264	1,293
- Business Segment	228	231	687	701
- Other Dutch activities <sup>9</sup>	95	88	275	256
<b>SAC/SRC (in euro)</b>				
- Consumer Segment	159	144	151	136
- Business Segment	411	359	376	326

<sup>9</sup> Indicates amongst others Mobile Wholesale NL, Simyo and visitor roaming revenues within KPN the Netherlands

## Appendix (G) Revenues and EBITDA the Netherlands (as per guidance definition<sup>10</sup>)

Revenues and other income (In millions of euro)	Q1 2008	Q2 2008	Q3 2008	YTD 2008	Δ y-on- y Q1	Δ y-on- y Q2	Δ y-on- y Q3	Δ YTD
<b>Reported</b>	<b>2,594</b>	<b>2,637</b>	<b>2,597</b>	<b>7,828</b>	<b>26%</b>	<b>25%</b>	<b>23%</b>	<b>25%</b>
- Getronics	515	504	465	1,484				
- iBasis/iBasis the Netherlands (until Q4 2007)	219	234	227	680				
- Other gains and losses, eliminations	-49	-61	-68	-178				
<b>The Netherlands (as per guidance definition)</b>	<b>1,909</b>	<b>1,960</b>	<b>1,973</b>	<b>5,842</b>	<b>-1.5%</b>	<b>1.3%</b>	<b>1.8%</b>	<b>0.5%</b>
<i>Of which:</i>								
- Consumer	980	1,007	1,021	3,008	-5.5%	-2.4%	-3.0%	-3.7%
- Business	795	812	809	2,416	-4.2%	-1.6%	-0.1%	-2.0%
- Wholesale & Operations	767	776	763	2,306	-2.0%	2.4%	2.8%	1.0%
- Other	-633	-635	-620	-1,888	-11%	-6.8%	-6.9%	-8.3%
External revenues and other income (In millions of euro)	Q1 2008	Q2 2008	Q3 2008	YTD 2008	Δ y-on- y Q1	Δ y-on- y Q2	Δ y-on- y Q3	Δ YTD
<b>Reported</b>	<b>2,542</b>	<b>2,580</b>	<b>2,537</b>	<b>7,659</b>	<b>27%</b>	<b>26%</b>	<b>24%</b>	<b>25%</b>
- Getronics	504	492	449	1,445				
- iBasis/iBasis the Netherlands (until Q4 2007)	179	188	177	544				
- Other gains and losses, eliminations	17	7	7	31				
<b>The Netherlands (as per guidance definition)</b>	<b>1,842</b>	<b>1,893</b>	<b>1,904</b>	<b>5,639</b>	<b>-3.1%</b>	<b>-0.1%</b>	<b>0.5%</b>	<b>-0.9%</b>
<i>Of which:</i>								
- Consumer	916	947	960	2,823	-5.0%	-1.0%	-2.2%	-2.8%
- Business	755	772	767	2,294	-3.8%	-1.2%	0.1%	-1.6%
- Wholesale & Operations	170	174	176	520	12%	11%	21%	15%
- Other	1	0	1	2				
EBITDA (In millions of euro)	Q1 2008	Q2 2008	Q3 2008	YTD 2008	Δ y-on- y Q1	Δ y-on- y Q2	Δ y-on- y Q3	Δ YTD
<b>Reported</b>	<b>877</b>	<b>900</b>	<b>890</b>	<b>2,667</b>	<b>2.1%</b>	<b>-0.7%</b>	<b>6.0%</b>	<b>2.4%</b>
- Getronics	24	34	18	76				
- iBasis/iBasis the Netherlands (until Q4 2007)	6	7	7	20				
- Restructuring costs	-2	-11	-	-13				
- Other gains and losses, eliminations	18	6	7	31				
<b>The Netherlands (as per guidance definition)</b>	<b>831</b>	<b>864</b>	<b>858</b>	<b>2,553</b>	<b>-2.7%</b>	<b>2.1%</b>	<b>6.6%</b>	<b>1.9%</b>
<i>Of which:</i>								
- Consumer	194	202	194	590	7.2%	3.1%	8.4%	6.1%
- Business	190	198	199	587	-2.1%	4.8%	6.4%	3.0%
- Wholesale & Operations	444	442	457	1,343	-5.9%	-4.3%	5.1%	-1.9%
- Other	3	22	8	33				

<sup>10</sup> The Netherlands excluding Getronics, iBasis/iBasis the Netherlands, restructuring costs (until Q2 2008) and book gains on sale of real estate

## Appendix (H) Impact of MTA tariff reductions

Additional decline compared to the same period last year (In millions of euro)	Revenues and other income		EBITDA/Operating result	
	Q3 2008	YTD 2008	Q3 2008	YTD 2008
- E-Plus	-12	-35	-7	-20
- BASE	-6	-20	-4	-14
- Mobile Wholesale NL	-3	-8	-2	-6
<b>Total Mobile International</b>	<b>-21</b>	<b>-63</b>	<b>-13</b>	<b>-40</b>
- Consumer	-15	-41	-7	-21
- Business	-8	-20	-2	-4
- Getronics	-	-	-	-
- Wholesale & Operations (incl. iBasis)	-7	-16	-	-
<b>Total The Netherlands</b>	<b>-30</b>	<b>-77</b>	<b>-9</b>	<b>-25</b>
Intercompany eliminations	6	16	-	-
<b>KPN Consolidated</b>	<b>-45</b>	<b>-124</b>	<b>-22</b>	<b>-65</b>

## Appendix (I) Operating result to EBITDA

(In millions of euro)	Q3 2008			Q3 2007		
	Operating Result	DA & I <sup>11</sup>	EBITDA	Operating Result	DA & I	EBITDA
- Consumer	125	69	194	116	63	179
- Business	169	30	199	160	27	187
- Getronics	0	18	18	-	-	-
- Wholesale & Operations (incl. iBasis)	228	243	471	223	252	475
- Other	-2	10	8	-6	5	-1
<b>Total The Netherlands</b>	<b>520</b>	<b>370</b>	<b>890</b>	<b>493</b>	<b>347</b>	<b>840</b>
- E-Plus	170	166	336	134	155	289
- BASE	29	27	56	25	30	55
- Mobile Wholesale NL	30	6	36	25	7	32
- Other	-20	10	-10	-4	0	-4
<b>Total Mobile International</b>	<b>209</b>	<b>209</b>	<b>418</b>	<b>180</b>	<b>192</b>	<b>372</b>
<b>Other activities</b>	<b>-28</b>	<b>-1</b>	<b>-29</b>	<b>7</b>	<b>1</b>	<b>8</b>
<b>KPN Group</b>	<b>701</b>	<b>578</b>	<b>1,279</b>	<b>680</b>	<b>540</b>	<b>1,220</b>

<sup>11</sup> Depreciation, amortization and impairments

## Appendix (I) Operating result to EBITDA (continued)

<i>(In millions of euro)</i>	YTD 2008			YTD 2007		
	Operating Result	DA & I <sup>12</sup>	EBITDA	Operating Result	DA & I	EBITDA
- Consumer	383	207	590	378	178	556
- Business	502	85	587	490	80	570
- Getronics	-14	90	76	-	-	-
- Wholesale & Operations (incl. iBasis)	642	752	1,394	548	935	1,483
- Other	-4	24	20	-20	16	-4
<b>Total The Netherlands</b>	<b>1,509</b>	<b>1,158</b>	<b>2,667</b>	<b>1,396</b>	<b>1,209</b>	<b>2,605</b>
- E-Plus	438	490	928	333	502	835
- BASE	97	82	179	95	85	180
- Mobile Wholesale NL	87	20	107	74	21	95
- Other	-54	21	-33	-14	0	-14
<b>Total Mobile International</b>	<b>568</b>	<b>613</b>	<b>1,181</b>	<b>488</b>	<b>608</b>	<b>1,096</b>
<b>Other activities</b>	<b>-72</b>	<b>1</b>	<b>-71</b>	<b>-18</b>	<b>1</b>	<b>-17</b>
<b>KPN Group</b>	<b>2,005</b>	<b>1,772</b>	<b>3,777</b>	<b>1,866</b>	<b>1,818</b>	<b>3,684</b>

## Appendix (J) Noteworthy items

<i>(In millions of euro)</i>	Q3 2008	Q3 2007	YTD 2008	YTD 2007
Revenue effect MTA	-45	-47	-124	-113
EBITDA effect MTA	-22	-27	-65	-60
Book gain (loss) on sale of subsidiaries	2	-	8	4
Book gain on sale of real estate	20	30	38	86
Additional costs to solve VoIP issues	-	10	-	55
Restructuring charges	-21	-12	-251	-26
Depreciation effect Telfort network integration	-	-	-	-32
Amortization effect Telfort network integration	-	-	-	-116
Release of pension provisions	-	-	199	-
Goodwill impairment Getronics	-	-	-22	-
Accelerated depreciation traditional (copper) network	-17	-	-54	-

<sup>12</sup> Depreciation, amortization and impairments

## Appendix (K) Businesses Getronics classified as held for sale

### Businesses classified as held for sale

A number of non-core businesses of Getronics have been classified as disposal groups held for sale in the Consolidated Balance Sheet at 30 September 2008. These businesses include Business Application Services, Business Solutions for local governments and healthcare and Document Services (all in the Netherlands).

The North American businesses of Getronics were sold on 20 August.

All these businesses as mentioned in the first alinea have been included in the Consolidated Income Statement until 30 September 2008. In the Consolidated Balance Sheet per 30 September 2008, the assets of these businesses have been included in the caption 'Non-current assets and disposal groups held for sale' and the liabilities in the caption 'Liabilities directly associated with non-current assets and disposal groups classified as held for sale'. This can be specified as follows:

<i>(In millions of euro unless indicated otherwise)</i>	
Intangible assets (including goodwill)	259
Property, plant and equipment <sup>a)</sup>	27
Trade and other receivables	88
Other current assets	6
<b>Total assets held for sale</b>	<b>380</b>
Non-current liabilities	4
Trade and other payables	26
Other current liabilities	79
<b>Total liabilities held for sale</b>	<b>109</b>

<sup>a)</sup> Also includes property not related to Getronics businesses classified as held for sale

As of 1 July, the non-current assets of these businesses are no longer depreciated (or amortized) while they are part of these disposal groups classified as held for sale. Interest and other expenses attributable to the liabilities of the disposal groups classified as held for sale are continued to be recognized.