

# First Quarter Results 2013

23 April 2013



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## **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 net debt as the nominal value of interest bearing financial liabilities excluding derivatives, representing the repayment obligations in Euro, taking into account 50% of the nominal value of the hybrid capital instruments, less net cash and cash equivalents (including cash classified as held for sale, net of bank overdrafts). 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 € 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](http://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", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" 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 and speak only as of the date they are made. A number of these factors are described (not exhaustively) in the Annual Report 2012.



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2	Group financial review	Eric Hageman
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# Highlights Q1 '13

## *Group*

- Important steps taken in € 4bn equity equivalent capital raise
- Revenues down 8.8% y-on-y due to sale Getronics International (3.9%) and competitive mobile markets
- EBITDA € 137m lower y-on-y, partly due to higher commercial investments in Germany of € 63m
- Capex € 75m higher y-on-y related to customer equipment and Dutch 4G mobile network
- Free cash flow in Q1 reflects intrayear phasing, though increased y-on-y to € 85m
- On track to realize outlook, dividend outlook adjusted

# Highlights Q1 '13 (cont'd)

## *The Netherlands*

- Successful 4G first mover launch
- Revenue growth in Consumer Residential
- TV market share increased to 24%, leading to No.2 position in Dutch TV market
- Promising initial uptake quad play propositions
- Good progress FTE reduction program with ~1,100 reductions in Q1

## *Mobile International*

- Record postpaid net adds of 265k in Germany driven by commercial investments
- Upgraded data network supporting data growth in Germany
- Competitive mobile market in Belgium, new propositions launched

# Aligning financial position with strategy

## Important steps taken in capital raise

- Important steps taken in € 4bn equity equivalent capital raise
  - € 2bn hybrid bonds issued in March
  - € 3bn rights issue approved at AGM
- Substantial reinforcement of balance sheet and financial position
  - Reduction of net debt level
  - Support execution of strategy
- Commitment to investment grade credit profile
  - Targeting year-end 2013 net debt / EBITDA between 2.0-2.5x<sup>1</sup>
- Launch of rights issue expected shortly after publication of Q1 '13 results
  - América Móvil has committed to participate pro rata, subject to customary conditions

<sup>1</sup> Taking into account the partial equity recognition on any hybrid capital instruments and the rights issue

# Outlook

## On track to realize outlook, dividend outlook adjusted

- The Netherlands expected to stabilize towards 2014
- Next phase German strategy expected to lead to service revenue growth combined with lower EBITDA margin, especially in 2013
- Capex in 2013 below € 2.3bn and total planned Capex for three-year period 2013-2015 of < € 7bn, including Reggefiber<sup>1</sup>
- No dividend for 2013 and 2014, thereafter resume dividend payments, subject to operational performance and financial position
  - Launch of rights issue expected shortly after publication Q1 '13 results;
  - Rights issue will lead to a higher number of shares outstanding

<sup>1</sup> Reggefiber not expected to be consolidated before H2 2014

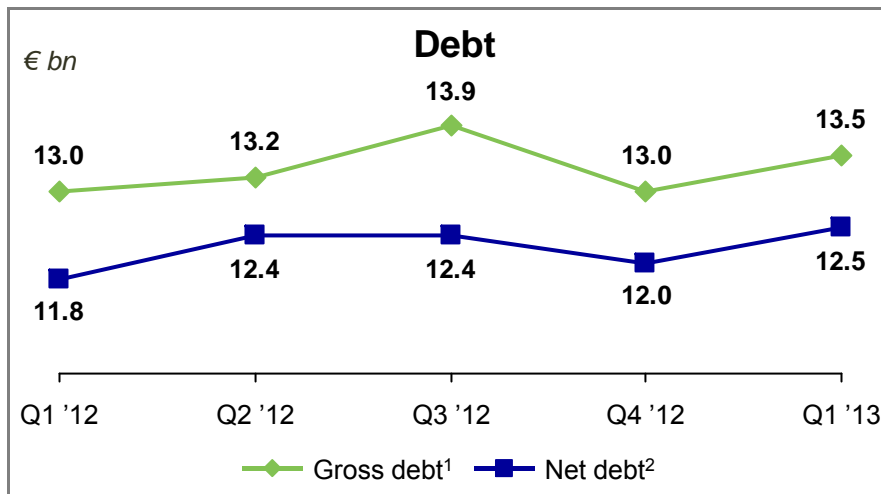
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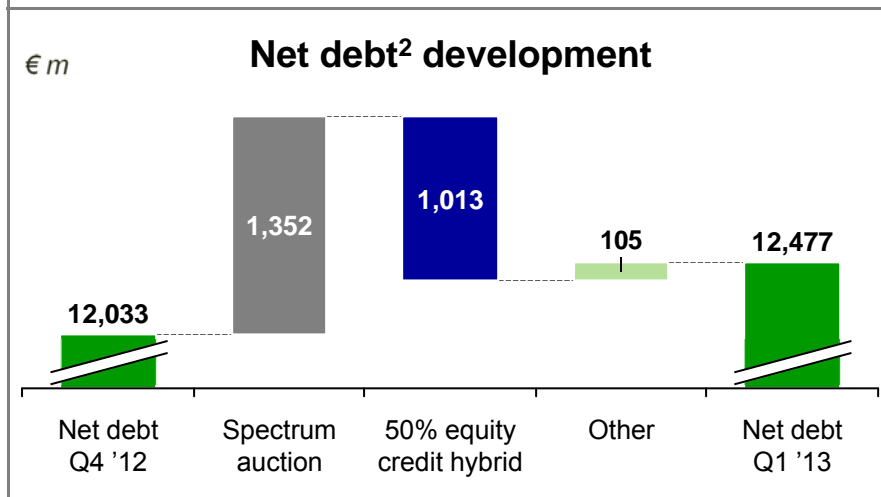


# Group financial profile

Successfully completed € 2bn hybrid bond program



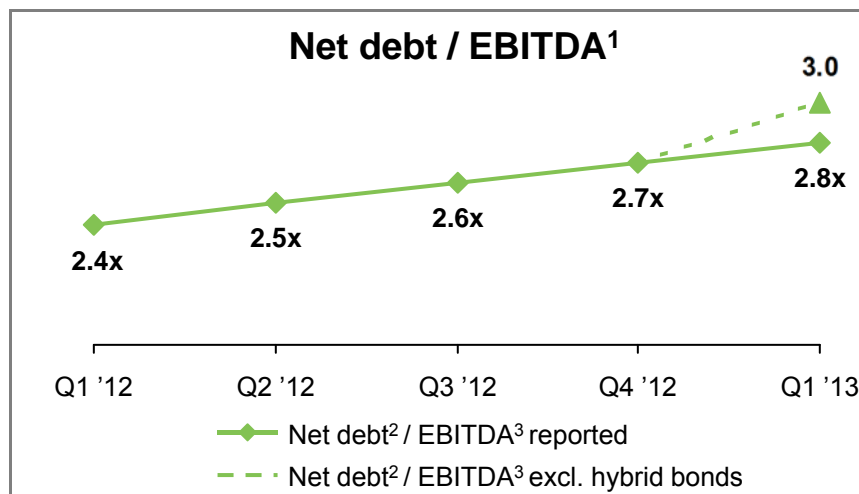
- Spectrum auction payment (€ 1,352m) in Q1 '13
- Successfully issued € 2bn hybrid bonds
  - € 1.1bn non-call 5.5yr, 6.125% coupon
  - \$ 600m non-call 10yr, 7% coupon (6.34% post-swap)
  - £ 400m non-call 7yr, 6.875% coupon (6.78% post-swap)



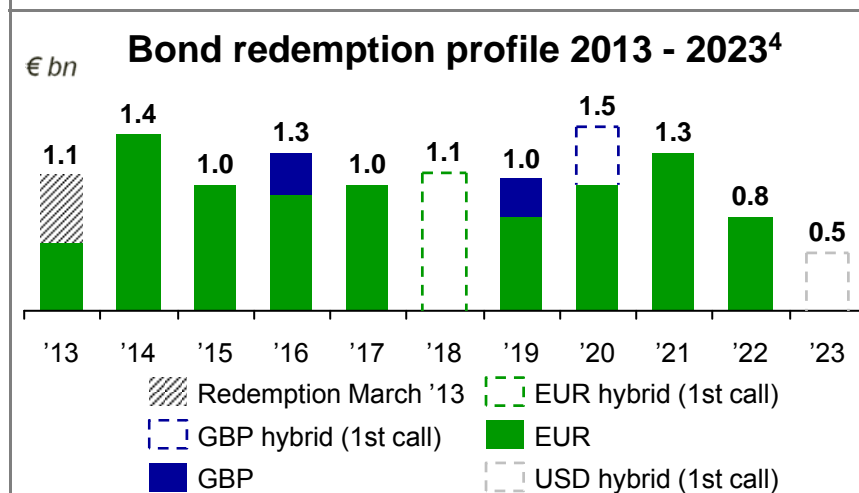
- Net debt<sup>2</sup> increased by € 444m in Q1 '13
  - Spectrum auction payment
  - Partly offset by € 2bn hybrid bonds treated as 50% equity / 50% debt in net debt definition

1 Nominal debt repayment obligations in Euro at maturity, including 50% of hybrid capital instruments; restated to exclude bank overdrafts  
 2 Nominal debt repayment obligations in Euro at maturity, including 50% of hybrid capital instruments, less net cash and cash equivalents

# Group financial profile (cont'd)



- Net debt<sup>2</sup> / EBITDA<sup>3</sup> 2.8x at end of Q1 '13
  - Lower 12 months rolling total EBITDA
  - Spectrum auction impact ~+0.3x
  - Partly offset by hybrid bond issuance impact ~-0.2x
- Targeting year-end 2013 net debt / EBITDA between 2.0-2.5x<sup>5</sup>



- First call dates of hybrid bonds fill gaps in redemption profile
- € 2bn proceeds from hybrid bonds
  - Repaid credit facility drawings in relation to spectrum auction payment
  - Redeemed € 540m bond in March
- Average coupon senior bonds 5.1% (including hybrid bonds; 5.3%). Average maturity senior bonds 7.1 years

1 Reported ratios in Q2 2012 and Q3 2012 are 0.1x lower than in the annual results 2012 presentation due to EBITDA restatement related to IAS19R  
 2 Nominal debt repayment obligations in Euro at maturity, including 50% of hybrid capital instruments, less net cash and cash equivalents  
 3 Based on 12 months rolling total EBITDA excluding book gains, release of pension provisions and restructuring costs, when over € 20m  
 4 Foreign currency amounts hedged into EUR  
 5 Taking into account the partial equity recognition of hybrid capital instruments and the rights issue

# Group results Q1 '13

€ m	Q1 '13	Q1 '12	%
<b>Revenues and other income</b>	<b>2,911</b>	<b>3,191</b>	<b>-8.8%</b>
<b>Operating expenses (excl. D&amp;A)</b>	<b>1,917</b>	<b>2,060</b>	<b>-6.9%</b>
– Depreciation <sup>1</sup>	409	330	24%
– Amortization <sup>1</sup>	220	209	5.3%
<b>Operating expenses</b>	<b>2,546</b>	<b>2,599</b>	<b>-2.0%</b>
<b>Operating profit</b>	<b>365</b>	<b>592</b>	<b>-38%</b>
Financial income/expense	-187	-196	-4.6%
Share of profit of associates	-3	-6	-50%
<b>Profit before taxes</b>	<b>175</b>	<b>390</b>	<b>-55%</b>
Taxes	-35	-84	-58%
<b>Profit after taxes</b>	<b>140</b>	<b>306</b>	<b>-54%</b>
<b>Earnings per share<sup>2</sup></b>	<b>0.10</b>	<b>0.22</b>	<b>-55%</b>
<b>EBITDA<sup>3</sup> (reported)</b>	<b>994</b>	<b>1,131</b>	<b>-12%</b>
– Restructuring costs	17	19	-11%
<b>EBITDA (excl. restructuring costs)</b>	<b>1,011</b>	<b>1,150</b>	<b>-12%</b>

- Revenues down 8.8% y-on-y
  - Impact sale Getronics International (3.9%)
  - Regulation impact of € 54m (1.7%)
  - Lower revenues NetCo, Business, Germany and Consumer Mobile
- Operating expenses (excl. D&A) down 6.9%
  - € 130m lower costs due to sale Getronics International
  - Lower cost of materials due to handset lease
  - Partly offset by
  - Higher commercial investments in Germany
- EBITDA excl. restructuring costs down 12%
- Depreciation up 24% y-on-y due to increased customer driven investments

1 Including impairments

2 Defined as profit after taxes per ordinary share / ADS on a non-diluted basis (in €)

3 Defined as operating profit plus depreciation, amortization & impairments

# Group cash flow Q1 '13

€ m	Q1 '13	Q1 '12	%
<b>Operating profit</b>	<b>365</b>	<b>592</b>	<b>-38%</b>
Depreciation and amortization <sup>1</sup>	629	539	17%
Interest paid/received	-305	-258	18%
Tax paid/received	-60	-91	-34%
Change in provisions	-69	-85	-19%
Change in working capital <sup>2</sup>	27	-270	n.m.
Other movements	-6	-29	-79%
<b>Net cash flow from operating activities</b>	<b>581</b>	<b>398</b>	<b>46%</b>
<b>Capex<sup>3</sup></b>	<b>535</b>	<b>460</b>	<b>16%</b>
Proceeds from real estate	2	37	-95%
Tax recapture E-Plus	37	62	-40%
<b>Free cash flow<sup>4</sup></b>	<b>85</b>	<b>37</b>	<b>&gt;100%</b>
Dividend paid	-	-	-
Equity distribution for hybrid	-	-	-

- Free cash flow € 48m higher y-on-y
  - € 297m more cash from change in working capital, mainly due to prepayments made in Q4 2012
  - Partly offset by
    - € 137m lower EBITDA
    - € 75m higher Capex
    - € 47m higher interest paid due to coupon payments of bonds issued in 2012
- Capex 16% higher
  - Increased customer driven and mobile network investments in The Netherlands
- Coverage ratio of KPN pension funds at 107% end of Q1 '13
  - No recovery payment in Q3 '13 related to coverage ratio at Q1 '13
  - Recovery payment of € 19m in Q2 '13 related to coverage ratio at Q4 '12

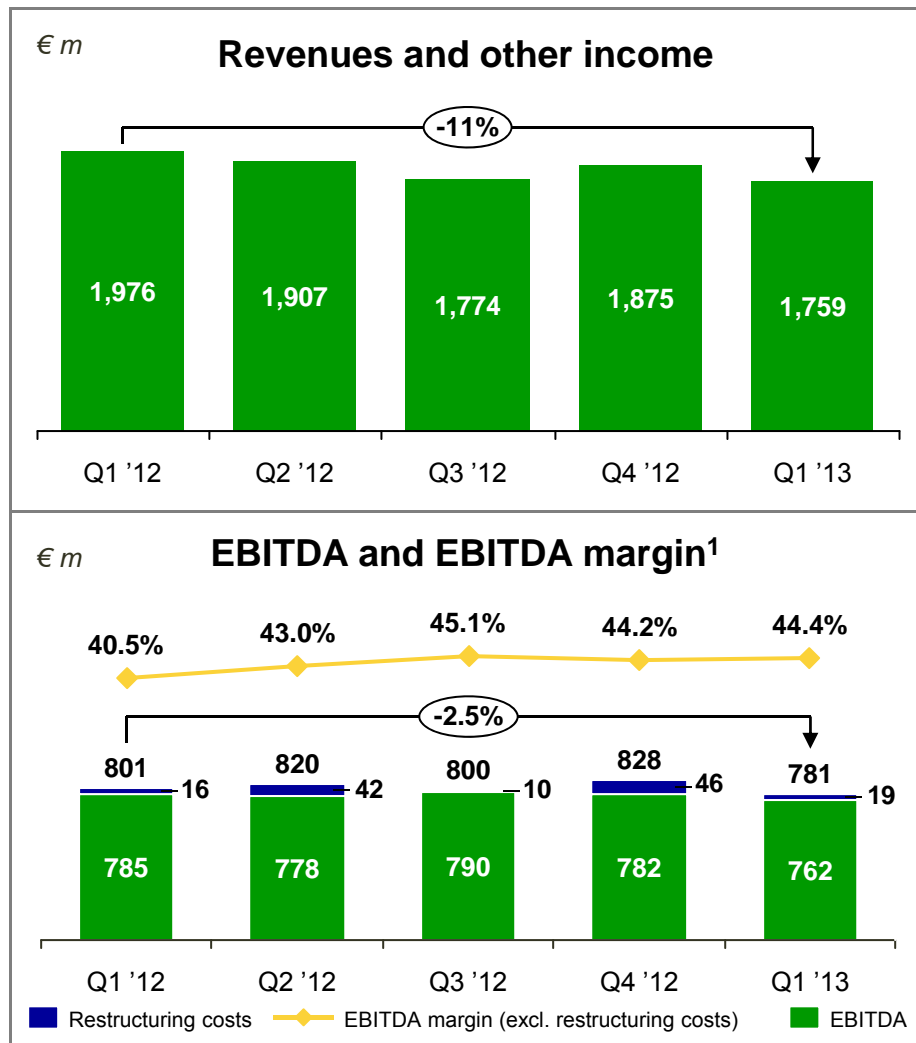
<sup>1</sup> Including impairments

<sup>2</sup> Excluding changes in deferred taxes

<sup>3</sup> Including property, plant & equipment and software

<sup>4</sup> Defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture E-Plus

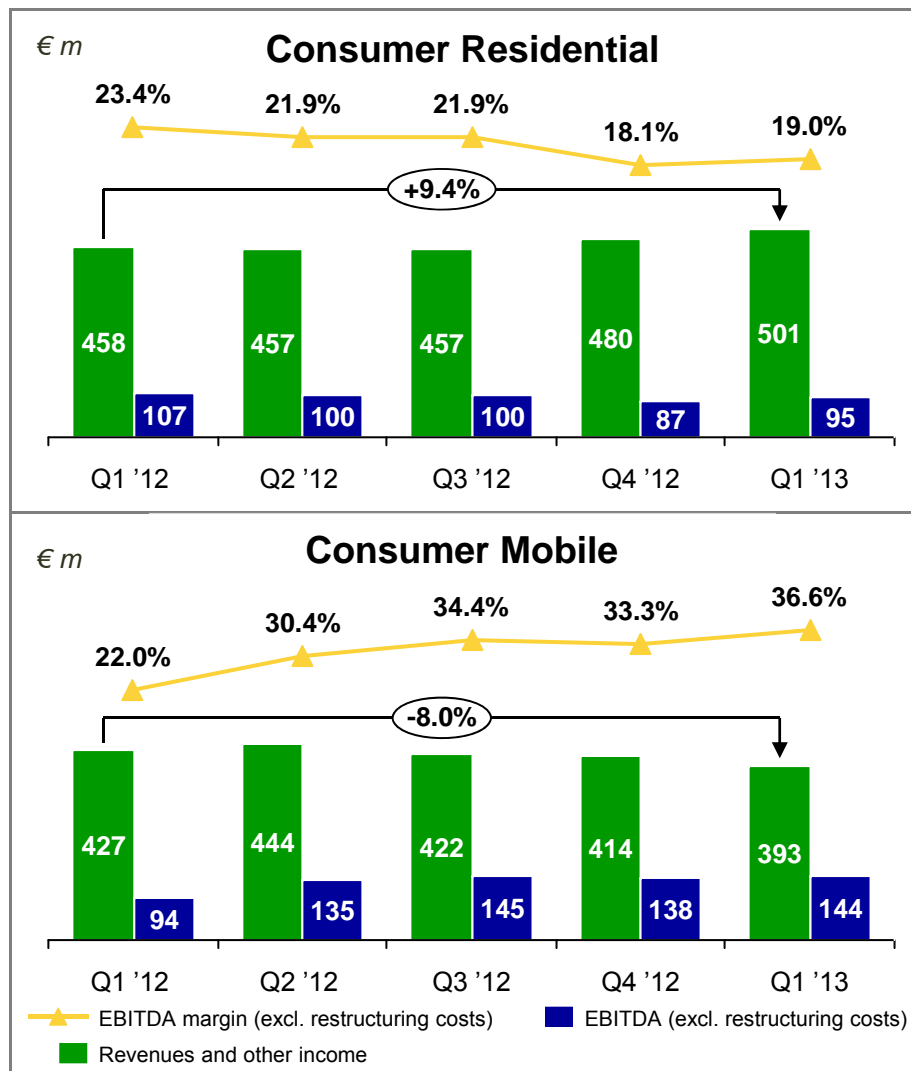
# Financial review – The Netherlands



- Underlying revenues down 6.1% y-on-y
  - Net negative effect from M&A € 88m (4.0%) and incidentals € 11m (0.4%)
  - Regulation impact of € 8m (0.4%)
- EBITDA excl. restructuring costs down 2.5%
  - Lower revenues
  - Net negative impact from incidentals € 13m (1.6%)
  - Regulation impact of € 6m (0.8%)
 Partly offset by
  - Lower cost of materials due to handset lease
  - Cost savings related to FTE reduction program
- EBITDA margin<sup>1</sup> at 44.4% in Q1 '13
  - € 130m lower operating expenses due to sale Getronics International

<sup>1</sup> EBITDA margin excluding restructuring costs, if any

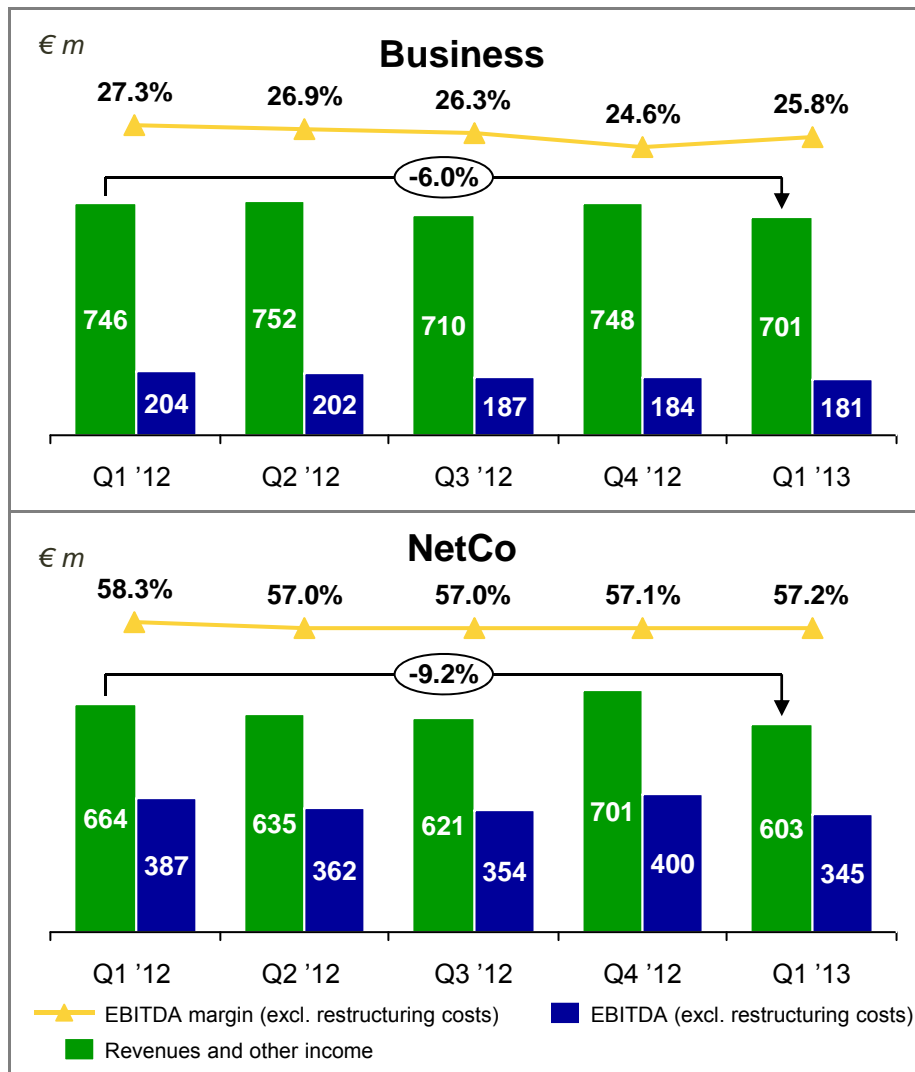
# Financial review – The Netherlands by segment



- Revenues Consumer Residential increased by 9.4% y-on-y
  - Continued growth in TV and FttH revenues
  - Supported by net positive effect from M&A € 19m (4.1%) and incidental € 13m (2.8%)
- EBITDA margin<sup>1</sup> at 19.0%
  - Supported by incidental of € 13m (2.2%)
  - Increased distribution, marketing, content and service costs
  - Continued decline of high margin traditional services
- Revenues Consumer Mobile down by 8.0% y-on-y
  - Supported by incidental € 7m (1.6%)
  - Regulation impact of € 4m (0.9%)
  - Underlying service revenue decline of 5.7%
    - Effect from lower traffic partly offset by higher committed revenues
- EBITDA margin<sup>1</sup> at 36.6%
  - Supported by handset lease and incidental (€ 7m)

<sup>1</sup> EBITDA margin excluding restructuring costs, if any

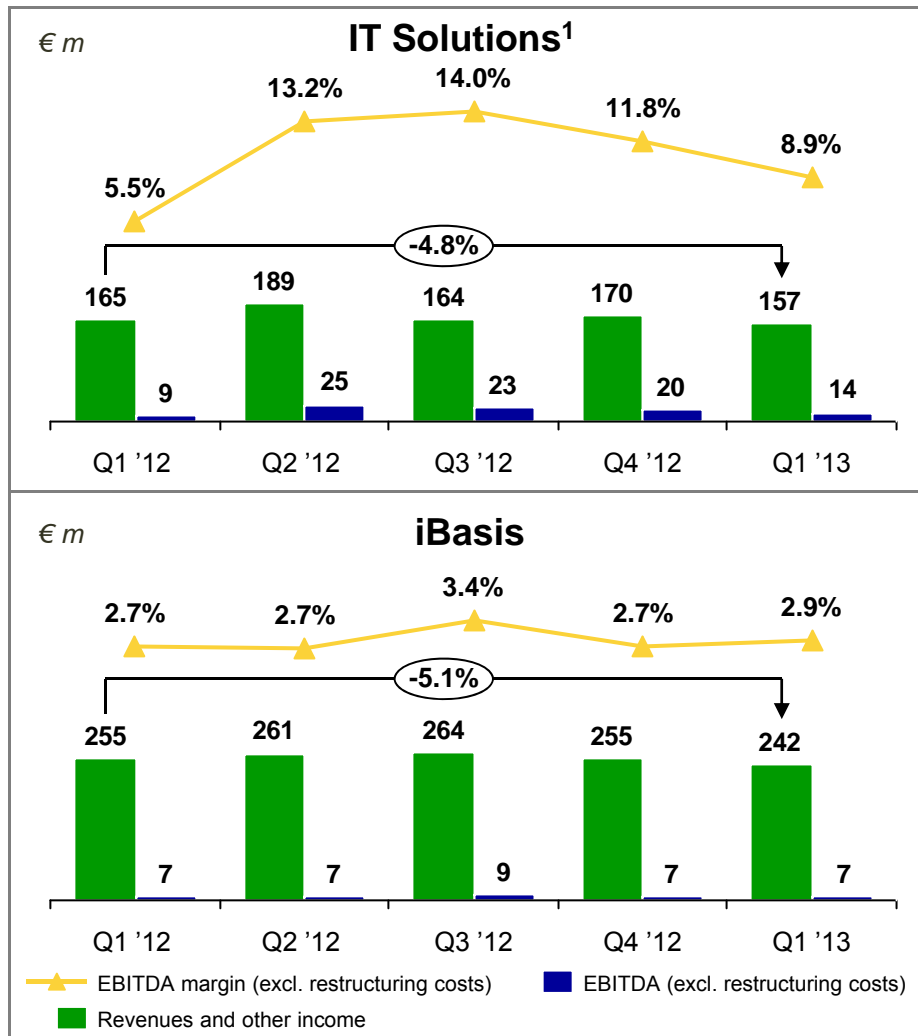
# Financial review – The Netherlands by segment



- Revenues Business down by 6.0% y-on-y
  - Lower traffic, decline in traditional services and continued price pressure
  - Reduced order intake corporate customer projects due to macroeconomic conditions
  - Lower hardware sales
- EBITDA margin<sup>1</sup> at 25.8%
  - Lower personnel costs offset by revenue decline
- Revenues NetCo down by 9.2% y-on-y
  - Net negative impact from incidentals € 31m (4.4%)
  - Partly offset by net positive impact from M&A € 14m (2.1%)
  - Driven by revenue decline at Business and lower wholesale traffic revenues
- EBITDA margin<sup>1</sup> stable at 57.2%
  - Net negative impact from incidentals € 23m

<sup>1</sup> EBITDA margin excluding restructuring costs, if any

# Financial review – IT Solutions & iBasis



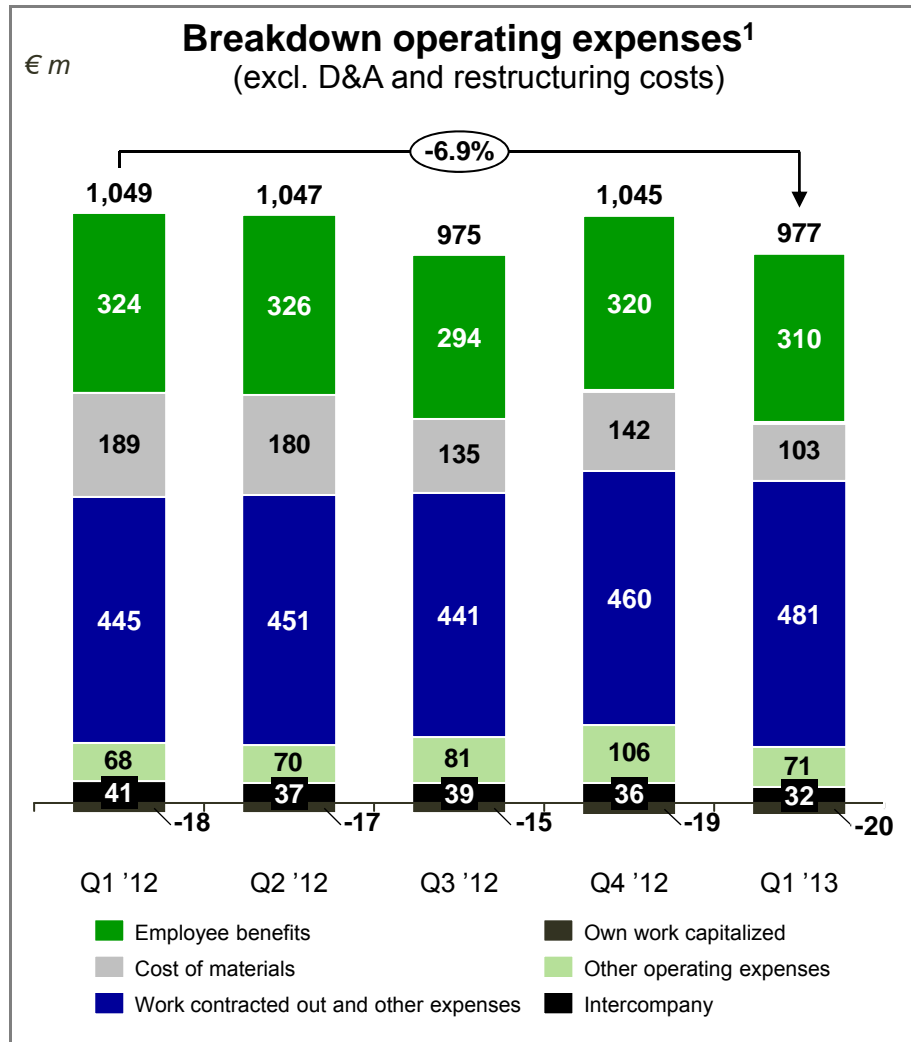
- Revenues IT Solutions down by 4.8% y-on-y
  - Continued price pressure driven by overcapacity
  - Market position expected to have remained stable
- EBITDA margin<sup>2</sup> at 8.9%
  - FTE reduction program leading to lower personnel costs, partly offset by lower margin contract renewals
- Revenues iBasis down by 5.1% y-on-y
  - Price pressure in the market
- EBITDA margin<sup>2</sup> relatively stable at 2.9%
  - Margin pressure offset by focus on costs

<sup>1</sup> Figures related to IT Solutions The Netherlands

<sup>2</sup> EBITDA margin excluding restructuring costs, if any



# Operating expenses The Netherlands



- Operating expenses (excl. D&A and restructuring costs) down 6.9% y-on-y
- Employee benefits down € 14m or 4.3% y-on-y
  - Lower personnel costs as a result of FTE reduction program
- Cost of materials down € 86m or 46% y-on-y
  - Handset lease model
  - Lower hardware sales
- Work contracted out up € 36m or 8.1% y-on-y
  - Higher content costs for TV and FttH access costs
  - Higher outsourcing costs
  - Partly offset by lower traffic costs

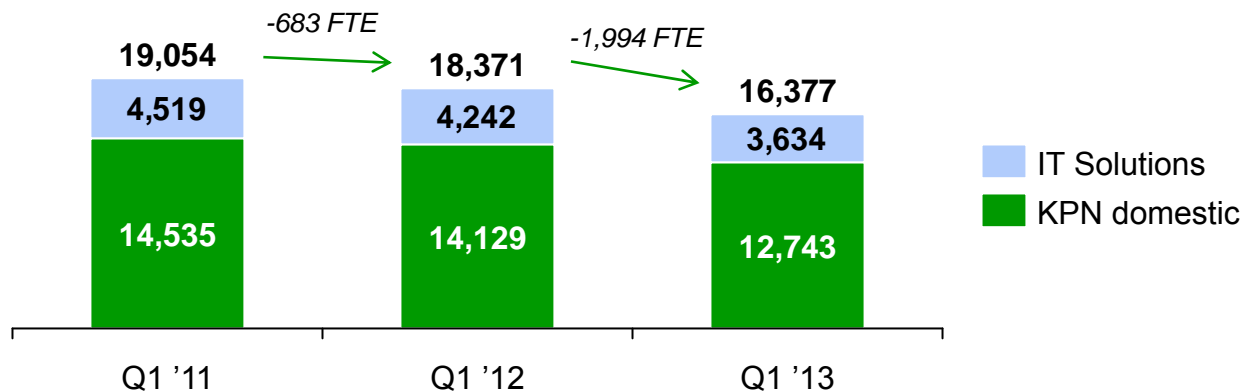
<sup>1</sup> Excluding Getronics International, sold per 1 May 2012

# FTE reduction program The Netherlands

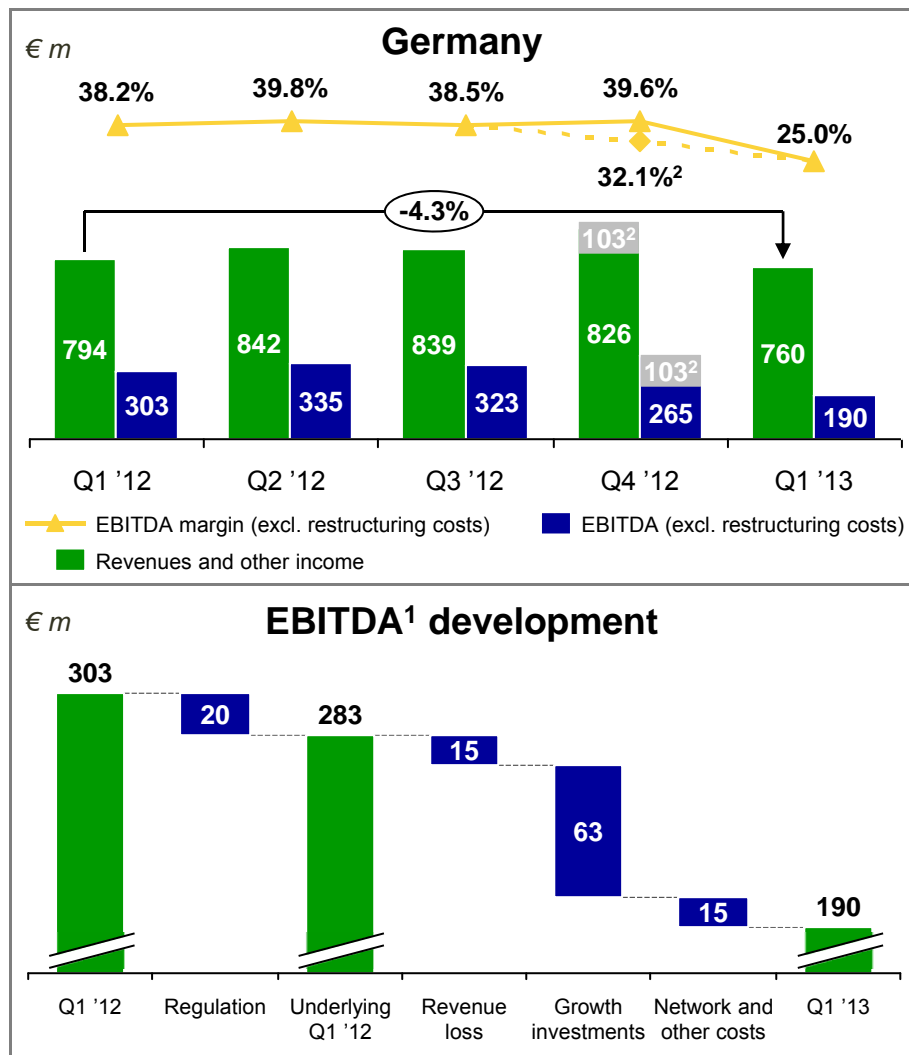
~1,100 FTE reductions in Q1 2013

- ~1,100 FTE reductions realized in Q1 2013, mainly at NetCo, Business and Consumer Residential
- ~3,000 FTE reductions since start of reduction program
  - Partly offset by ~300 FTE increase due to M&A and accelerated investments

Total FTEs in The Netherlands



# Financial review – Germany

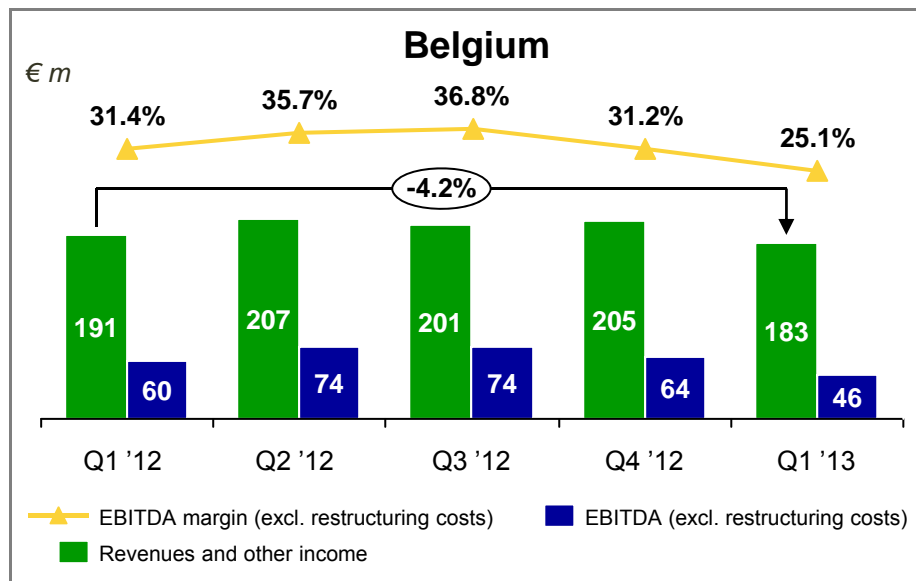


<sup>1</sup> Excluding restructuring costs, if any

<sup>2</sup> Excluding sale of German mobile towers (€ 103m)

- Revenues Germany down 4.3% y-on-y
  - Regulation impact € 35m (4.4%)
  - Underlying service revenue decline 2.5%
    - Competition in ethnic prepaid segment and continued impact customer optimization
  - Higher hardware sales to support data growth
- EBITDA lower y-on-y due to commercial investments
  - Regulation impact € 20m (6.6%)
  - € 63m higher growth related investments
    - Customer acquisition and marketing costs supporting growth in data revenues and postpaid net adds
  - Increased network costs related to larger scale network
- EBITDA margin<sup>1</sup> at 25.0%

# Financial review – Belgium



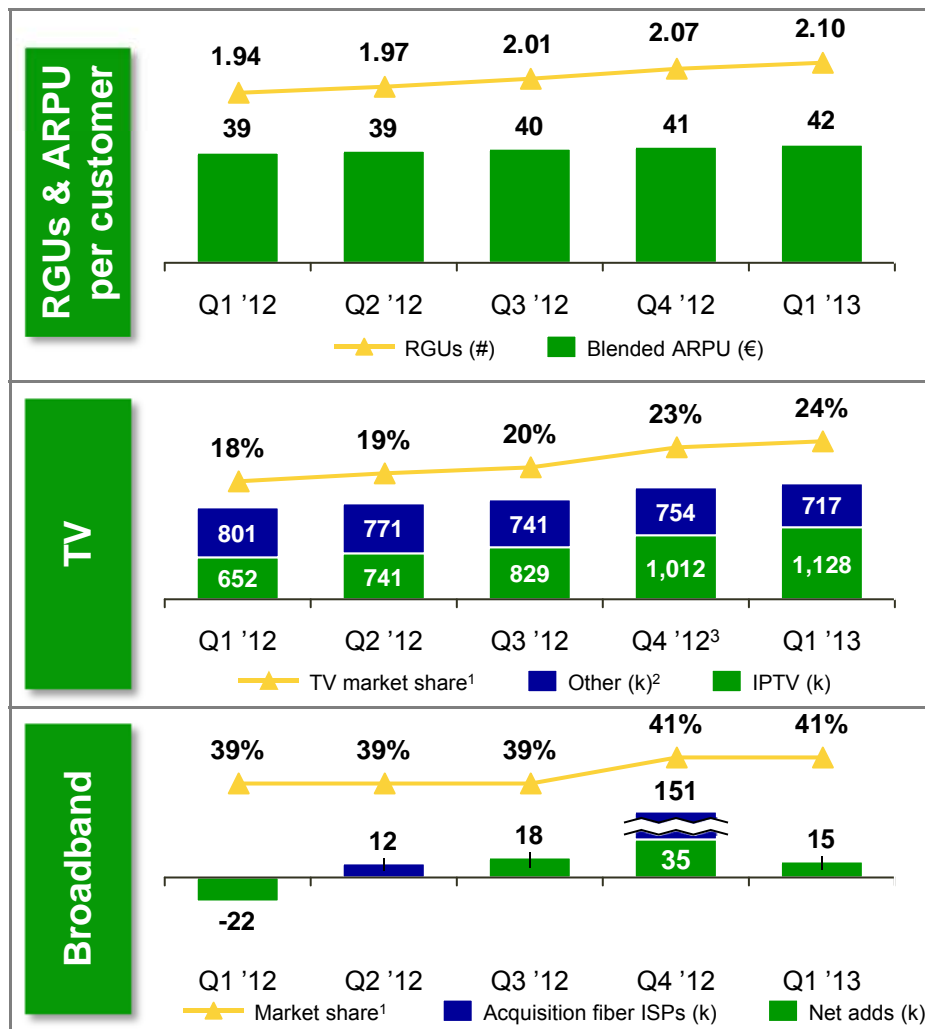
- Revenue decline Belgium 4.2% y-on-y
  - Regulation impact € 11m (5.8%)
  - Underlying service revenue growth of 1.9%
  - Mobile market remains very competitive
- EBITDA margin<sup>1</sup> at 25.1%
  - Regulation impact € 7m
  - Higher IT transformation costs
  - One-off costs to support launch fixed line services

<sup>1</sup> EBITDA margin excluding restructuring costs, if any

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# Operating review – Consumer Residential



I. Growing ARPU per customer

II. Growing TV market share

➤ No. 2 position in Dutch TV market

III. Growing broadband customer base

*Growing revenues*



<sup>1</sup> Source: Telecompaper, management estimates for Q1 '13

<sup>2</sup> Other includes Digitenne used as primary TV connection and analogue TV customers

<sup>3</sup> Includes 109k TV customers (60k IPTV and 49k analogue), 100k triple play packages, and 116k broadband customers from acquisition fiber service providers

# 'KPN Compleet'

Promising initial uptake quad play

KPN triple play



Illustrative

€60

+

KPN mobile



Illustrative

€35

'KPN Compleet'

+ value added services

Illustrative

€95



45 additional  
IPTV channels



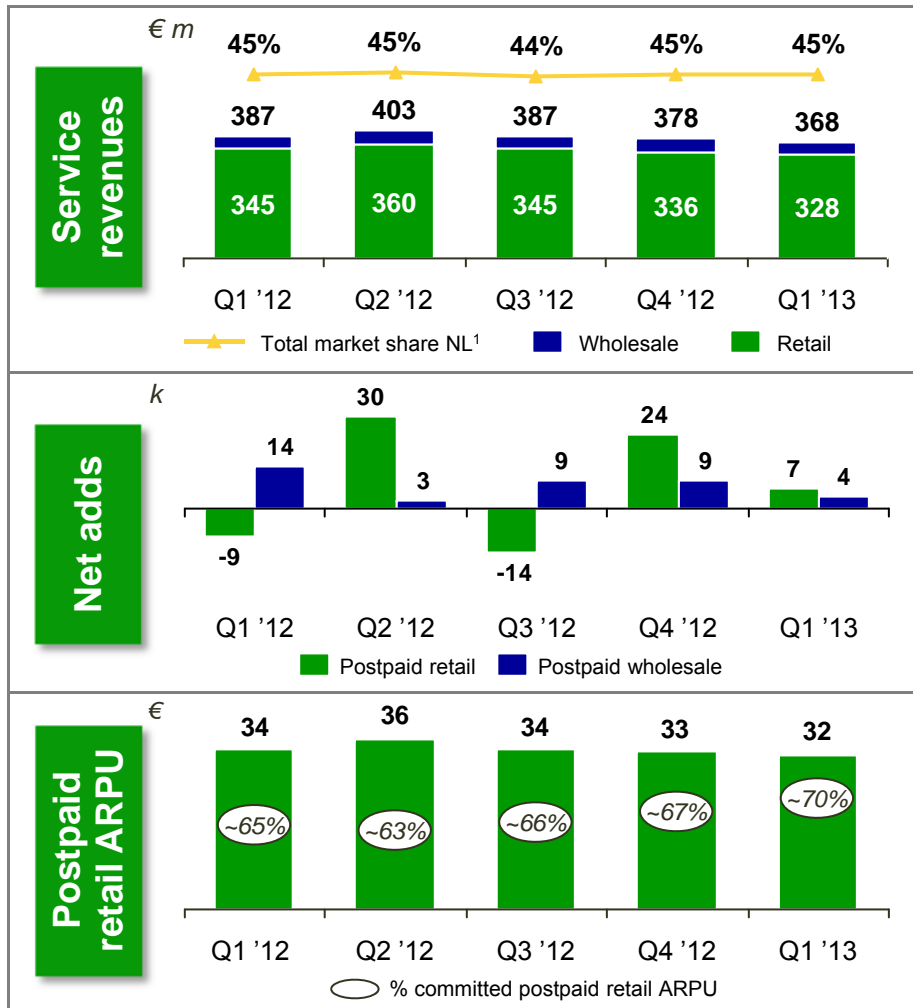
Free unlimited calls  
within family



Doubling voice,  
SMS and data credits

➤ >30k 'KPN Compleet' activations per Q1 '13

# Operating review – Consumer Mobile



- Service revenues remain under pressure
- Market share service revenues stable around 45%<sup>1</sup> in a competitive market
- Postpaid retail net adds driven by SIM-only
- Postpaid ARPUs remains under pressure
- Committed % postpaid retail ARPUs increased to ~70%

<sup>1</sup> Total Dutch (Consumer and Business) mobile service revenue market share



# Successful launch 4G

## Creating 4G market leadership

- First mover 4G services in The Netherlands
- 4G-services integrated in existing high value 3G propositions
  - Focus on value, upselling to premium bundles
- Availability 4G-ready handsets increasing
  - 12 handset models currently available
- 4G roll-out on track, ~30% population coverage<sup>1</sup>
  - Including Amsterdam and The Hague
- Initial customer feedback very positive
  - Creating strong brand perception

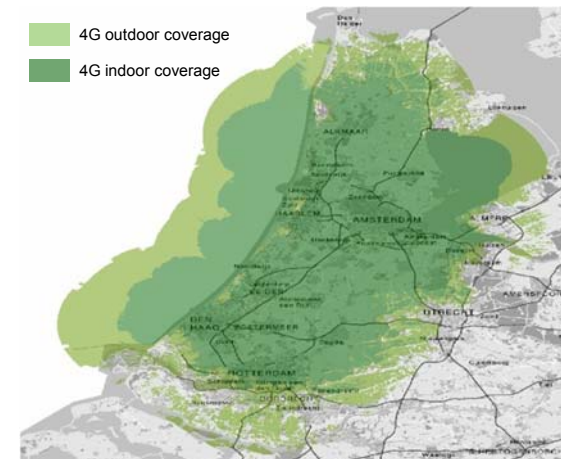
### Differentiating on quantity & speed

*Data packages KPN brand (Consumer)*

250	1000	2500 4G	5000 4G
2,0 Mb/s	14,4 Mb/s	25,0 Mb/s	50,0 Mb/s

*Voice/SMS packages KPN brand (Consumer)*

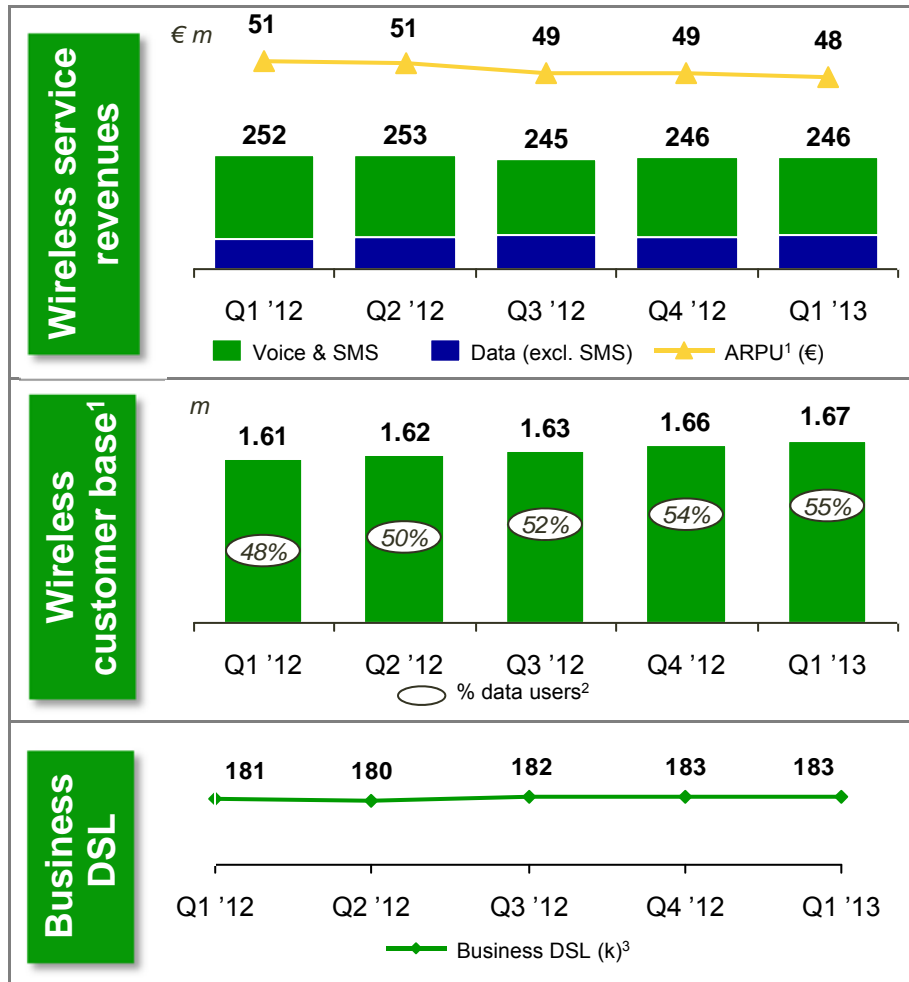
100	250	600	Unlimited Onbeprijsd
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<sup>1</sup> As per 8 April 2013

# Operating review – Business

## Focus on data centric fixed-mobile propositions



- Service revenues and ARPU continue to be under pressure
- Stable market positions maintained
- Growth new services (health verticals)
- Continued good performance Challenger brands
- 4G-services introduced in February
- Focus on data centric fixed-mobile propositions
- Infrastructure Services & Projects sold, approved by regulator on 15 April 2013

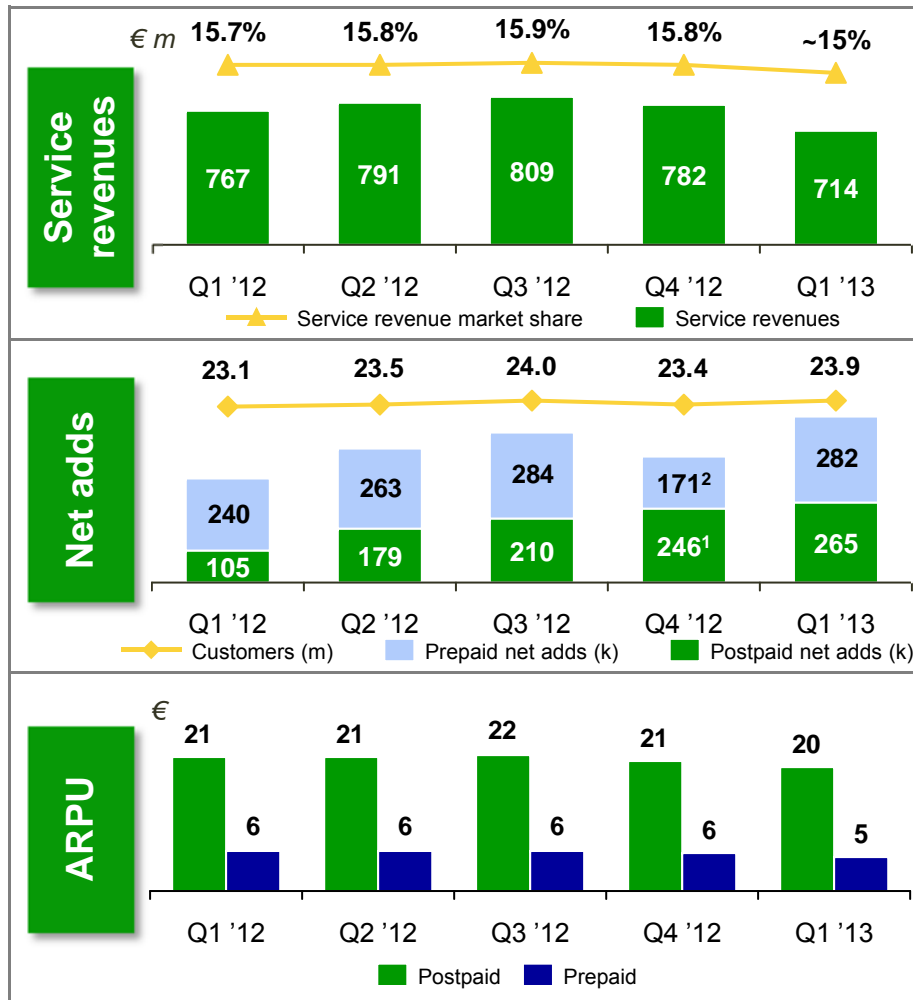
1 Excluding M2M

2 Restated to include Internet on mobile only, excluding Internet on laptop

3 Restated to include 'OndernemersPakket Internet plus Bellen' and 'Internet plus Bellen' Business Market

# Operating review – Germany

## Strong growth postpaid net adds continued



- Underlying service revenue decline of 2.5% y-on-y
- Prepaid revenues under pressure due to competition and lower usage
- Data revenue growth accelerating >60% y-on-y, supported by all-net flat offers
- Strong growth postpaid net adds continued
- ARPU lower y-on-y
  - Regulatory impact (4.7% on blended ARPU)
  - Continued customer optimization
  - Prepaid ARPU impacted by competition
- Market share expected to be impacted by regulation

1 Excluding postpaid clean-up of 576k inactive SIM cards

2 Excluding prepaid clean-up of 439k inactive SIM cards

# Operating review – Germany (cont'd)

## Execution next phase German Challenger strategy

Improved network quality	Strong postpaid focus	Improving cost structure												
<ul style="list-style-type: none"><li>Improving customer experience<ul style="list-style-type: none"><li>Speeds up to 21 Mbps</li><li>Dual carrier roll-out planned for H2 '13 supporting up to 42 Mbps</li></ul></li><li>Increased network capacity</li></ul> <p>Average throughput (Mbps)</p> <table><tr><th>Quarter</th><th>Average throughput (Mbps)</th></tr><tr><td>Q1 '12</td><td>1.4</td></tr><tr><td>Q4 '12</td><td>3.2</td></tr></table>	Quarter	Average throughput (Mbps)	Q1 '12	1.4	Q4 '12	3.2	<ul style="list-style-type: none"><li>Improved network quality supports data &amp; postpaid growth in underpenetrated areas</li><li>Acceleration postpaid net adds</li></ul> <p>Postpaid net adds (k)</p> <table><tr><th>Quarter</th><th>Postpaid net adds (k)</th></tr><tr><td>Q1 '12</td><td>105</td></tr><tr><td>Q1 '13</td><td>265</td></tr></table>	Quarter	Postpaid net adds (k)	Q1 '12	105	Q1 '13	265	<ul style="list-style-type: none"><li>Structural cost reductions through partnerships<ul style="list-style-type: none"><li>IT outsourcing renegotiated</li></ul></li><li>Reducing FTE while growing presence in underpenetrated regions</li></ul>
Quarter	Average throughput (Mbps)													
Q1 '12	1.4													
Q4 '12	3.2													
Quarter	Postpaid net adds (k)													
Q1 '12	105													
Q1 '13	265													

### Investments to support growth in postpaid net adds and data revenues



Acquisition & distribution costs

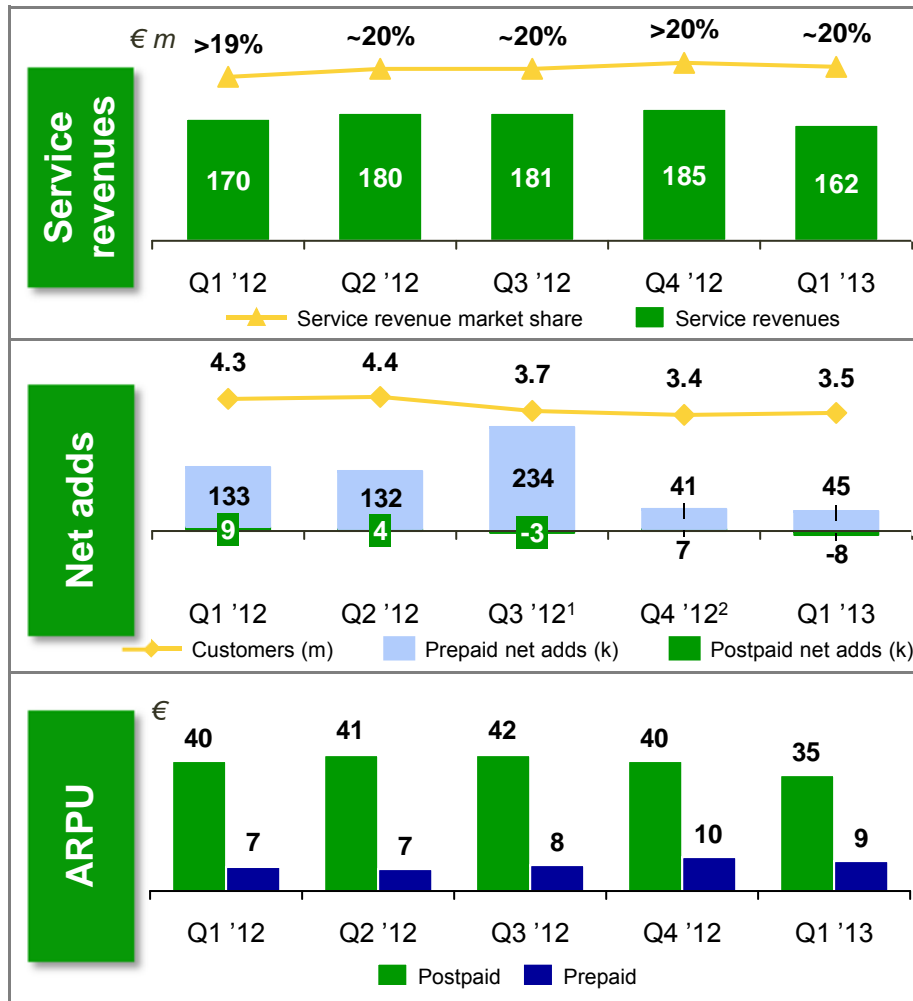


Marketing costs



# Operating review – Belgium

## Competitive mobile market



- Underlying service revenue growth of 1.9% y-on-y
- Postpaid net adds negative at 8k
  - Competitive mobile market environment
  - Effect from newly implemented telecoms law, maximizing contract term at 6 months
- Net adds prepaid at 45k
- Postpaid ARPU impacted by regulation (6.7%) and competition
- Market share expected to have grown y-on-y to ~20%

1 Excluding prepaid clean-up of 930k inactive SIM cards

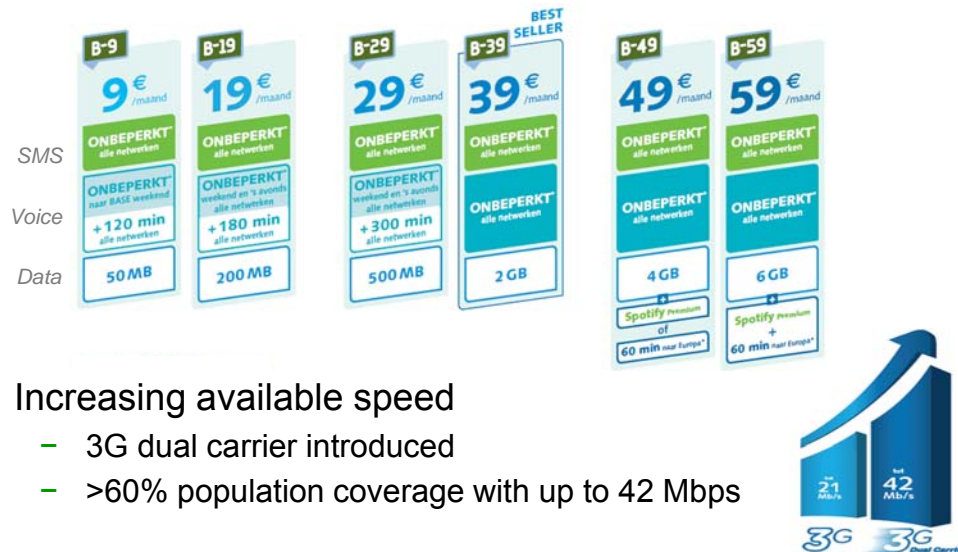
2 Excluding prepaid clean-up of 334k inactive SIM cards

# Operating review – Belgium (cont'd)

## New propositions introduced

### New mobile propositions

- Tariff plans for both consumers and B2B customers
  - No contract term
  - Unlimited voice & SMS
  - Spotify premium (consumers)
  - Internet anywhere (B2B customers)



- Increasing available speed
  - 3G dual carrier introduced
  - >60% population coverage with up to 42 Mbps

➤ *Challenger position restored*

### Fixed line services SNOW

extras ✓ à la carte  
choose only what you want



➤ *Promising uptake*

# Contents

1	Chairman's review	Eelco Blok
2	Group financial review	Eric Hageman
3	Group operating review	Eelco Blok
4	Concluding remarks	Eelco Blok

# Concluding remarks

- Important steps taken in € 4bn equity equivalent capital raise
- Execution of strategy is well on track
- The Netherlands expected to stabilize towards 2014
- Successful 4G first mover launch in The Netherlands
- Next phase German strategy; service revenue growth expected at lower margin



**Q&A**

# Annex

*For further information please contact*

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# Analysis of results

## Impact regulation, incidentals and restructuring

€ m			Q1 '13	Q1 '12
Revenue effect				
MTA reduction	Regulation	Group	-40	-30
Roaming tariff reduction	Regulation	Group	-14	-1
EBITDA effect				
MTA reduction	Regulation	Group	-22	-10
Roaming tariff reduction	Regulation	Group	-11	-1
Restructuring costs	Restructuring	Group	-17	-19
Release of provisions	Incidental	IT Solutions	-	10
Release of provisions	Incidental	NetCo	17	9
Revenue & EBITDA effect				
Book gain on sale of real estate	Incidental	NetCo	-	31
Adjustment of deferred income	Incidental	Consumer Residential	13	-
Adjustment of deferred income	Incidental	Consumer Mobile	7	-

# Restructuring costs

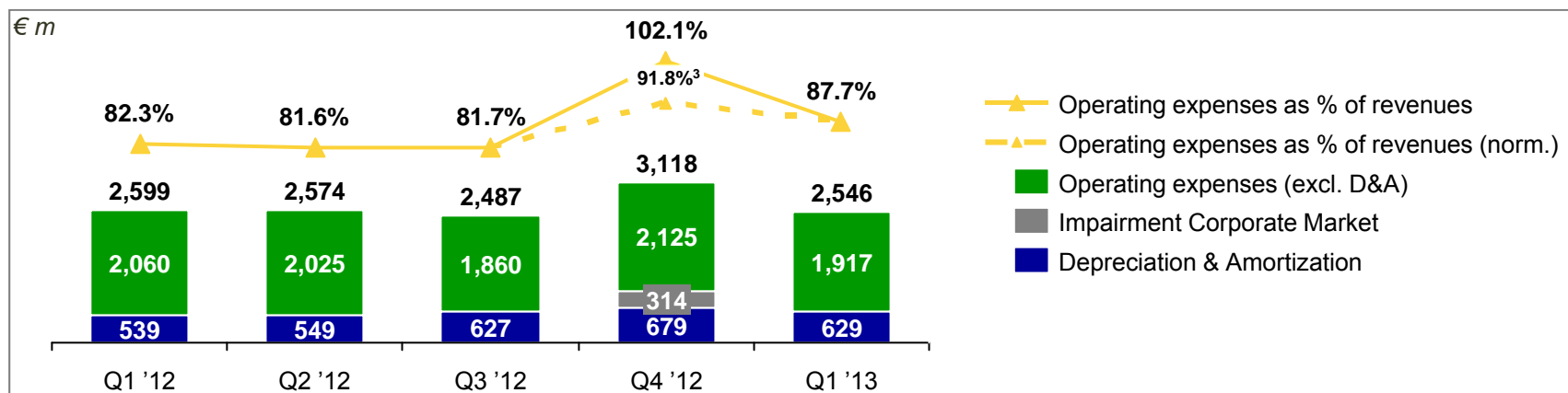
€ m	Q1 '13	Q1 '12
Germany	5	-
Belgium	-	-
<b>Mobile International</b>	<b>5</b>	<b>-</b>
Consumer Mobile	-3	-
Consumer Residential	-2	-1
Business	-	-11
NetCo	-3	-
Other	-6	-1
<b>Dutch Telco</b>	<b>-14</b>	<b>-13</b>
IT Solutions	-5	-3
<b>The Netherlands</b>	<b>-19</b>	<b>-16</b>
Other	-3	-3
<b>KPN Group</b>	<b>-17</b>	<b>-19</b>

# Impact regulation

€ m	Q1 '13		Q1 '12	
	Revenues	EBITDA	Revenues	EBITDA
Germany	-35	-20	-	-
Belgium	-11	-7	-7	-4
<b>Mobile International</b>	<b>-46</b>	<b>-27</b>	<b>-7</b>	<b>-4</b>
Consumer Mobile	-4	-3	-14	-4
<i>Of which: Mobile Wholesale</i>	-	-	-4	-
Business	-3	-3	-5	-3
NetCo	-1	-	-5	-
Intercompany	-	-	-	-
<b>The Netherlands</b>	<b>-8</b>	<b>-6</b>	<b>-24</b>	<b>-7</b>
<b>KPN Group</b>	<b>-54</b>	<b>-33</b>	<b>-31</b>	<b>-11</b>

# Operating expenses

€ m	Q1 '13	Q1 '12	%
Employee benefits	436	505	-14%
Cost of materials	174	264	-34%
Work contracted out and other expenses	1,125	1,143	-1.6%
Own work capitalized	-30	-28	7.1%
Other operating expenses <sup>1</sup>	212	176	20%
Depreciation <sup>2</sup>	409	330	24%
Amortization <sup>2</sup>	220	209	5.3%
<b>Total</b>	<b>2,546</b>	<b>2,599</b>	<b>-2.0%</b>



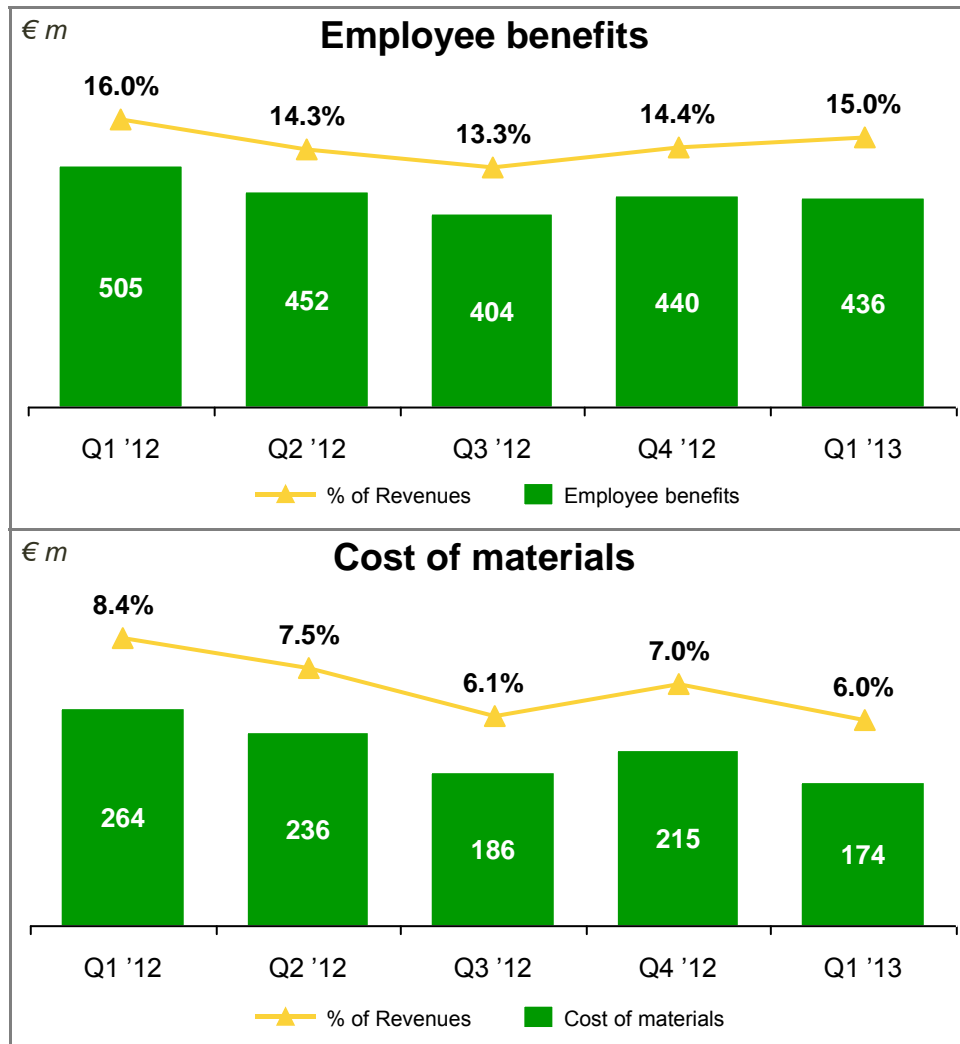
<sup>1</sup> Including restructuring costs

<sup>2</sup> Including impairments (if any)

<sup>3</sup> Excluding Q4 '12 impairment of € 314m at Business and IT Solutions

# Operating expenses - analysis

## Employee benefits & Cost of materials



### Y-on-Y decrease

- Lower costs due to sale of Getronics International
- Lower personnel costs as a result of FTE reduction program

### Q-on-Q decrease

- Lower personnel costs as a result of FTE reduction program

### Y-on-Y decrease

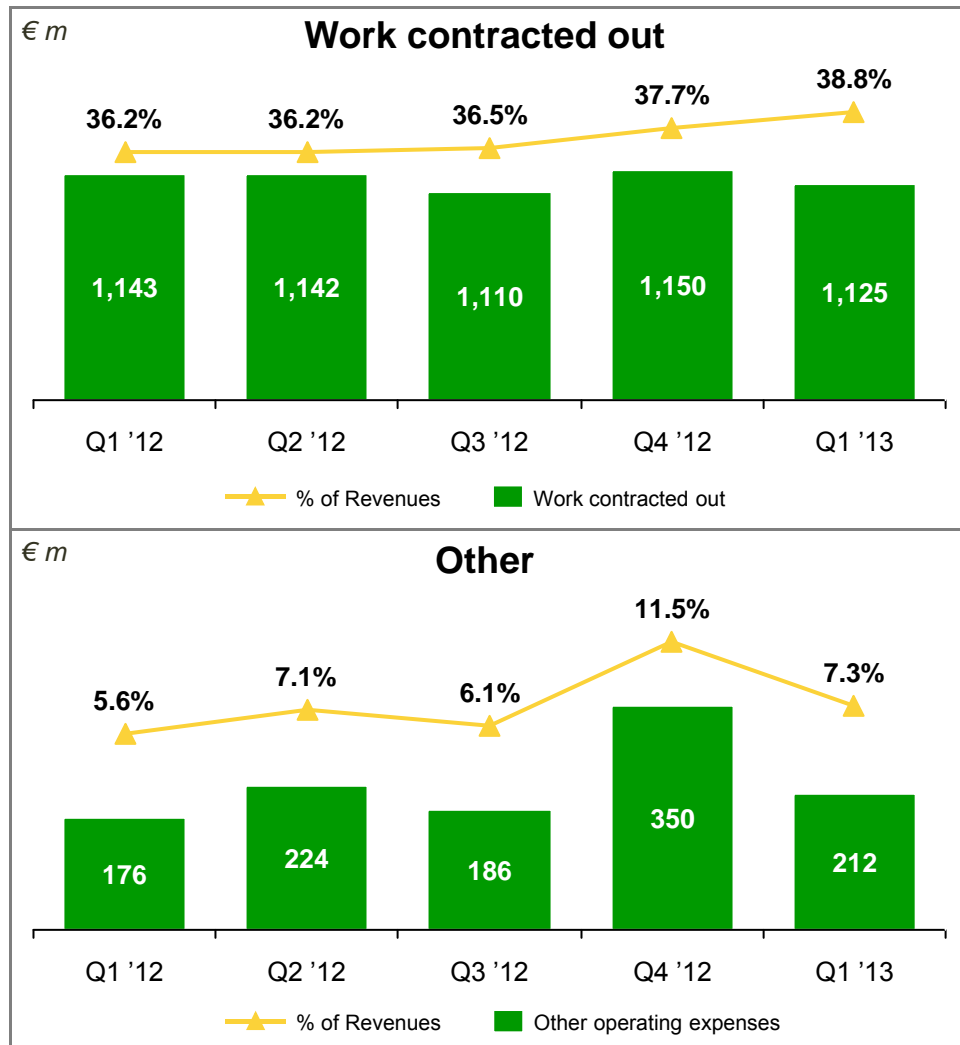
- Handset lease model at Consumer Mobile
- Lower costs due to sale of Getronics International
- Lower sales high end smartphones at Business
- Partly offset by higher costs Germany

### Q-on-Q decrease

- Lower sales high end smartphones at Business
- Release of provision NetCo

# Operating expenses - analysis

## Work contracted out & Other



### Y-on-Y decrease

- Lower costs due to sale of Getronics International
- Lower dealer commissions and traffic costs Consumer Mobile
- Partly offset by higher content and activation costs Consumer Residential

### Q-on-Q decrease

- Lower traffic costs Consumer Mobile and Germany

### Y-on-Y increase

- Higher marketing costs supporting growth in data and postpaid Germany

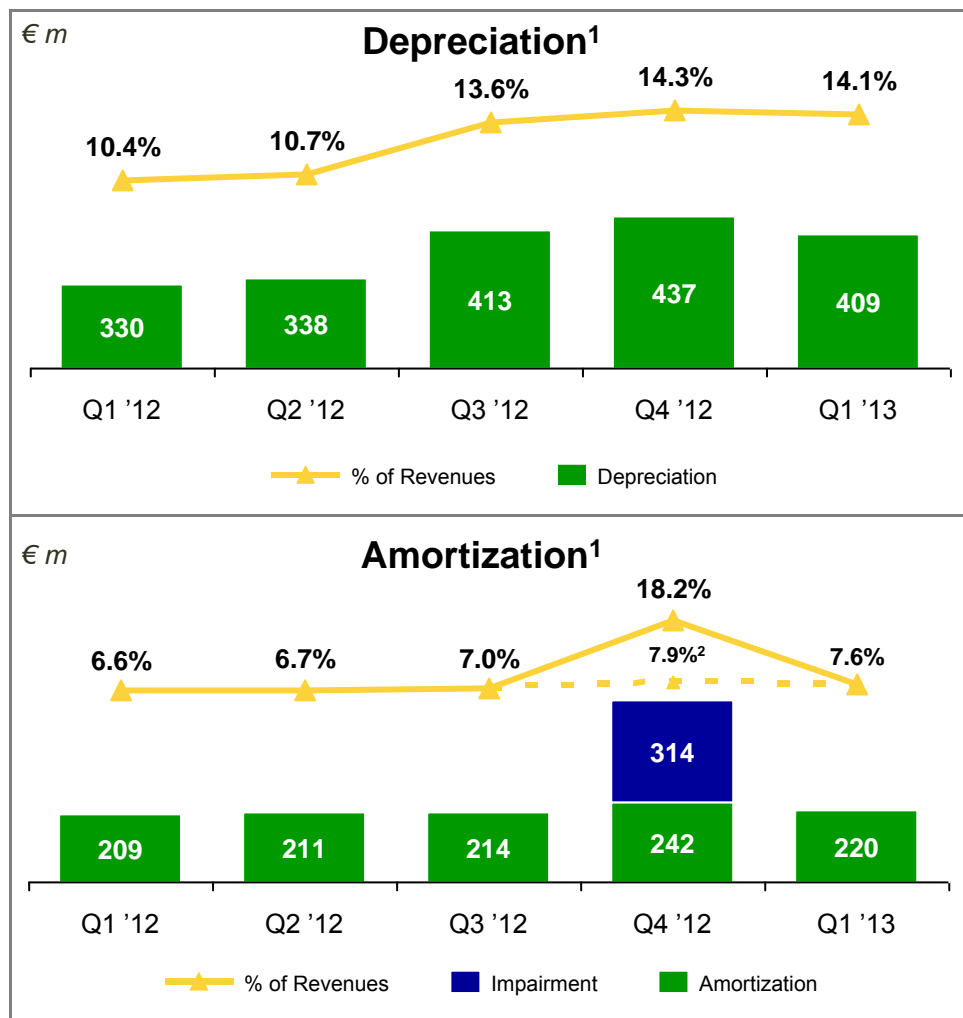
### Q-on-Q decrease

- Lower restructuring costs
- Lower dotation to provisions
- Partly offset by higher marketing costs supporting growth in data and postpaid Germany



# Operating expenses - analysis

## Depreciation & Amortization



### Y-on-Y increase

- Increased customer driven investments (e.g. handsets and settop boxes related to IPTV and FttH)

### Q-on-Q decrease

- Additional depreciation assets under construction Germany recorded in Q4 2012 (€ 32m)

### Y-on-Y increase

- Higher amortization of spectrum licenses at Dutch Telco

### Q-on-Q decrease

- Lower amortization software Dutch Telco
- Partly offset by higher amortization of spectrum licenses at Dutch Telco

<sup>1</sup> Including impairments, if any

<sup>2</sup> Excluding Q4 '12 impairment of € 314m at Business and IT Solutions

# Tax

Fiscal units (€ m)	P&L		Cash flow	
	Q1 '13	Q1 '12	Q1 '13	Q1 '12
The Netherlands	-22	-51	-59 <sup>1</sup>	-81 <sup>1</sup>
IT Solutions	3	3	-1	-4
Germany	-14	-27	-1	-4
Belgium	-	-7	1	-
Other	-2	-2	-	-2
<b>Total reported tax</b>	<b>-35</b>	<b>-84</b>	<b>-60</b>	<b>-91</b>
<i>Effective tax rate</i>	<i>19.7%</i>	<i>21.2%</i>		

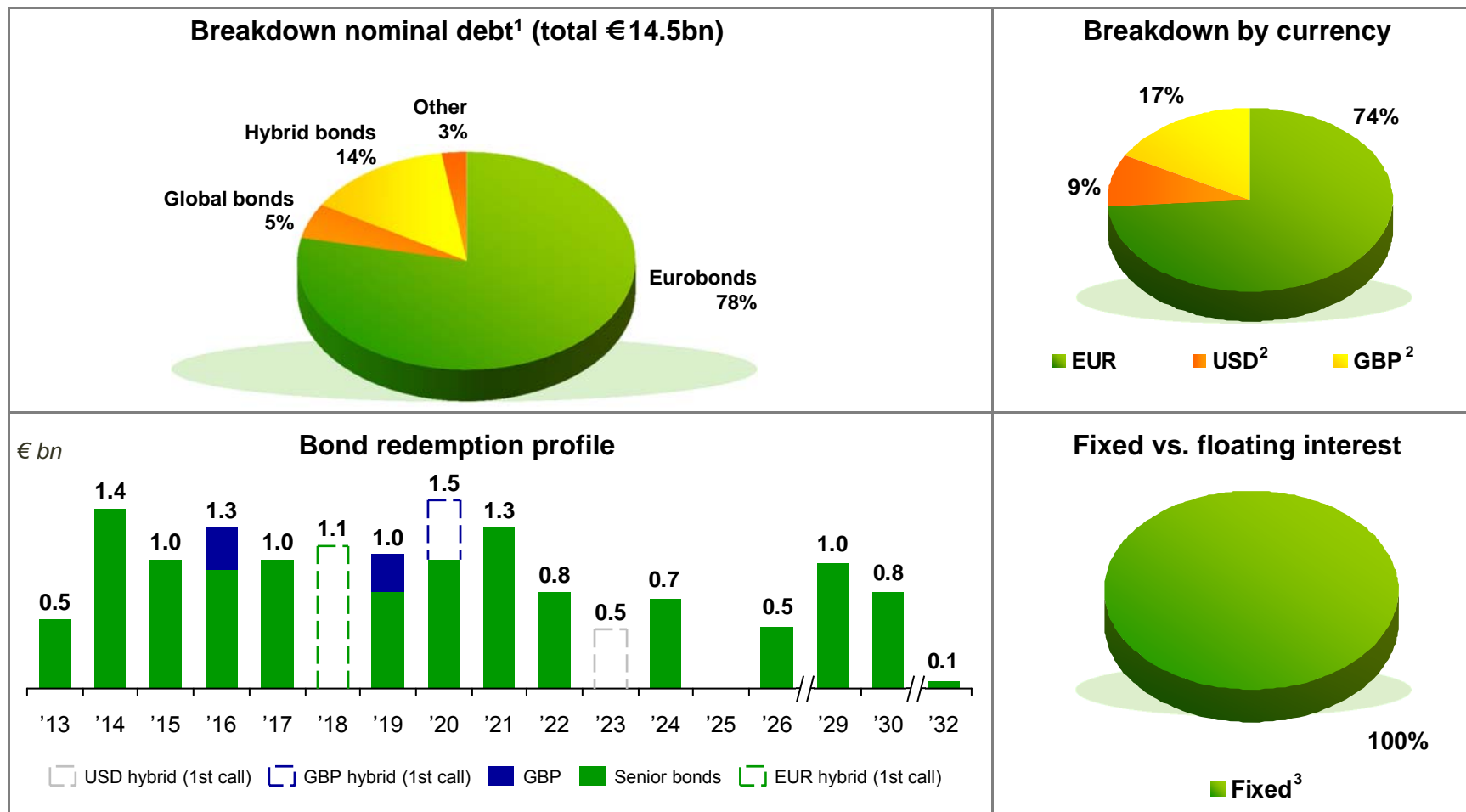
- Q1 '13 effective tax rate of 19.7% in line with expectations
  - Decrease income tax expense in line with decrease in Profit Before Tax
- Decrease tax paid mainly relates to € 25m lower tax recapture payments
- Effective Group tax rate expected to be approximately 20% in 2013-2015 period<sup>2</sup>

<sup>1</sup> Including tax recapture E-Plus

<sup>2</sup> Excluding effects of, amongst others, impairments, revaluations of DTA Germany or Reggefiber options

# Debt portfolio

## Breakdown of € 14.5bn nominal debt<sup>1</sup>



<sup>1</sup> Based on the nominal value of interest bearing liabilities after swap to EUR, including € 1.1bn hybrid bond, £ 400m hybrid bond and \$600m hybrid bond

<sup>2</sup> Foreign currency amounts hedged into EUR

<sup>3</sup> Excludes bank overdrafts

# Debt summary

€ bn	Q1 '13	Q4 '12	%
<b>Nominal debt</b>	<b>14.51</b>	<b>12.98</b>	<b>12%</b>
Eurobonds	11.37	11.91	-4.5%
Global bonds	0.76	0.76	0.0%
Hybrid bonds	2.03	-	n.m.
Credit facility	-	-	n.m.
Financial leases and other loans	0.35	0.31	13%
<b>Equity credit hybrid bonds</b>	<b>-1.01</b>	<b>-</b>	<b>n.m.</b>
<b>Gross debt<sup>1</sup></b>	<b>13.50</b>	<b>12.98</b>	<b>4.0%</b>
<i>Of which short-term</i>	<i>1.43</i>	<i>1.18</i>	<i>21%</i>
<b>Net cash &amp; cash equivalents</b>	<b>1.02</b>	<b>0.95</b>	<b>7.4%</b>
Cash & cash equivalents	1.22	1.29	-5.4%
Bank overdraft	-0.20	-0.34	-41%
<b>Net debt<sup>2</sup></b>	<b>12.48</b>	<b>12.03</b>	<b>3.7%</b>

1 Nominal debt repayment obligations in Euro at maturity, including 50% of hybrid capital instruments; restated to exclude bank overdrafts

2 Nominal debt repayment obligations in Euro at maturity, including 50% of hybrid capital instruments, less net cash and cash equivalents

# Dutch wireless disclosure

	Q1 '13	Q1 '12	%
<b>Service revenues</b> (in € m)	<b>619</b>	<b>646</b>	<b>-4.2%</b>
- Consumer retail	328	345	-4.9%
- Business	246	252	-2.4%
- Other <sup>1</sup>	45	49	-8.2%
<b>SAC/SRC per subscriber</b>			
- Consumer retail <sup>2</sup>	153	149	2.7%
- Business	261	258	1.2%

<sup>1</sup> Includes amongst others Consumer Mobile wholesale and visitor roaming revenues at NetCo

<sup>2</sup> Including handset subsidies, commissions, SIM costs and capitalization of handsets corrected for residual value

# Regulation

## MTA rates across the Group

NL	<ul style="list-style-type: none"><li>ACM published draft decision and determined MTA rate of 1.017 cent per minute effective as from 1 September 2013</li><li>Formal decision expected after national consultation round and notification with EC and will be open for appeal</li></ul>						
	€ ct / min	Until 7 July '10	7 July '10	Jan '11	Sep '11	Sep '12	Sep '13
	MTA rate	7.00	5.60	4.20	2.70	2.40	1.017

GER	<ul style="list-style-type: none"><li>On 28 February 2013 the European Commission expressed serious doubts to BNetzA's draft decision; final decision postponed.</li></ul>				
	€ ct / min	Until 1 Dec '10	1 Dec '10	1 Dec '12	1 Dec '13 – 30 Nov '14
	MTA rate	7.14	3.36	1.85	1.79

BE						
	€ ct / min	Until Aug	Aug '10	Jan '11	Jan '12	Jan '13
	MTA rate	11.43	5.68	4.76	2.92	1.08

### Impact on Group revenues & EBITDA

€ m	2011	2012	2013E <sup>1</sup>
<b>Revenues</b>	459	102	~150
<b>EBITDA</b>	192	40	~80

<sup>1</sup> MTA impact on revenues and EBITDA for The Netherlands based on MTA rate of € 2.40 cents per minute, since ACM decision is not formal yet

# Regulation (cont'd)

## Spectrum in The Netherlands

Current status

800MHz Paired	Tele2 2*10	VOD 2*10	KPN 2*10		2*30		
900MHz Paired	VOD 2*10	KPN 2*10	T-Mob 2*15		2*35		
1.8GHz Paired	KPN 2*20		VOD 2*20	T-Mob 2*30	2*70		
1.9GHz Unpaired	T-Mob 10	KPN 5	VOD 5.4	T-Mob 14.6	1*35		
2.1GHz Paired	VOD 2*14.6	KPN 2*14.8	T-Mob 2*10	KPN 2*5	VOD 2*5	T-Mob 2*10	2*59.4
2.6GHz Unpaired	T-Mob 25	KPN 30	Tele2 5		1*60		
2.6GHz Paired	VOD 2*10	Ziggo4 2*20	T-Mob 2*5	KPN 2*10	Tele2 2*20		2*65
Total	KPN 174.6MHz		VOD 144.6MHz	T-Mob 189.6MHz	Tele2 65MHz	Ziggo4 40MHz	614MHz

# Regulation (cont'd)

## Spectrum in Germany

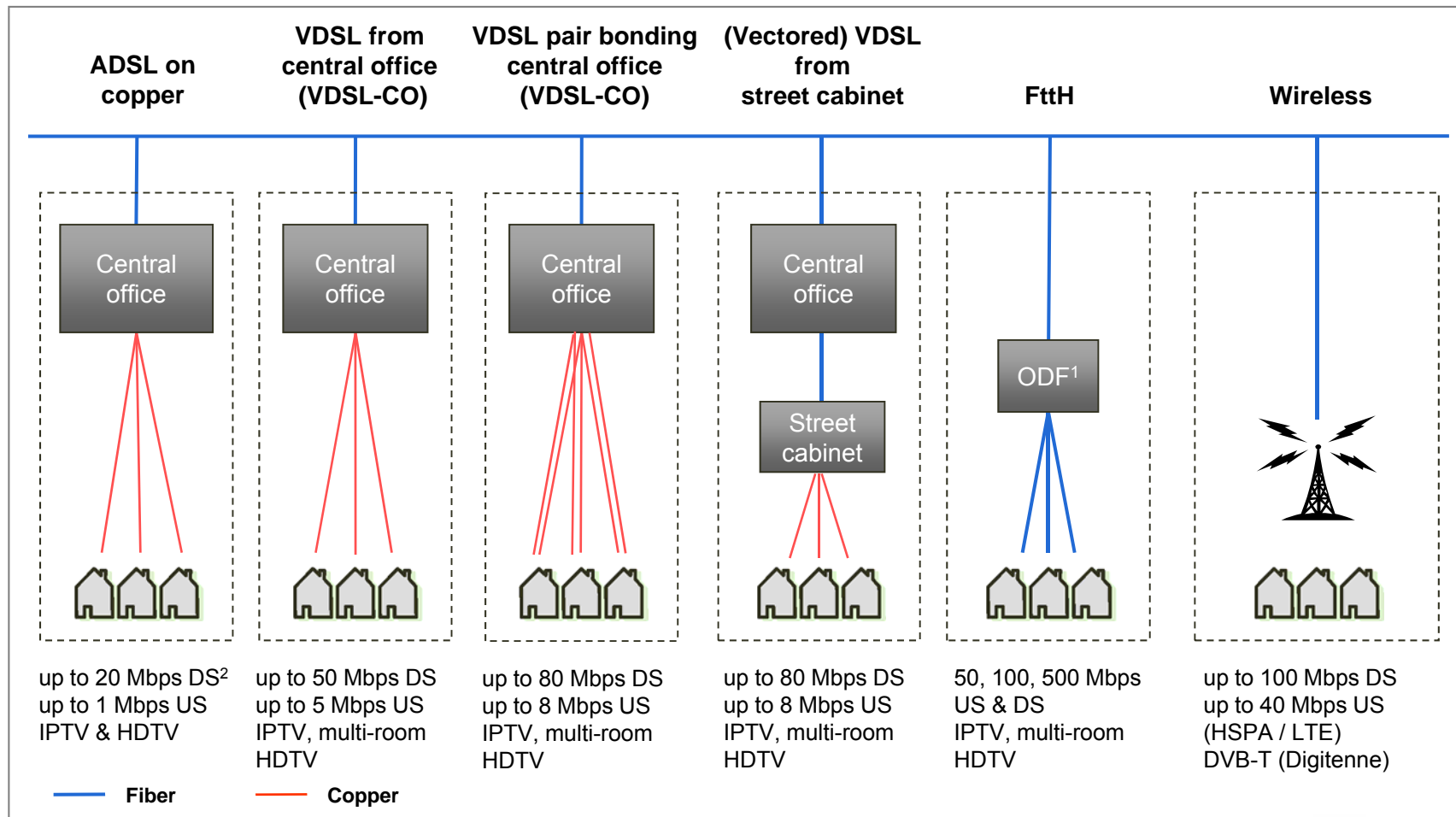
Current status

800MHz Paired	O2		VOD		DT				2*30				
	2*5	2*5	2*5	2*5	2*5	2*5							
900MHz Paired	E+	O2	DT		VOD				2*34.8				
	2*5	2*5	2*12.4		2*12.4								
1.8GHz Paired	DT				E+	O2		VOD	E+	2*69.8			
	2*5	2*5	2*5	2*5	2*5	2*17.4		2*5	2*5	2*17.4			
2.1GHz Paired	VOD		E+			O2		DT		2*64.35			
	2*4.95	2*9.9	2*4.95	2*4.95	2*9.9	2*4.95	2*9.9	2*9.9					
2.1GHz Unpaired	O2		E+	DT	VOD					1*34.2			
	5	14.2	5	5	5								
2.6GHz Paired	VOD				DT				E+		O2		2*70
	2*5	2*5	2*5	2*5	2*5	2*5	2*5	2*5	2*5	2*5	2*5	2*5	
2.6GHz Unpaired	E+		VOD				DT	O2					1*45
	5	5	5	5	5	5	5	5					
Total	VOD				DT				E+		O2		607MHz
	154.5MHz				154.6MHz				139.4MHz		158.7MHz		



# Infrastructure

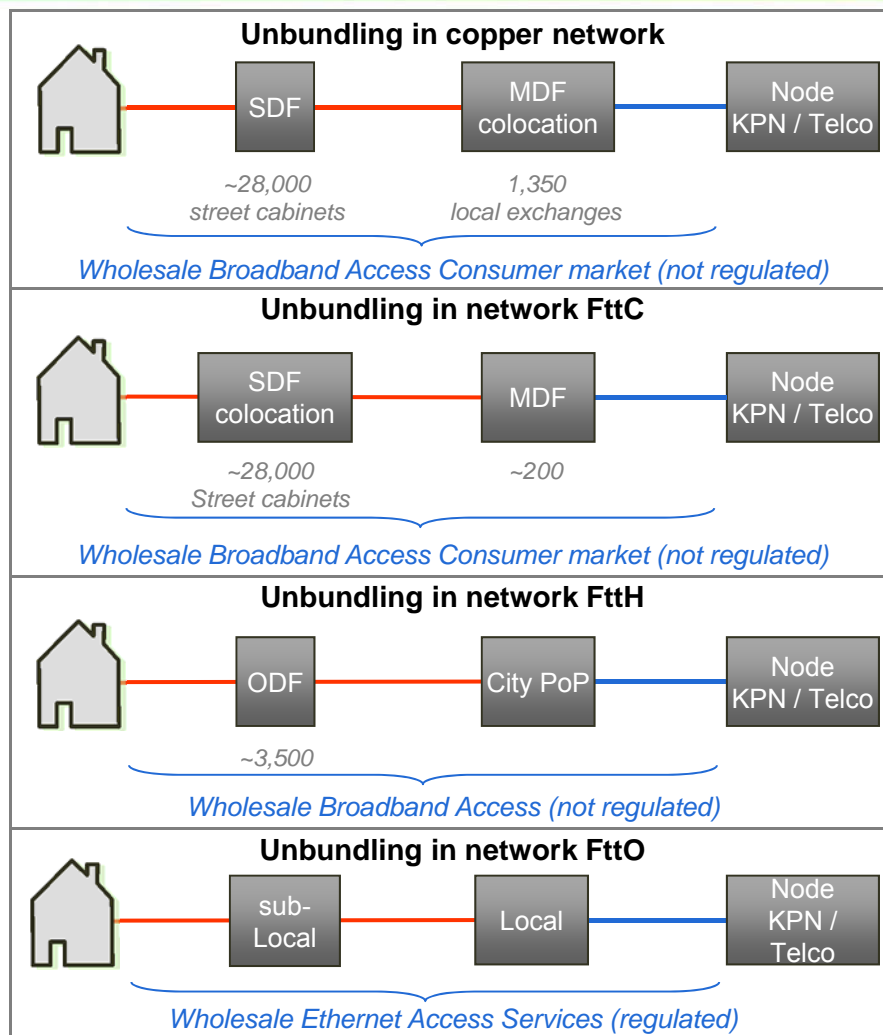
Deploying mix of technologies going forward



<sup>1</sup> Optical distribution frame

<sup>2</sup> DS: Download Speed; US: Upload Speed

# Unbundling tariffs



Category	Monthly tariff
Line sharing (LLU)	€ 0.12 / line
Fully unbundled (LLU)	€ 6.86 / line
MDF colocation	€ 913.52 footprint / year
Wholesale Broadband Access <sup>1</sup>	€ 5.32 / line shared € 13.00 / line non-shared

Category	Monthly tariff
Line sharing (SLU)	€ 6.86 / line
Fully unbundled (SLU)	€ 6.86 / line
SDF colocation	€ 1.24 / line or € 5.50 / per unit One-off € 503.64 / per unit
Wholesale Broadband Access <sup>1</sup>	€ 5.32 / line shared € 13.00 / line non-shared

Category	Monthly tariff
Fully unbundled (ODF FttH) <sup>2</sup>	€ 15.52 – € 17.67 / line
ODF FttH colocation <sup>2</sup>	≤ € 535 / month / per Area Pop One-off ≤ € 3,212 / per Area Pop
ODF FttH Backhaul <sup>2</sup>	≤ € 642 / month
Wholesale Broadband Access <sup>1</sup>	€ 19.00 / line non-shared

Category <sup>3</sup>	Monthly tariff
ODF (Sub)Local FttO	€ 85 / line
ODF FttO Backhaul <sup>4</sup>	€ 218 / line
Wholesale Ethernet Access Services <sup>5</sup>	€ 155 / line

<sup>1</sup> List prices excluding PVC/VLAN tariffs (WBA Consumer Market not regulated)

<sup>2</sup> Preliminary tariff decision ACM still under consultation. Tariffs per 1 January 2013

<sup>3</sup> Preliminary tariffs in O-area's. Tariffs in A/B/C area's are higher and can be found in the wholesale tariff schedule. ACM FttO tariff decision expected in 2013

<sup>4</sup> Protected Backhaul Sublocal (MA)- Local (MB) in A-area

<sup>5</sup> List prices fiber access standard excluding EVC/WAP tariffs