

Annual results 2011

2011 results in line with outlook, 2012 to be transition year

Highlights

- Financial results in line with full-year outlook
- The Netherlands overall performance not meeting our expectations
- Positive trends in IPTV and FttH
- Continued strong performances in Germany and Belgium
- Outlook 2012 lower, reflecting transition year

Group financials *	Q4 2011	Q4 2010	Δ y-on-y	FY 2011	FY 2010	Δ y-on-y
(In millions of euro unless indicated otherwise)			reported			reported
Revenues and other income	3,375	3,389	-0.4%	13,163	13,398	-1.8%
- Of which revenues	3,295	3,370	-2.2%	13,022	13,324	-2.3%
EBITDA	1,316	1,359	-3.2%	5,138	5,476	-6.2%
EBITDA margin	39.0%	40.1%		39.0%	40.9%	
Restructuring costs	22	1	>100%	130	-1	n.m.
EBITDA (excl. restructuring)	1,338	1,360	-1.6%	5,268	5,475	-3.8%
Operating profit (EBIT)	436	771	-43%	2,549	3,250	-22%
Profit for the period (net result)	176	475	-63%	1,549	1,795	-14%
Earnings per share (in EUR)	0.13	0.31	-58%	1.06	1.15	-7.8%
<i>Excl. impact impairment Corporate Market**</i>						
Operating profit (EBIT)**	734	771	-4.8%	2,847	3,250	-12%
Profit for the period (net result)**	457	475	-3.8%	1,830	1,795	1.9%
Earnings per share (in EUR)**	0.32	0.31	3.2%	1.25	1.15	8.7%
Cash flow from operating activities	1,390	1,446	-3.9%	4,003	3,808	5.1%
Capital expenditures (PP&E and software)	-652	-663	-1.7%	-2,047	-1,809	13%
Proceeds from real estate	81	11	>100%	156	84	86%
Tax recapture at E-Plus	92	18	>100%	337	345	-2.3%
Free cash flow	911	812	12%	2,449	2,428	0.9%

* All non-IFRS terms are explained in the safe harbor section at the end of the condensed financial report

** Excluding impact impairment of EUR 298m with a positive tax effect EUR 17m

Message from the CEO, Eelco Blok

"In 2011, we have achieved our Group outlook. We have seen positive trends in IPTV and FttH and our international businesses continued showing strong underlying profitable growth. However, some aspects in the performance of The Netherlands did not meet our expectations. In order to strengthen our domestic businesses in response to the challenges they face from the changing external environment, we will further expand and accelerate our investment strategy beyond the measures we announced in May 2011. This means 2012 will be a year of transition in The Netherlands, as we aim to bottom-out our broadband market share and to stabilize our market share in Consumer wireless. The investment strategy will ensure a sustainable level of profit for The Netherlands going forward, combined with a focus on quality and simplification to drive customer satisfaction and reputation. In 2012 we will continue to balance revenue growth and EBITDA margins of our international businesses and keep investing in mobile network roll-out in Germany and Belgium.

Group profits and cash flow will be lower in 2012 while The Netherlands is in transition, which is reflected in the 2012 Group outlook. Furthermore, the overall macro environment is unsettled. At such a time, we must strike the right balance between investments, including possible strategic investments (e.g. spectrum and fiber), shareholder remuneration and a prudent financing policy. I have full confidence that KPN will come out of this transition year a stronger company."

Outlook

Performance versus outlook 2011

KPN's business continued to be impacted in 2011 by severe regulatory pressure and macroeconomic headwinds, while industry trends had a negative impact on KPN's overall performance. The accelerated change in customer behavior in Consumer, increasing price pressure and continued rationalization in Business, and an acceleration of commercial and operational investments to strengthen the Dutch businesses led to an adjustment of the initial 2011 EBITDA² outlook of EUR 5.5bn to EUR 5.3bn at the time of the Q1 2011 results release.

The overall performance of The Netherlands in 2011 did not meet our expectations, however the international businesses showed strong underlying growth at attractive margins. The full-year Group EBITDA and free cash flow were in line with the outlook, as presented in the table below. Capex was at the high end due to accelerated investments to strengthen the domestic businesses and investments in the roll-out of mobile broadband networks in Germany and Belgium.

KPN continued its prudent financing and sustainable shareholder remuneration policy in 2011. The EUR 1bn share repurchase program was accelerated in May and finalized in September, further supporting earnings per share, dividend per share and free cash flow per share growth. The dividend per share in respect of 2011 is confirmed at EUR 0.85¹, in line with guidance.

Guidance metrics	Outlook 2011	Reported 2011
EBITDA ²	> EUR 5.3bn	EUR 5.3bn
Capex	< EUR 2bn	EUR 2.0bn
Free cash flow ³	Growth ⁴	EUR 2.4bn
Dividend per share ¹	At least EUR 0.85	EUR 0.85

Outlook 2012

KPN remains committed to its 'Strengthen - Simplify - Grow' strategy as announced in May 2011. In The Netherlands, the focus is on strengthening its activities and leading market positions. KPN will keep investing internationally to grow its Challenger businesses and continue to outperform its competitors. A Group-wide focus on simplification, quality and reputation will drive customer satisfaction in the swiftly changing telecom and ICT markets. KPN will accelerate and expand its investment strategy in 2012 to further strengthen its Dutch businesses. The accelerated investment strategy is three-fold, consisting of; (1) investments in the fixed network through a hybrid fiber and copper strategy, and in the mobile network via HSPA evolved and LTE; (2) adjusting to changing customer behavior by further improving mobile propositions and; (3) improving the underlying cost structure. The restructuring program in Dutch Telco will be accelerated and the remaining provisions are expected to be taken this year. In 2012, KPN aims to stabilize market share in Consumer wireless and keep the Business market share stable, while it is expected that the broadband market share will bottom-out. This accelerated investment strategy will ensure sustainable profit levels in The Netherlands going forward.

In the international businesses, the successful investment strategy to stay ahead of growing customer demand for more and faster data services will be continued. KPN will keep focusing on balancing revenue growth with margins.

At a Group level, for the 2012 outlook, ranges are given for EBITDA, FCF and Capex. This is transparent and realistic and reflects the current transition year. EBITDA² is expected to amount to EUR 4.7 - 4.9bn, while free cash flow³ is expected to be between EUR 1.6 - 1.8bn. The accelerated investment strategy to strengthen The Netherlands and the continued roll-out of mobile broadband networks in Germany and Belgium are expected to result in Capex between EUR 2.0 - 2.2bn for 2012.

¹ Subject to approval by the Annual General Meeting

² Excluding restructuring costs

³ Free cash flow defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture E-Plus

⁴ "Growth" defined as growth compared to 2010 free cash flow, set on 26 January 2010 (free cash flow in 2010 was EUR 2,428m)

KPN remains committed to an attractive dividend policy and returning excess cash to shareholders via share buybacks. Excess cash depends on strategic investments (e.g. spectrum auction, fiber), business performance, the broader macroeconomic environment and a solid financial framework. Therefore, the net income cap on total shareholder remuneration introduced in 2011, is no longer applicable. The dividend per share for 2011 is confirmed at EUR 0.85, with a final pay-out of EUR 0.57 in April 2012. The dividend outlook for 2012 is confirmed at EUR 0.90 per share, 5 cents higher compared to 2011. The requirement to balance investments, including possible strategic investments such as spectrum and fiber, shareholder remuneration and a prudent financing policy in a period of macroeconomic uncertainty means there will be no share buyback program in 2012. Later in 2012, and into 2013, there will be more clarity on these strategic investments and the success of the transition in The Netherlands. An announcement on the 2013 dividend will be made with the full-year 2012 results release. KPN remains committed to minimum credit ratings of Baa2 and BBB (currently Baa2 and BBB+) respectively and continues to target a net debt to EBITDA ratio between 2.0-2.5x.

Guidance metrics	Outlook 2012
EBITDA ⁵	EUR 4.7 - 4.9bn
Capex	EUR 2.0 - 2.2bn
Free cash flow ⁶	EUR 1.6 - 1.8bn
Dividend per share ⁷	EUR 0.90

⁵ Excluding restructuring costs

⁶ Free cash flow defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture E-Plus

⁷ Subject to approval by the Annual General Meeting

Group review

Revenues and other income (In millions of euro)	Q4 2011	Q4 2010	Δ y-on-y Reported	Δ y-on-y underlying ¹	FY 2011	FY 2010	Δ FY reported	Δ FY underlying
KPN Group	3,375	3,389	-0.4%	0.6%	13,163	13,398	-1.8%	1.5%
- The Netherlands ²	2,332	2,369	-1.6%	-2.2%	9,088	9,333	-2.6%	-1.6%
- Mobile International	1,076	1,061	1.4%	6.7%	4,208	4,185	0.5%	8.4%

¹ The definition of underlying is explained in the safe harbor section at the end of the condensed financial report. For a detailed overview of the underlying figures please refer to page 11

² The Netherlands includes Dutch Telco business, iBasis, Corporate Market (Getronics) and Other gains and losses including eliminations

EBITDA (In millions of euro)	Q4 2011	Q4 2010	Δ y-on-y reported	Δ y-on-y underlying ¹	FY 2011	FY 2010	Δ y-on-y reported	Δ y-on-y underlying ¹
KPN Group	1,316	1,359	-3.2%	-1.2%	5,138	5,476	-6.2%	-0.8%
- The Netherlands ²	871	999	-13%	-13%	3,558	3,888	-8.5%	-5.5%
- Mobile International	456	368	24%	32%	1,636	1,626	0.6%	12%

¹ The definition of underlying is explained in the safe harbor section at the end of the condensed financial report. For a detailed overview of the underlying figures please refer to page 11

² The Netherlands includes Dutch Telco business, iBasis, Corporate Market (Getronics) and Other gains and losses including eliminations

Revenue decline The Netherlands partly offset by good performance at international businesses

KPN group revenues and other income were 0.4% or EUR 14m lower y-on-y in Q4 2011 and decreased 1.8% or EUR 235m for the full-year due to a decline in The Netherlands while Mobile International showed increased revenues. The negative impact on Group revenues from regulation in Q4 was EUR 101m y-on-y. Group revenues were also impacted by a net positive effect of incidentals and acquisitions of EUR 67m. The Netherlands continued to show a revenue decline mainly due to regulation effects and difficult market conditions. Consumer wireless is dealing with an ongoing change in customer behavior and fierce competition resulting in lower ARPU levels. In Consumer wireline the continued loss of PSTN customers is putting pressure on revenues while the Business Segment faced continued price pressure following macroeconomic impact. A continued difficult market for the Corporate Market (Getronics) Segment resulted in a y-on-y revenue decline. At Mobile International, both reported (1.4%) and underlying revenues and other income (6.7%) increased y-on-y in Q4 with Germany, Belgium and Rest of World all contributing.

KPN Group profitability impacted by lower revenues and additional costs

KPN Group EBITDA decreased by 3.2% or EUR 43m y-on-y in Q4 2011 and decreased 6.2% or EUR 338m for the full-year. In Q4 2011, the EBITDA was impacted by regulation of EUR 42m, restructuring charges of EUR 22m and net positive impact from incidentals of EUR 35m. The impact from lower margins at Dutch Telco in Q4 2011, resulting from a different phasing of costs during the year compared to last year was partly offset by profitable growth at Mobile International.

EBIT decreased EUR 335m (43%) y-on-y in Q4 2011, as a result of an impairment of Corporate Market (Getronics) of EUR 298m. Net profit decreased by EUR 299m y-on-y to EUR 176m in Q4 2011 following the EBIT decline. Full-year net profit amounted to EUR 1,549m, a 14% decline y-on-y mainly as a result of the EBITDA decline, an impairment of Corporate Market (Getronics), partly offset by the innovation tax facilities and lower financing costs.

FCF meeting full-year guidance of growth compared to FCF 2010

Full-year free cash flow amounted to EUR 2,449m (2010: EUR 2,428m) which is in line with the outlook. Proceeds from the innovation tax facilities (EUR 316m) and lower interest payments (EUR 99m) were offset by the full-year EBITDA decrease of EUR 338m and higher Capex (EUR 238m). The EBITDA and change in provisions were impacted by EUR 130m charges to the restructuring provisions.

Capex in 2011 of EUR 2,047m

The increase in full-year Capex of EUR 238m y-on-y was related to the accelerated high speed data network roll-out in Germany and Belgium and increased Capex at Dutch Telco. At Dutch Telco the increase relates to continued upgrades of the mobile and fixed networks, investments in the wireline propositions, increased spend on customer premises equipment and expansion of the distribution footprint.

Net debt to EBITDA⁸ at 2.3x, within target range

Net debt at the end of Q4 2011 amounted to EUR 11.7bn, compared to EUR 12.8bn at the end of Q3 2011. The decrease in net debt was mainly the result of relatively high FCF generation in Q4 and the absence of share repurchases in Q4 2011. This resulted in a decrease in the net debt to EBITDA ratio to 2.3x (Q3 2011: 2.5x) which remains comfortably within KPN's target financial framework of 2.0-2.5x. As of Q4 2011, net debt is based on the nominal repayment obligations in Euro at maturity (for non-Euro bonds based on the swapped Euro repayment obligation). This is a change in definition and became necessary because since Q4 2011, the fair value of KPN's derivative portfolio is for a larger part related to interest rate management. The reported net debt to EBITDA ratios over prior periods have been recalculated and were not impacted. KPN's credit ratings remained unchanged at Baa2 with a stable outlook (Moody's) and BBB+ with a stable outlook (Standard & Poor's).

KPN pension funds average coverage ratio end of Q4 2011 at 101%

At 31 December 2011, the average coverage ratio of the KPN pension funds in The Netherlands was 101%. At 30 September 2011, the average coverage ratio was 96%. The increase in coverage ratio is mainly attributable to improved conditions in the financial markets. Moreover, the pension regulator in The Netherlands (the Dutch Central Bank) has decided that the discount rate used to calculate the coverage ratio is, as of 31 December 2011, to be based on a quarterly average of the interest rates rather than the interest rate at the end of the quarter. There was no recovery payment in Q4 2011. Based on the coverage ratio at 30 September 2011, an additional cash payment of EUR 21m is required in Q1 2012. Based on the coverage ratio at 31 December 2011, an additional cash payment of EUR 19m is required in Q2 2012.

⁸ Based on 12 months rolling total EBITDA excluding book gains/losses, release of pension provisions and restructuring costs, when over EUR 20m

Financial and operating review by Segment

The Netherlands

Revenues and other income (In millions of euro)	Q4 2011	Q4 2010	Δ y-on-y reported	Δ y-on-y underlying	FY 2011	FY 2010	Δ y-on-y reported	Δ y-on-y underlying
- Consumer	914	990	-7.7%	-5.1%	3,735	3,940	-5.2%	-3.0%
- Business	587	609	-3.6%	-2.1%	2,373	2,424	-2.1%	-1.9%
- Wholesale & Operations (national)	712	680	4.7%	-4.0%	2,688	2,799	-4.0%	-5.1%
- Other (incl. eliminations)	-509	-539	-5.6%	-5.6%	-2,032	-2,159	-5.9%	-6.0%
Dutch Telco business	1,704	1,740	-2.1%	-3.5%	6,764	7,004	-3.4%	-2.5%
- iBasis Group	249	234	6.4%	6.4%	977	912	7.1%	7.1%
- Corporate Market (Getronics)	520	538	-3.3%	-2.3%	1,901	1,966	-3.3%	-2.2%
- Other gains/losses, eliminations	-141	-143	-1.4%	-2.8%	-554	-549	-0.9%	-0.5%
of which Real estate	0	2	-100%	n.m.	0	8	-100%	n.m.
The Netherlands	2,332	2,369	-1.6%	-2.2%	9,088	9,333	-2.6%	-1.6%

EBITDA (In millions of euro)	Q4 2011	Q4 2010	Δ y-on-y reported	Δ y-on-y underlying	FY 2011	FY 2010	Δ y-on-y reported	Δ y-on-y underlying
- Consumer	236	293	-19%	-14%	1,037	1,121	-7.5%	-4.8%
- Business	177	210	-16%	-9.6%	781	819	-4.6%	-2.1%
- Wholesale & Operations (national)	436	420	3.8%	-11%	1,675	1,719	-2.6%	-6.1%
- Other	4	15	-73%	-60%	31	41	-24%	-15%
Dutch Telco business	853	938	-9.1%	-13%	3,524	3,700	-4.8%	-4.9%
EBITDA margin	50.1%	53.9%			52.1%	52.8%		
- iBasis Group	7	7	0.0%	0.0%	31	32	-3.1%	-3.1%
- Corporate Market (Getronics)	12	55	-78%	-17%	4	158	-97%	-23%
- Other gains/losses	-1	-1	0.0%	0.0%	-1	-2	-50%	-88%
of which Real estate	0	-1	-100%	-100%	0	-2	-100%	-100%
The Netherlands	871	999	-13%	-13%	3,558	3,888	-8.5%	-5.5%
EBITDA margin	37.3%	42.2%			39.2%	41.7%		

Continued impact from trends in Dutch Telco

Reported revenues and other income at Dutch Telco decreased by 2.1% or EUR 36m in Q4 2011 including a regulatory impact of EUR 51m, net positive incidentals of EUR 56m and net positive effect of acquisitions of EUR 17m. The incidental in Q4 mainly related to a book gain on the sale of towers of EUR 67m. Underlying revenues declined by 3.5% mainly as a result of the ongoing change in customer behavior and pressure on market share at Consumer wireless and decreasing revenues from fixed line PSTN in Consumer wireline and Business wireline. Full-year 2011 reported revenues and other income at Dutch Telco decreased by 3.4% including the net positive impact from incidentals of EUR 63m and net positive impact of acquisitions of EUR 65m.

Reported EBITDA in Q4 2011 was EUR 85m lower y-on-y including a regulatory impact of EUR 16m and net positive incidentals of EUR 42m. Due to a different phasing of costs in 2011 compared to 2010 and increased costs to strengthen the businesses (e.g. IPTV and Fiber-to-the-Home sales, handset subsidies for both Consumer and Business wireless), the EBITDA margin decreased to 50% (Q4 2010: 54%).

Lower revenues at Consumer, mainly due to transition period at Consumer wireless

Underlying revenues were down 5.1% y-on-y in Q4 2011, primarily caused by lower service revenues impacted by changing customer behavior and market share pressure during the transition period at Consumer wireless. Furthermore, wireline revenues benefited from the strong growth in IPTV, but continued to show declining voice revenues in combination with pressure on broadband market share. Underlying EBITDA decreased 14% as a result of the decline in revenues and higher costs related to promotions in wireless and higher handset subsidies amongst others due to the release of the iPhone 4S, resulting in an EBITDA margin of 25.8% (Q4 2010: 29.6%).

Consumer wireless

In Q4 2011, the wireless market remained challenging and a further decrease of voice and SMS service revenues was noticeable. Data usage continued to rise due to the increased usage of communication apps. This changing customer behavior, which was first witnessed in Q1 2011 at the Hi brand, is now also visible at the KPN brand. Both outgoing SMS and voice minutes per customer decreased and as a result blended ARPU decreased 8.0% y-on-y to EUR 23. Prepaid revenues continued to decrease.

The initial results of the new mobile data propositions are positive, however more time must elapse before the impact of the new propositions is fully visible. The short-term actions, such as upselling customers to higher value bundles and attractive retention offerings continued to be successful and the contracted ARPU as a percentage of total ARPU is increasing. KPN's Consumer wireless customer base declined to 5.3 million customers, of which 3.1 million are postpaid and 2.2 million prepaid (compared to 5.6 million customers in Q4 2010). Our share in acquiring new customers has been relatively low and churn increased, partly due to consolidation in The Netherlands of indirect channels, putting pressure on KPN's wireless market share. KPN will further strengthen its distribution power in wireless with the opening of own new shops in 2012. Next to this, the propositions will be made more competitive to support market share and further steps will be taken to make the portfolio future proof. KPN will also strengthen its wireless network by up-scaling its next generation mobile technology (LTE) pilots to support its number one mobile network position in The Netherlands.

Consumer wireline

KPN's broadband market share remained under pressure from churn in the single and dual play market in the copper areas due to competition on speed, partly offset by successful growth in the triple play segment and Fiber-to-the-home (FttH) areas. To counter the trend a variety of short-term mitigating actions were taken, such as attractive retention offerings. Revenue Generating Units per customer increased steadily as the PSTN / ISDN line loss was offset by IPTV additions. Full-year net line loss was in line with 2010, mainly due to increased FttH activations.

The wireline innovation roadmap is on track, a 500 Mbps up- and download speed FttH product and a new IPTV user interface was launched. Growth of IPTV continued with an increased number of net adds (84k in Q4 2011 compared to 73k in Q3 2011). This good progress is also reflected in a further increased TV market share, reaching 17% compared to 15% in Q4 2010. The TV ARPU increased by 20% y-on-y to EUR 12 in Q4. KPN is focused on increasing the average speed it offers to its customers. Available network speeds are currently a minimum of 40 Mbps for 40% of the Dutch market. These upgraded speeds will be commercially available in Q2 2012. At the end of 2012, 70% of the Dutch market will have network speeds available with minimum speeds of 40 Mbps. Positive results were visible in the FttH areas. The number of FttH homes activated increased to 102k (Q3 2011: 77k) with an increased number of net adds in Q4 2011 (25k versus 16k in Q3 2011). Demand aggregation was successful in 50 areas in 2011. In addition, KPN FttH areas⁹ saw promising broadband (46%) and TV market share developments in comparison with the KPN national average (40%). Also, blended ARPU was EUR 10 higher in these areas compared to the national average. Furthermore, in Q4 2011 KPN reached an agreement to acquire four FttH ISP's with ~110k FttH customers. The acquisitions are subject to NMa approval.

Business impacted by economic downturn

Underlying revenues and other income for the Business Segment decreased 2.1% y-on-y in Q4 2011, mainly driven by continued decline in the traditional wireline services and competition in the wireless services, partly offset by increasing revenues from wireless data and hardware. The underlying EBITDA decreased by 9.6% compared to Q4 2010, due to increased investments in customers, resulting in higher SAC. The underlying EBITDA margin decreased to 31.4% (Q4 2010: 34%).

For wireless services, average minutes per user were stable, however the y-on-y comparison of SMS usage per user showed a decline. For mobile data, the customer base and usage increased, leading to mobile data revenue growth. The ARPU decreased to EUR 41 (Q4 2010: EUR 45) as it was negatively impacted by regulation and the mix effect of voice versus M2M and data customers. Despite the difficult market environment, market shares remained stable. In December new propositions with integrated data / voice / SMS bundles were launched. Additionally, the first steps are taken for the launch of a challenger brand.

⁹ Based on all KPN FttH areas that were rolled-out at December 2009

While traditional wireline services showed a stable decline in access lines and traffic revenues due to rationalization, Business DSL and managed data services showed a solid performance. The migration from traditional to IP-based services continued steadily, with lower prices and margins. The decline in access lines was compensated by the acquisition of Atlantic Telecom and new pricing schemes on traditional services. KPN continued to focus on customer retention to further strengthen its position in the business market. Furthermore, the Business segment is investing in growing ICT services jointly with Corporate Market (Getronics) such as unified communications, secure managed devices, private cloud and services aggregation.

Further network upgrades at Wholesale & Operations

Underlying revenues and other income decreased 4.0% y-on-y, caused by ongoing decline of the traditional services. Underlying EBITDA decreased 11% as a result of lower revenues, higher costs relating to the uptake of FttH activations and increased rental costs for mobile sites, leading to an underlying EBITDA margin of 58.0% (Q4 2010: 63%).

KPN does not consider the ownership of Dutch mobile towers a core activity and as such sold two more tranches of these towers. The first tranche was sold in Q4 2011 with a book gain of EUR 67m, leading to a total book gain in 2011 of EUR 100m. The sale of the second tranche of towers with an expected book gain of EUR 30m, will be realized in Q1 2012.

Wholesale & Operations continued to upgrade its networks. The FttH roll-out, through the Reggefiber joint-venture, continued to be on track. The number of homes passed at Reggefiber in Q4 2011 increased by 107k to 951k. KPN was active in most areas with a total of 813k Homes Passed. Besides the FttH deployment, KPN is upgrading its copper network to support higher bandwidths. KPN is on track with the VDSL upgrades and roll-out of VDSL to the outer-rings. Furthermore, in 2011 the network was prepared for the roll-out of pair-bonding, planned to start in the first half of 2012.

Significant impairment for Corporate Market (Getronics)

Triggered by the changes in the ICT market, continued adverse market conditions and fierce price pressure, the annual impairment testing led to an impairment of tangible assets, goodwill and other intangible assets totalling to an amount of EUR 298m.

Underlying revenues and other income at Corporate Market (Getronics) decreased by 2.3% y-on-y in Q4 2011 and 2.2% in full-year 2011, mainly due to clients postponing new investments in ICT, especially in the governmental and financial sector, and continued price pressure on existing services. As a result of lower revenues and pressure on margins from difficult market circumstances, underlying EBITDA declined by 17% y-on-y in Q4 2011 and 23% in the full-year 2011. Corporate Market (Getronics) realized an underlying EBITDA margin in Q4 2011 of 9.2% (Q4 2010: 10.9%). To counter the effects of price pressure and adverse market conditions and to maintain its leading position in the ICT-market, Corporate Market (Getronics) continued the implementation of its off-shoring and efficiency programs to further reduce its operating costs. The restructuring program will result in a staff reduction of approximately 2,000 - 2,500 FTE in the coming years. The restructuring costs recorded in Q4 2011 amounted to EUR 6m, leading to full-year restructuring costs of EUR 96m. The majority of the reduction in FTE is expected in 2012.

Today KPN announced the divestment of Getronics International as part of KPN's proven strategy of strengthening its global delivery capabilities for major international clients through partnerships (subject to customary closing conditions). The related assets and liabilities were classified held for sale as per 31 December 2011, whereby the measurement of the asset and liabilities, at the lower of carrying amount and fair value less cost to sell, resulted in a loss of EUR 30m. KPN will remain committed to the Getronics Workspace Alliance through Corporate Market (Getronics) in The Netherlands.

Increased revenues at iBasis in a competitive environment

Revenues at iBasis increased by 6.4% y-on-y in Q4 2011, whereas EBITDA remained flat and the EBITDA margin decreased to 2.8% as a result of a competitive environment. In Q4 2011 the number of minutes increased by 8.1% y-on-y, however average revenue per minute was relatively stable. iBasis continued to strengthen its market share and retained its top 5 position in the international voice traffic market, despite challenging market conditions. Revenue for the full-year 2011 was up 7.1%, while EBITDA was slightly down to EUR 31m.

Mobile International

Revenues and other income (In millions of euro)	Q4 2011	Q4 2010	Δ y-on-y reported	Δ y-on-y underlying	FY 2011	FY 2010	Δ y-on-y reported	Δ y-on-y underlying
- Germany	823	820	0.4%	6.1%	3,236	3,241	-0.2%	6.9%
- Belgium	203	190	6.8%	13%	781	785	-0.5%	9.8%
- Rest of World (incl. eliminations)	50	51	-2.0%	-5.9%	191	159	20%	32%
Mobile International	1,076	1,061	1.4%	6.7%	4,208	4,185	0.5%	8.4%

EBITDA (In millions of euro)	Q4 2011	Q4 2010	Δ y-on-y reported	Δ y-on-y underlying	FY 2011	FY 2010	Δ y-on-y reported	Δ y-on-y underlying
- Germany	363	322	13%	21%	1,353	1,374	-1.5%	8.1%
- Belgium	79	55	44%	67%	273	271	0.7%	23%
- Rest of World	14	-9	n.m.	n.m.	10	-19	n.m.	n.m.
Mobile International	456	368	24%	32%	1,636	1,626	0.6%	12%
EBITDA margin	42.4%	34.7%			38.9%	38.9%		

Underlying revenue growth and strong profitability at Mobile International

Compared to Q4 2010, underlying revenues and other income increased by 6.7%. Service revenues were up 1.2% in Q4 driven by continued growth in Germany and Belgium. Reported EBITDA increased by 24% or EUR 88m, including a negative regulatory impact of EUR 26m in Q4 2011 and net positive incidentals of EUR 6m. Excluding these impacts, underlying Q4 EBITDA increased by 32% y-on-y.

Full-year revenues and other income increased 0.5% y-on-y, including a negative impact from regulation of EUR 286m. Underlying revenues and other income for the full-year increased by 8.4%. Service revenues for the full-year increased 1.0% y-on-y. Full-year reported EBITDA increased by 0.6% or EUR 10m, including regulatory impact of EUR 151m and net negative incidentals of EUR 8m. Excluding these impacts, full-year underlying EBITDA for 2011 increased by 12% y-on-y. Profitability at Mobile International was strong throughout 2011 with an EBITDA margin of 38.9% leading to a record full-year EBITDA of EUR 1,636m. Capex in 2011 was EUR 725m, up 12% y-on-y due to the accelerated mobile broadband network roll-out in both Germany and Belgium.

Continued high underlying service revenue growth of 7.2% in Germany, at strong margin

Underlying service revenues in Germany increased by 7.2% y-on-y in Q4 2011, driven by the successful 'Mein BASE' proposition and focus on data in the postpaid segment, while growth in the prepaid segment was driven by wholesale partners. With postpaid net adds in Q4 of 111k and 458k prepaid net adds, total net adds amounted to 569k in Q4. E-Plus achieved a record number of net adds in 2011, with 424k postpaid and 1,866k prepaid net adds, up 41% y-on-y and 64% y-on-y respectively compared to 2010. Despite the higher regulatory impact at E-Plus compared to its competitors, E-Plus' market share in service revenues has increased in Q4 2011 to 16% mainly due to market outperformance in mobile broadband. The EBITDA margin in 2011 continued to be strong at 41.8% due to targeted marketing activities and cost efficiencies combined with investments in customer growth.

In 2011, E-Plus continued to make good progress with the accelerated roll-out of its mobile broadband network and the HSPA+ roll-out is ahead of schedule. At the end of 2012, more than 80% of the German population will be covered with up to 42 Mbps. E-Plus spent approximately EUR 500m in 2011 on investments in network roll-out out of a total Capex spend in Germany of EUR 599m. In the short-term E-Plus will have a continued focus on HSPA+, while in the medium-term LTE deployment will be considered depending on capacity needs of customers. Currently, E-Plus has high spectrum capacity per customer and no capacity constraints.

Furthermore, E-Plus realized a growth in data revenue resulting in a data service revenue market share increase from 5% in 2010 to more than 7% at the end of 2011. The strong data uptake in Germany is due to an increasing smartphone penetration and higher number of new subscribers opting for a data package. Furthermore, E-Plus sees great potential for data growth in the largely untapped prepaid wholesale segment. In addition to a growing data service revenue market share, E-Plus' voice and SMS service revenue market share has increased to more than 18% at the end of 2011.

In 2012 E-Plus plans to further optimize its brands and propositions to align them with the data migration developments in the market. A new proposition "Base Plus" will be launched in Q1 2012 to support further growth in data service revenue.

Strong underlying service revenue growth of 15% in Belgium

Underlying revenues and other income in Belgium increased at increasing margin y-on-y by 13%. The increase in underlying service revenues of 15% resulted from strong regional focus with an increasing number of shops, good performance of the B2B and new propositions (BASE C, Base Check and Contact Mobile) and a good take-up of flat fee data bundles. In Q4 2011, BASE has outperformed the market again reaching a market share of over 19%, up 1%-point versus last year. The underlying EBITDA margin of 39.4% has been realized due to increased focus on efficiency. In Q4, postpaid net adds amounted to 21k and the prepaid base showed net adds of 40k.

Full-year underlying service revenues in 2011 were up 11% y-on-y. The full-year EBITDA amounted to EUR 273m, up 0.7% y-on-y, while underlying EBITDA increased by 23% y-on-y. On the basis of cost leadership, the EBITDA margin over 2011 has grown to 35% despite the negative regulatory impact.

KPN Group Belgium continued to invest in 2011 in the mobile broadband network roll-out leading to data growth via own and partner brands. Commercial high speed mobile data has now been launched in many cities across the country.

On 28 November 2011, KPN Group Belgium obtained a license to use 2x15MHz (30MHz) in the 2.6GHz spectrum band in Belgium for a consideration of EUR 15m. With these high frequencies, KPN Group Belgium will be able to continue the roll-out of high speed mobile data, including services based on next generation mobile technology (LTE) over time, and to serve its many customers and partners in Belgium. The license will become available per 1 July 2012 and will expire in 2027.

Balancing revenue growth with profitability at Rest of World

In line with KPN's strategy of focusing on accelerating Ortel Mobile's growth outside its domestic markets, KPN France was sold in Q4. The sale of KPN France resulted in a book profit of EUR 10m in Q4. Ortel Mobile is now active in six countries following its launch in Switzerland in October 2011.

Underlying revenues and other income decreased by 5.9% y-on-y compared to Q4 2010, whilst external revenues decreased by 12% y-on-y. Revenues declined as a result of fierce competition in the cultural segment which is slowing Ortel Mobile's growth trend and KPN Spain's value focus. Underlying revenues and other income for the full-year 2011 increased 32% and external revenues were up 13% in 2011 compared to the full-year 2010. EBITDA amounted to EUR 14m in Q4 2011 (Q4 2010: EUR -9m) as a result of the sale of KPN France and good financial performance from KPN Spain offsetting the investments in growth by Ortel Mobile in its new markets.

KPN's customer base in Spain remained relatively stable at over 500k customers. The number of customers in France decreased to some 400k, being the result of the sale of KPN France. Customer development in Switzerland is showing good progress.

Analysis of underlying results

Consolidated figures	Q4 2011	Result of		Q4 2011	Q4 2010	Regulation	Result of		Q4 2010	Δ y-on-y	Δ y-on-y
Revenues and Other income	reported	M&A	Incidentals ¹⁰	under-lying	reported		M&A	Incidentals ¹⁰	under-lying	reported	under-lying
Germany	823	-	-	823	820	-44	-	-	776	0.4%	6.1%
Belgium	203	-	-	203	190	-6	-	4	180	6.8%	13%
Rest Of World	50	-8	10	48	51	-	-	-	51	-2.0%	-5.9%
Mobile International	1,076	-8	10	1,074	1,061	-50	-	4	1,007	1.4%	6.7%
Consumer	914	-	-	914	990	-27	-	-	963	-7.7%	-5.1%
Business	587	20	-	567	609	-19	-	11	579	-3.6%	-2.1%
Wholesale & Operations (national)	712	1	70	641	680	-9	-	3	668	4.7%	-4.0%
Other (incl. ITNL, SSCO & eliminations)	-509	-	-	-509	-539	4	4	-	-539	-5.6%	-5.6%
Dutch Telco Business	1,704	21	70	1,613	1,740	-51	4	14	1,671	-2.1%	-3.5%
iBasis Group	249	-	-	249	234	-	-	-	234	6.4%	6.4%
Corporate Market (Getronics)	520	-	-	520	538	-	6	-	532	-3.3%	-2.3%
Other gains/losses, eliminations	-141	-	-	-141	-143	-	-	2	-145	-1.4%	-2.8%
of which Cheops & Orion					2	-	-	2		-100%	n.m.
The Netherlands	2,332	21	70	2,241	2,369	-51	10	16	2,292	-1.6%	-2.2%
Intercompany revenues	-46	4	-	-50	-56	-	-	-	-56	18%	11%
Other activities	13	-	-	13	15	-	-	-	15	-13%	-13%
Revenues and Other income	3,375	17	80	3,278	3,389	-101	10	20	3,258	-0.4%	0.6%

Consolidated figures	Q4 2011	Result of		Q4 2011	Q4 2010	Regulation	Result of		Q4 2010	Δ y-on-y	Δ y-on-y
EBITDA	reported	M&A	Incidentals ¹⁰	under-lying	reported		M&A	Incidentals ¹⁰	under-lying	reported	under-lying
Germany	363	-	-	363	322	-23	-	-1	300	13%	21%
Belgium	79	-	-1	80	55	-3	-	4	48	44%	67%
Rest Of World	14	-	10	4	-9	-	-	-	-9	n.m.	n.m.
Mobile International	456	-	9	447	368	-26	-	3	339	24%	32%
Consumer	236	-	-2	238	293	-13	-	3	277	-19%	-14%
Business	177	2	-3	178	210	-3	-	10	197	-16%	-9.6%
Wholesale & Operations (national)	436	1	63	372	420	-	-	1	419	3.8%	-11%
Other (incl. ITNL, SSCO & eliminations)	4	-	-2	6	15	-	-	-	15	-73%	-60%
Dutch Telco Business	853	3	56	794	938	-16	-	14	908	-9.1%	-13%
iBasis Group	7	-	-	7	7	-	-	-	7	0.0%	0.0%
Corporate Market (Getronics)	12	-	-36	48	55	-	2	-5	58	-78%	-17%
Other gains/losses, eliminations	-1	-	-	-1	-1	-	-	-	-1	0.0%	0.0%
of which Cheops & Orion					-1	-	-	-	-1	-100%	-100%
The Netherlands	871	3	20	848	999	-16	2	9	972	-13%	-13%
Other activities	-11	-	9	-20	-8	-	-	12	-20	-38%	0.0%
EBITDA	1,316	3	38	1,275	1,359	-42	2	24	1,291	-3.2%	-1.2%

¹⁰ Including restructuring costs

Condensed Consolidated Financial Statements for the year ended 31 December 2011 and 2010

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Unaudited Consolidated Statement of Income

(In millions of euro, unless indicated otherwise)	For the three months ended 31 December		For the twelve months ended 31 December	
	2011	2010	2011	2010
Revenues	3,295	3,370	13,022	13,324
Other income	80	19	141	74
Revenues and other income [1]	3,375	3,389	13,163	13,398
Own work capitalized	-31	-28	-116	-101
Cost of materials	285	281	1,005	911
Work contracted out and other expenses	1,127	1,140	4,503	4,560
Employee benefits	480	462	1,874	1,932
Depreciation, amortization and impairments	880	588	2,589	2,226
Other operating expenses	198	175	759	620
Total operating expenses	2,939	2,618	10,614	10,148
Operating profit [2]	436	771	2,549	3,250
Finance income	9	3	32	19
Finance costs	-175	-175	-690	-860
Other financial results	-54	-48	-96	-75
Finance income and expenses [3]	-220	-220	-754	-916
Share of the profit of associates and joint ventures, net of tax	-7	7	-24	-31
Profit before income tax	209	558	1,771	2,303
Income taxes [4]	-33	-83	-222	-508
Profit for the period	176	475	1,549	1,795
Profit (loss) attributable to non-controlling interest	-	1	-	3
Profit attributable to equity holders	176	474	1,549	1,792
Earnings per ordinary share on a non-diluted basis (in EUR)	0.13	0.31	1.06	1.15
Earnings per ordinary share on a fully diluted basis (in EUR)	0.13	0.31	1.06	1.15
Weighted average number of shares on a non-diluted basis			1,460,869,236	1,561,730,185
Weighted average number of shares on a fully diluted basis			1,461,968,065	1,565,061,481

Unaudited Consolidated Statement of Comprehensive Income

(In millions of euro, unless indicated otherwise)	For the three months ended 31 December		For the twelve months ended 31 December	
	2011	2010	2011	2010
Profit for the period	176	475	1,549	1,795
Other comprehensive income:				
Cash flow hedges:				
Gains or (losses) arising during the period	101	63	109	30
Tax	-26	-17	-28	-8
	75	46	81	22
Currency translation adjustments:				
Gains or (losses) arising during the period	-	-1	-14	4
Tax	-	-	-	-
	-	-1	-14	4
Fair value adjustment available for sale financial assets:				
Gains or (losses) arising during the period	2	-2	-5	-8
Impairment charge through P&L	-	-	13	
	2	-2	8	-8
Other comprehensive income for the period. net of taxes	77	43	75	18
Total comprehensive income for the year. net of tax	253	518	1,624	1,813
Total comprehensive income attributable to:				
Owners of the parent	253	518	1,624	1,811
Non-controlling interest	-	-	-	2

Consolidated Statement of Financial Position

	As at	
ASSETS (In millions of euro)	31 December 2011 (unaudited)	31 December 2010
NON-CURRENT ASSETS		
Goodwill [5]	5,575	5,733
Licenses	2,495	2,818
Software	852	819
Other intangibles [5]	290	385
Total Intangible assets	9,212	9,755
Land and buildings	705	875
Plant and equipment [5]	5,704	5,619
Other tangible non current assets	116	130
Assets under construction	1,008	890
Total property, plant and equipment	7,533	7,514
Investments in associates and joint ventures [6]	261	284
Loans to associates [6]	127	33
Available-for-sale financial assets	48	53
Derivative financial instruments	169	17
Deferred income tax assets	1,831	1,918
Other financial non-current assets	261	236
Total non-current assets	19,442	19,810
CURRENT ASSETS		
Inventories	123	153
Trade and other receivables	1,607	1,867
Current income tax receivables	1	27
Cash	990	823
Total current assets	2,721	2,870
Non-current assets and disposal groups held for sale [7]	224	57
TOTAL ASSETS	22,387	22,737

LIABILITIES <i>(In millions of euro)</i>	As at	
	31 December 2011 (unaudited)	31 December 2010
GROUP EQUITY		
Share capital	344	377
Share premium	6,717	8,184
Other reserves	-127	-709
Retained earnings	-4,004	-4,352
Equity attributable to owners of the parent	2,930	3,500
Non controlling interest	-	-
Total group equity	2,930	3,500
NON-CURRENT LIABILITIES		
Borrowings [8]	11,641	11,359
Derivative financial instruments	229	250
Deferred income tax liabilities	793	956
Provisions for retirement benefit obligations [9]	441	608
Provisions for other liabilities and charges	397	404
Other payables and deferred income	155	225
Total non-current liabilities	13,656	13,802
CURRENT LIABILITIES		
Trade and other payables	3,804	3,982
Borrowings [8]	1,458	1,178
Derivative financial instruments (current liabilities)	-	1
Current income tax liabilities	218	152
Provisions (current portion)	129	106
Total current liabilities	5,609	5,419
Liabilities directly associated with non-current assets and disposal groups classified as held for sale [7]	192	16
TOTAL EQUITY AND LIABILITIES	22,387	22,737

Unaudited Consolidated Statement of Cash Flows

(In millions of euro)	For the twelve months 31 December	
	2011	2010
Profit before income tax	1,771	2,303
Adjustments for:		
- Net finance costs	754	916
- Share-based compensation	-15	-17
- Share of the profit of associated and joint ventures	24	31
- Depreciation , Amortization and impairments	2,589	2,226
- Other income	-137	-66
- Changes in provisions (excluding deferred taxes)	-209	-336
Changes in working capital relating to:		
- Inventories	14	-52
- Trade receivables	24	27
- Prepayments and accrued income	64	19
- Other current assets	12	-41
- Trade payables	150	246
- Accruals and deferred income	-151	-88
- Current liabilities (excluding short-term financing)	-20	-36
Change in working capital	93	75
Dividends received	1	1
Taxes paid / received	-231	-589
Interest paid	-637	-736
Net cash flow generated from operations	4,003	3,808
Acquisition of subsidiaries, associates and joint ventures (net of acquired cash)	-23	-106
Disposal of subsidiaries, associates and joint ventures	-2	63
Investments in intangible assets (excluding software)	-27	-337
Investments in property, plant & equipment	-1,584	-1,398
Investments in software	-463	-411
Disposal of intangibles (excluding software)	9	-
Disposal in property, plant & equipment	20	19
Disposal in software	1	1
Disposals of real estate	156	84
Other changes and disposals	-73	-64
Net cash flow used in investing activities	-1,986	-2,149
Share repurchase	-1,000	-1,000
Dividends paid	-1,200	-1,152
Exercised options	5	13
Proceeds from borrowings	2,159	991
Repayments from borrowings and settlement of derivatives	-1,702	-2,484
Other changes in interest-bearing current liabilities	-10	-2
Net cash flow used in financing activities	-1,748	-3,634
Changes in cash	269	-1,975
Net Cash at beginning of period	682	2,652
Exchange rate difference	-1	5
Changes in cash	269	-1,975
Net Cash at end of period	950	682
Bank overdrafts	76	158
Cash classified as held for sale	-36	-17
Cash at end of period	990	823

Unaudited Consolidated Statement of Changes in Group Equity

<i>(Amounts in millions of euro, except number of shares)</i>	Number of subscribed shares	Share capital	Share premium	Other reserves	Retained earnings	Equity attribu- table to owners of the parent	Non controlling interests	Total Group equity
Balance as of 1 January 2010	1,628,855,322	391	8,799	-370	-4,982	3,838	3	3,841
Share based compensation	–	–	–	–	3	3	–	3
Exercise of options	–	–	–	14	–	14	–	14
Shares repurchased	–	–	–	-1,000	–	-1,000	–	-1,000
Dividends paid	–	–	–	–	-1,152	-1,152	–	-1,152
Shares cancelled	-56,245,438	-14	-615	629	–	–	–	–
Purchased from non-controlling interests	–	–	–	–	-14	-14	-5	-19
Total comprehensive income for the period	–	–	–	18	1,793	1,811	2	1,813
Balance as of 31 December 2010	1,572,609,884	377	8,184	-709	-4,352	3,500	–	3,500
Share based compensation	–	–	–	–	1	1	–	1
Exercise of options	–	–	–	7	–	7	–	7
Shares repurchased	–	–	–	-1,000	–	-1,000	–	-1,000
Dividends paid	–	–	–	–	-1,202	-1,202	–	-1,202
Shares cancelled	-141,087,402	-33	-1,467	1,500	–	–	–	–
Total comprehensive income for the period	–	–	–	75	1,549	1,624	–	1,624
Balance as of 31 December 2011	1,431,522,482	344	6,717	-127	-4,004	2,930	–	2,930

Notes to the Condensed Consolidated Financial Statements

Company profile

KPN is the leading telecommunications and ICT provider in The Netherlands offering wireline and wireless telephony, broadband and TV to consumers and end-to-end telecom and ICT services to business customers. KPN Corporate Market (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 Challenger strategy in its wireless operations and holds number three market positions through E-Plus and KPN Group Belgium. In Spain KPN offers wireless services as an MVNO through its own brands and through partner brands. KPN provides wholesale network services to third parties and operates an efficient IP-based infrastructure with global scale in international wholesale through iBasis.

Accounting policies

Basis of presentation

The condensed consolidated financial statements do not include all of the information required for full annual financial statements. In addition, the notes to these consolidated financial statements are presented in a condensed format. The applied accounting principles are in line with those as described in KPN's 2010 Annual Report. These condensed consolidated financial statements have not been audited or reviewed and are based on IFRS as adopted by the European Union. KPN's Annual Report 2011 is expected to be available by the end of February 2012.

[1] Revenues and other income

The Segments presented below are based on KPN's internal structure and internal reporting to the CEO. For a description of the activities of these segments, reference is made to the 2010 Annual Report. For operating profit reference is made to note [2] and for other segment information reference is made to note [10] in these Condensed Consolidated Financial Statements.

	For the twelve months ended 31 December 2011				For the twelve months ended 31 December 2010			
Revenues and Other income	External revenues	Other income	Inter segment revenues	Total revenues and Other income	External revenues	Other income	Inter segment revenues	Total revenues and Other income
Germany	3,144	4	88	3,236	3,151	5	85	3,241
Belgium	722	1	58	781	725	-	60	785
Rest of World	295	9	3	307	261	1	5	267
Eliminations	-	-	-116	-116	-	-	-108	-108
Mobile International	4,161	14	33	4,208	4,137	6	42	4,185
Consumer	3,601	-	134	3,735	3,775	1	164	3,940
Business	2,163	3	207	2,373	2,189	15	220	2,424
Wholesale & Operations (national)	579	121	1,988	2,688	627	39	2,133	2,799
Other (incl. ITNL & eliminations)		1	-2,033	-2,032			-2,159	-2,159
Dutch Telco business	6,343	125	296	6,764	6,591	55	358	7,004
iBasis Group	750	-	227	977	719	-	193	912
Corporate Market (Getronics)	1,705	5	191	1,901	1,796	6	164	1,966
Other gains/losses, eliminations	-1	-1	-552	-554	-	8	-557	-549
The Netherlands	8,797	129	162	9,088	9,106	69	158	9,333
Other activities	64	-2	-	62	81	-1	1	81
Eliminations	-	-	-195	-195	-	-	-201	-201
KPN Total	13,022	141	0	13,163	13,324	74	0	13,398

KPN Group revenues and other income were down 1.8% y-on-y, including an impact of EUR 486m (3.6%) from regulatory tariff cuts for MTA and roaming. The lower revenue performance at the Group was a combination of declining revenues and other income in the Dutch Telco business (EUR 240m) and Corporate Market (Getronics) (EUR 65m), and higher revenues at Mobile International (EUR 23m) and iBasis (EUR 65m).

Other income in Wholesale & Operations is related to book gains on the sale of mobile towers and real estate. Other income at Corporate Market (Getronics) relates to the book gain from the sale of PharmaPartners in Q1 2011; other income in the Rest of World relates to the book gain from the sale of KPN France in Q4 2011. For more detailed information on revenues, reference is made to the Management Report.

[2] Operating profit

	For the twelve months ended 31 December 2011			For the twelve months ended 31 December 2010		
		Depreciation, Amortization & Impairments (DA&I)	EBITDA		Depreciation, Amortization & Impairments (DA&I)	EBITDA
Operating profit, DA&I and EBITDA	Operating profit			Operating profit		
Germany	703	650	1,353	713	661	1,374
Belgium	133	140	273	149	122	271
Rest of World	-10	20	10	-27	8	-19
Mobile International	826	810	1,636	835	791	1,626
Consumer	758	279	1,037	866	255	1,121
Business	667	114	781	721	98	819
Wholesale & Operations (national)	810	865	1,675	861	858	1,719
Other (incl. ITNL)	-13	44	31	-	41	41
Dutch Telco business	2,222	1,302	3,524	2,448	1,252	3,700
iBasis Group	11	20	31	7	25	32
Corporate Market (Getronics)	-447	451	4	7	151	158
Other gains/losses	-	-1	-1	-1	-1	-2
The Netherlands	1,786	1,772	3,558	2,461	1,427	3,888
Other activities	-63	7	-56	-46	8	-38
KPN Total	2,549	2,589	5,138	3,250	2,226	5,476

KPN Group EBITDA decreased by 6.2% y-on-y to EUR 5,138m, including the impact of regulatory cuts (EUR 203m or -3.7%), the book loss of EUR 30m related to the sale of Getronics International and EUR 130m of restructuring costs, amongst others related to Corporate Market (Getronics) (EUR 96m) and Dutch Telco (EUR 20m). Operating profit decreased by EUR 701m (22%) y-on-y. This is mainly the result of lower EBITDA, the impairment of goodwill and non-current assets of Corporate Market (Getronics) of EUR 298m and higher amortization of spectrum licenses and software compared to last year (EUR 79m).

[3] Finance income and expenses

Net finance costs for the full-year 2011 decreased by EUR 162m y-on-y to EUR 754m, due to the lower average gross debt in 2011 and the one-off cost for the tender in September 2010.

[4] Income taxes

KPN has formalized an agreement with the Dutch tax authorities with regard to the application of the innovation tax facilities. Innovation tax facilities are facilities under Dutch corporate income tax law whereby profits attributable to innovation are taxed at an effective rate of 5%. The agreement has retroactive effect to 1 January 2007. The application of the innovation tax facilities resulted in a one-off benefit of EUR 118m mainly reflecting the period 2007 to 2010.

Due to the application of the innovation tax facilities, KPN's effective tax rate in The Netherlands will be reduced from the statutory tax rate of 25% to approximately 20%. The effective tax rate for the Group is expected to be approximately 20% in 2012 and onwards.

The effective tax rate in 2011, corrected for the one-off innovation tax benefit for the years 2007 to 2010 and the non-deductible goodwill impairment of Corporate Market (Getronics), amounted to 17.2% (2010: 21.8%). The effective tax

rate in 2011 is lower than the expected effective tax rate of 20%, mainly due to the reassessment of the valuation of the deferred tax asset in E-Plus, which led to an increase of the deferred tax asset.

[5] Impairment Corporate Market (Getronics)

Triggered by the changes in the ICT market, continued adverse market conditions and fierce price pressure, the Q4 2011 impairment testing at Corporate Market (Getronics) led to an impairment of tangible assets, goodwill and other intangible assets totalling to an amount of EUR 298m.

[6] Investments in / loans to associates

The investments in / loans to associates mainly relate to Reggefiber.

In November 2011, the joint-venture agreement with Reggeborgh was amended, whereby KPN holds options to increase ownership to 60% based on a predefined time-line as opposed to solely on operational milestones under the original arrangements. Further reference is made to the separate press release issued on 9 November 2011.

[7] Non-current assets, liabilities and disposal groups held for sale

As at 31 December 2011 the mobile towers to be sold in Q1 2012 and SNT Inkasso are classified as assets held for sale. In Q1 2011, KPN sold a number of mobile towers and a division (PharmaPartners) of Corporate Market (Getronics) which were presented as assets held for sale as at 31 December 2010.

Today KPN announced the divestment of Getronics International as part of KPN's proven strategy of strengthening its global delivery capabilities for major international clients through partnerships (subject to customary closing conditions). The related assets and liabilities were classified held for sale as per 31 December 2011, whereby the measurement of the asset and liabilities, at the lower of carrying amount and fair value less cost to sell, resulted in a loss of EUR 30m. KPN will remain committed to the Getronics Workspace Alliance through Corporate Market (Getronics).

[8] Borrowings

In July 2011, KPN signed a new EUR 2.0bn Revolving Credit Facility with a tenor of five years and two one-year extension options. The facility replaces the previous EUR 1.5bn revolving credit facility, thereby extending the maturity profile from August 2013 to July 2016 while obtaining competitive conditions. The size of the credit facility has been increased to EUR 2.0bn in line with the Treasury optimization initiatives announced during KPN's Investor Day in May 2011. The facility will be used for general corporate purposes and working capital.

On 8 September 2011, KPN issued a Eurobond for an amount of EUR 500m, with a 10 year maturity and a fixed coupon of 4.50%. The bond has been placed with a broad range of institutional investors across Europe. The bond was issued under KPN's Global Medium Term Note program and is listed on NYSE Euronext Amsterdam.

In September and December 2011, KPN changed the interest rate profile on its Eurobonds maturing in 2020, 2021 and 2024 by swapping the bonds to a 2-year duration. This initiative was announced at KPN's Investor Day in May 2011 and benefits from the current steepness of the interest rate curve. The three bonds, with a total notional amount of EUR 2.2bn, have been swapped to a floating rate, but with a fixed rate for the first two years.

On 11 November, 2011 KPN issued a GBP 400m bond with a maturity of 15 years and a fixed coupon of 5.00%. The GBP bond has been swapped into a notional amount of EUR 467m with a Euro-equivalent coupon of 5.02%. The bond was issued under KPN's Global Medium Term Note program and is listed on NYSE Euronext Amsterdam.

As at 31 December 2011, the average maturity was 7.3 years (Q3 2011: 7.4 years). The average interest rate on the nominal bonds was 5.3% (Q3 2011: 5.0%).

[9] Provisions for retirement benefit obligations

In Q4 2011, the KPN pension funds in The Netherlands had an average coverage ratio of 101% based on requirements of the pension regulator in The Netherlands (the Dutch Central Bank). Based on the coverage ratio at 31 December 2011, an additional cash payment of EUR 21m is required in Q1 2012 and EUR 19m in Q2 2012.

[10] Share repurchases

On 26 January 2011, KPN announced its EUR 1bn share repurchase program for 2011. The program started on 21 February 2011 and was completed on 23 September 2011. Under the program, KPN repurchased 96.7 million shares at an average price of EUR 10.34, for a total amount of EUR 1.0bn.

Cancellation of shares

On 10 March 2011, KPN concluded the cancellation of 44,358,475 shares that were repurchased as part of the share repurchase program of 2010. In 2011, KPN concluded the cancellation of 96,728,927 shares that were repurchased as part of the share repurchase program of 2011. Following the cancellations in 2011, KPN has 1,431,522,482 ordinary shares outstanding.

[11] Other Segment information

	As at 31 December 2011		As at 31 December 2010		For the twelve months 31 December	
	Total assets	Total liabilities	Total assets	Total liabilities	2011 CAPEX	2010 CAPEX
Assets, liabilities and CAPEX						
Germany	10,430	26,741	10,462	27,419	599	501
Belgium	1,882	316	1,969	348	114	122
Rest of World (incl. eliminations)	158	143	162	135	12	22
Mobile International	12,470	27,200	12,593	27,902	725	645
Consumer	3,409	3,049	3,152	2,955	319	291
Business	2,675	2,678	2,710	2,718	112	86
Wholesale & Operations (national)	8,774	8,754	9,178	9,178	724	622
Other (incl. ITNL & eliminations)	-894	-886	-348	-345	42	35
Dutch Telco business	13,964	13,595	14,692	14,506	1,197	1,034
iBasis Group	448	365	534	447	9	12
Corporate Market (Getronics)	2,415	1,835	2,904	1,930	110	110
Other gains/losses, eliminations	-389	-390	-657	-658	-	4
The Netherlands	16,438	15,405	17,473	16,225	1,316	1,160
Other activities	-6,521	-23,148	-7,329	-24,890	6	4
KPN Total	22,387	19,457	22,737	19,237	2,047	1,809

The increase in full-year Capex of EUR 238m y-on-y was related to the accelerated high speed data network roll-outs in Germany and Belgium and increased Capex at Dutch Telco. At Dutch Telco the increase relates to continued upgrades of the mobile and fixed networks, investments in the wireline propositions, increased spend on customer premises equipment and expansion of the distribution footprint.

[12] Dividend

In Q2 2011, KPN paid the final dividend for 2010, for a total of EUR 795m (including dividend tax), or EUR 0.53 per share. This resulted in a total dividend over 2010 of EUR 1,214m (incl. dividend tax), or EUR 0.80 per share.

In Q3 2011, KPN paid the interim dividend for 2011, totalling EUR 405m (including dividend tax), or EUR 0.28 per share, up 4% compared to last year.

[13] Off-balance sheet commitments

At the end of Q4 2011 off-balance sheet commitments increased to EUR 4.5bn (31 December 2010: EUR 4.3bn), mainly due to an increase in capital purchasing commitments and rentals.

[14] Regulatory developments

The Netherlands: Mobile spectrum auction

On 6 January 2012 the auction rules for the auction of 800, 900, 1800MHz were published. 2*10MHz in the 800MHz and 2*5MHz in the 900MHz band have been reserved for new market entrants. The Minister of Economic Affairs, Agriculture and Innovation announced its intention to start the auction in October 2012.

The Netherlands: Status OPTA analyses fixed telecommunications markets

At the end December 2011 OPTA published the first decision as result of the market analyses it conducted for the period 2012-2014. In its decision of 29 December 2011 OPTA confirmed its conclusion that KPN still has significant market power on the market of unbundled access to its copper network and Reggefiber on the market of unbundled access to its fiber to the home network. KPN has to offer non-discriminatory unbundled access (MDF and SDF) based on published reference offers. The tariffs of existing services are regulated by means of a safety cap (tariffs of 2011 as maximum with inflation correction). The margin squeeze test has been amended. The regulation of unbundled access to Reggefibers fiber to the home networks remains unchanged.

On 20 December 2011 OPTA published its conclusion that the Dutch television markets will not be regulated. OPTA concluded that the (so called 'three criteria') test imposed by European regulation which should be passed for ex ante regulation has not been fulfilled.

On the other relevant markets OPTA has published draft decisions, but formal decisions will be finalised only in Q1 2012. OPTA intends to extend (with some amendments) regulation for KPN on wholesale fixed voice, high quality wholesale broadband and leased lines and reintroduce regulation (a margin squeeze test) on the retail markets for two and more than two simultaneous calls (ISDN 2, 15, 30 etc). OPTA intends to withdraw regulation on the markets for FttO and low quality wholesale broadband access.

Germany: Update on MTA regulation

On 24 February 2011, BNetzA adopted its final MTA decisions, setting the rate for E-Plus at EUR 3.36 ct/min, slightly higher than its preliminary decision of 30 November 2010. In doing so, BNetzA did not follow the EU Commission's comments which had questioned the asymmetric MTA rates (to the benefit of Deutsche Telekom). E-Plus (and numerous other operators including all MNOs) have ongoing legal proceedings against these decisions. In preliminary proceedings, the courts have so far left BNetzA's decisions unchanged. The main proceedings are still ongoing.

Belgium: Update on MTA regulation

In its final decision in relation to market 7 ('MTA'), BIPT imposed an asymmetric glide path between Proximus (Belgacom), Mobistar and BASE. KPN Group Belgium launched both a suspension and an annulment procedure against the decision. The suspension request, which focused on the fact that BIPT has unduly awarded a glide path to Proximus and Mobistar, instead of forcing them immediately to the pure LRIC-based MTA of EUR 1.08 ct/min, was overruled on the basis of formal grounds. The annulment procedure is currently pending and was pleaded in December 2011. A decision regarding the annulment procedure is expected in Q1 2012.

Belgium: Mobile spectrum auction

On 28 November 2011, KPN Group Belgium obtained a license to use 2x15MHz (30MHz) in the 2.6GHz spectrum band in Belgium for a consideration of EUR 15m. With these high frequencies, KPN Group Belgium will be able to continue the roll-out of high speed mobile data, including services based on next generation mobile technology (LTE) over time, and to serve its many customers and partners in Belgium. The license will become available per 1 July 2012 and will expire in 2027.

[15] Related party transactions

For a description of the related parties of KPN and transactions with related parties, reference is made to Note 32 of the 2010 Annual Report, including major shareholders. On 8 August 2011, Capital Research and Management Company notified that they held 10.10% in KPN's ordinary share capital. To KPN's knowledge, no other shareholder owned 5% or more of KPN's outstanding shares as at 31 December 2011.

In the twelve months ended 31 December 2011, there have been no changes in the type of related party transactions as described in the Annual Report 2010 that could have a material effect on the financial position or performance of KPN. Nor have any related party transactions taken place in the twelve months ended 31 December 2011 that have materially affected the financial position or the performance of KPN.

[16] Subsequent events

On 11 January 2012, Capital Research and Management Company notified that they held 15.11% in KPN's ordinary share capital.

Today KPN announced the divestment of Getronics International as part of KPN's proven strategy of strengthening its global delivery capabilities for major international clients through partnerships (subject to customary closing conditions). The related assets and liabilities were classified held for sale as per 31 December 2011, whereby the measurement of the asset and liabilities, at the lower of carrying amount and fair value less cost to sell, resulted in a loss of EUR 30m.

Safe harbor

Non-GAAP measures and management estimates

This financial 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.

*KPN defines **EBITDA** as operating result before depreciation and impairments of PP&E and amortization and impairments of intangible assets. Note that KPN's definition of EBITDA deviates from the literal definition of earnings before interest, taxes, depreciation and amortization and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS. In the **net debt/EBITDA ratio**, KPN defines EBITDA as a 12 month rolling total excluding book gains, release of pension provisions and restructuring costs, when over EUR 20m. **Free cash flow** is defined as cash flow from operating activities plus proceeds from real estate, minus capital expenditures (Capex), being expenditures on PP&E and software and excluding tax recapture regarding E-Plus.*

***Underlying revenues and other income** and **underlying EBITDA** are derived from revenues and other income and EBITDA, respectively, and are adjusted for the impact of MTA and roaming (regulation), changes in the composition of the group (acquisitions and disposals), restructuring costs and incidentals.*

*The term **service revenues** refers to wireless service revenues.*

All market share information in this financial report is based on management estimates based on externally available information, unless indicated otherwise. For a full overview on KPN's non-financial information, reference is made to KPN's quarterly factsheets available on www.kpn.com/ir.

Forward-looking statements

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. KPN's Annual Report 2011 is expected to be available by the end of February 2012.