Interim financial report Q3 2009, 27 October 2009

Resilient performance in Q3 2009

Q3 results reflect focus on EBITDA, free cash flow and market shares

Highlights

- Focus on EBITDA, free cash flow and market shares continues to deliver
- EBITDA up 4.4% y-on-y, free cash flow on track, market shares maintained
- Confirming outlook for revenues, EBITDA and free cash flow for 2009 and 2010

Group financials * *(In millions of euro, unless indicated otherwise)*	**Q3 2009**	**Q3 2008**	***Δ y-on-y***	**YTD 2009**	**YTD 2008**	***Δ YTD***
Revenues and other income (reported)	3,331	3,652	*-8.8%*	10,138	10,884	*-6.9%*
Getronics revenues and other income (disposed)	2	145	*n.m.*	22	526	*n.m.*
Revenues and other income (existing)	**3,329**	**3,507**	***-5.1%***	**10,116**	**10,358**	***-2.3%***
- Of which revenues (existing)	*3,305*	*3,481*	*-5.1%*	*10,081*	*10,286*	*-2.0%*
EBITDA (reported)	1,329	1,279	*3.9%*	3,885	3,777	*2.9%*
Getronics EBITDA (disposed)	-	6	*n.m.*	-	28	*n.m.*
EBITDA (existing)	**1,329**	**1,273**	***4.4%***	**3,885**	**3,749**	***3.6%***
EBITDA margin (existing)	*39.9%*	*36.3%*		*38.4%*	*36.2%*	
Operating profit (EBIT)	752	701	*7.3%*	2,126	2,005	*6.0%*
Profit for the period (net result)	395	353	*12%*	1,082	1,040	*4.0%*
Earnings per share (in EUR)	**0.25**	**0.20**	***25%***	**0.66**	**0.59**	***12%***
Cash flow from operating activities	1,174	876	*34%*	2,353	2,701	*-13%*
Capital expenditures (PP&E and software)	-360	-505	*-29%*	-1,202	-1,312	*-8.4%*
Proceeds from real estate	13	26	*-50%*	32	40	*-20%*
Tax recapture at E-Plus	-	68	*n.m.*	327	185	*77%*
Free cash flow	**827**	**465**	***78%***	**1,510**	**1,614**	***-6.4%***

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

"KPN's third quarter results show that our focus on EBITDA, free cash flow and market shares is paying off. With a resilient performance in our Dutch Telco business, solid profitability at Mobile International and an unchanged economic impact on our businesses compared to the first half of 2009, our focus has enabled KPN to maintain market shares and grow EBITDA for the third consecutive quarter, up 4.4% year-on-year. KPN is on track strategically, is soundly financed and we are confident of achieving our 2009 and 2010 objectives. Therefore, we can confirm the outlook for revenues, EBITDA, and free cash flow for 2009 and 2010. We remain committed to our industry-leading shareholder returns and reiterate our target dividend per share of EUR 0.80 for 2010"

Ad Scheepbouwer, CEO KPN

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KPN Group

Financial review

Revenues and other income *(In millions of euro)*	**Q3 2009**	**Q3 2008**	***Δ y-on-y***	**YTD 2009**	**YTD 2008**	***Δ YTD***
KPN Group (reported)	**3,331**	**3,652**	***-8.8%***	**10,138**	**10,884**	***-6.9%***
- Getronics (disposed)	2	145	*n.m.*	22	526	*n.m.*
KPN Group (existing)	**3,329**	**3,507**	***-5.1%***	**10,116**	**10,358**	***-2.3%***
The Netherlands (reported)	**2,290**	**2,612**	***-12%***	**7,096**	**7,862**	***-9.7%***
- Getronics (disposed)	2	145	*n.m.*	22	526	*n.m.*
The Netherlands (existing)	**2,288**	**2,467**	***-7.3%***	**7,074**	**7,336**	***-3.6%***
Mobile International	**1,044**	**1,052**	***-0.8%***	**3,049**	**3,019**	***1.0%***

EBITDA *(In millions of euro)*	**Q3 2009**	**Q3 2008**	***Δ y-on-y***	**YTD 2009**	**YTD 2008**	***Δ YTD***
KPN Group (reported)	**1,329**	**1,279**	***3.9%***	**3,885**	**3,777**	***2.9%***
- Getronics (disposed)	-	6	*n.m.*	-	28	*n.m.*
KPN Group (existing)	**1,329**	**1,273**	***4.4%***	**3,885**	**3,749**	***3.6%***
The Netherlands (reported)	**933**	**919**	***1.5%***	**2,748**	**2,756**	***-0.3%***
- Getronics (disposed)	-	6	*n.m.*	-	28	*n.m.*
The Netherlands (existing)	**933**	**913**	***2.2%***	**2,748**	**2,728**	***0.7%***
Mobile International	**407**	**388**	***4.9%***	**1,166**	**1,091**	***6.9%***

Revenue trends

KPN Group's reported revenues and other income were down 8.8% y-on-y in Q3 2009, which is partly attributable to a number of disposals of Getronics' business units. Excluding these disposed activities, total revenues and other income decreased by 5.1% y-on-y. This decline is mainly caused by the Netherlands where a decline can be seen across all segments, with the majority attributable to Getronics and iBasis and the telecom activities being impacted by regulatory tariff cuts. The slight decline within Mobile International of 0.8% y-on-y is attributable to Germany whereas Belgium and Rest of World both show an increase in revenues.

EBITDA trends

The solid EBITDA performance of the Group is a direct result of KPN's strategy to focus on EBITDA. The 4.4% y-on-y EBITDA growth for KPN's existing business was driven by another strong quarter in the Netherlands, with EBITDA from existing operations up 2.2% y-on-y despite regulatory pressure on tariffs and a continued EBITDA growth at Mobile International (4.9% y-on-y). In addition, Segment Other shows a EUR 17m y-on-y EBITDA improvement due to overhead cost reduction, which includes a EUR 6m restructuring charge in Q3 2008.

EUR 827m free cash flow in Q3 2009

In Q3 2009 free cash flow amounted to a strong EUR 827m compared to EUR 465m in Q3 2008. The main items responsible for this year-on-year increase are a one-off VAT-benefit (~EUR 150m; quarterly payment instead of monthly), additional improvements in the working capital position (~EUR 100m), lower capital expenditures (~EUR 145m) and limited cash tax payments due to a prepayment in Q1 2009 (~EUR 75m), partly offset by higher interest and pension payments.

The year-to-date free cash flow amounts to EUR 1,510m, which is about EUR 100m lower than last year (YTD Q3 2008: EUR 1,614m). KPN expects to generate around EUR 900m free cash flow in Q4 driven by the expected increase in EBITDA and a working capital improvement in the range of EUR 300-400m from seasonality and other improvements. Taking into account the Q4 2008 working capital improvement of approximately EUR 600m, KPN is on track to deliver around EUR 2.4bn free cash flow in 2009.

Funding profile further strengthened by issuance of new long-dated bonds

On 8 September 2009 KPN issued a Sterling bond for GBP 850m with a 20-year maturity and a Sterling coupon of 5.75%. The Sterling bond has been swapped into EUR 971m with a Euro-equivalent coupon of 5.98%. In addition, on 22 September 2009, KPN issued a EUR 700m bond, with a 15-year maturity and a coupon of 5.625%. Both bonds were issued under KPN's Global Medium Term Note program and are listed on Euronext Amsterdam. With these bond issues KPN extended its average maturity profile from 5.9 to 7.5 years compared to Q2 2009. The average interest rate is 5.4%, up from 5.3% at the end of Q2 2009 due to the newly issued bonds as well as the EUR 700m redemption in July 2009.

Net debt to EBITDA[1] stable at 2.3x

Net debt at the end of Q3 2009 amounted to EUR 11.7bn compared to EUR 11.8bn at the end of Q2 2009. This translates into a stable net debt to EBITDA ratio of 2.3x (Q2 2009: 2.3x), comfortably within KPN's target financial framework of 2.0-2.5x. KPN's credit ratings remained unchanged at BBB+ with a stable outlook (Standard & Poor's) and Baa2 with a stable outlook (Moody's).

FTE reduction ongoing

In Q3 2009, KPN Group reduced the number of FTEs by 952, leading to a YTD reduction of 2,152 FTEs. The YTD reduction in the Netherlands (excluding Getronics and acquisitions) is 693 FTEs, bringing the total personnel reduction since 2005 to 7,352 FTEs. Getronics reduced the number of FTEs by 1,651 YTD, mainly as a result of divestments and the restructuring program. As per 30 September 2009, KPN's workforce in the Netherlands amounted to 21,666 FTEs and for the whole Group 34,550 FTEs.

Operating review

The Netherlands

The table below illustrates the performance of the Netherlands according to the guidance definition as provided in 2008, adjusted for the organizational changes (see also note [1] of the consolidated interim financial statements).

Revenues and other income *(In millions of euro)*	**Q3 2009**	**Q3 2008**	***Δ y-on-y***	**YTD 2009**	**YTD 2008**	***Δ YTD***
- Consumer	1,018	1,050	*-3.0%*	3,091	3,087	*0.1%*
- Business	602	638	*-5.6%*	1,867	1,900	*-1.7%*
- Wholesale & Operations (national, excl. book gains)	706	755	*-6.5%*	2,165	2,281	*-5.1%*
- Other (including intercompany)	-556	-581	*4.3%*	-1,691	-1,777	*4.8%*
Dutch Telco business	**1,770**	**1,862**	***-4.9%***	**5,432**	**5,491**	***-1.1%***
- iBasis	180	227	*-21%*	556	680	*-18%*
- Getronics (existing)	485	534	*-9.2%*	1,538	1,598	*-3.8%*
- Other gains & losses, eliminations	-147	-156	*5.8%*	-452	-433	*-4.4%*
The Netherlands (existing)	**2,288**	**2,467**	***-7.3%***	**7,074**	**7,336**	***-3.6%***

[1] 12 month rolling average excluding book gains, release of pension provisions and restructuring costs, all over EUR 20m

EBITDA *(In millions of euro)*	**Q3 2009**	**Q3 2008**	***Δ y-on-y***	**YTD 2009**	**YTD 2008**	***Δ YTD***
- Consumer	265	226	*17%*	789	688	*15%*
- Business	192	184	*4.3%*	599	539	*11%*
- Wholesale & Operations (national, excl. book gains)	431	462	*-6.7%*	1,310	1,354	*-3.2%*
- Other	7	8	*-13%*	2	20	*-90%*
Dutch Telco business	**895**	**880**	***1.7%***	**2,700**	**2,601**	***3.8%***
- iBasis	2	7	*-71%*	15	20	*-25%*
- Getronics (existing)	31	19	*63%*	25	77	*-68%*
- Other gains & losses, eliminations	5	7	*-29%*	8	30	*-73%*
The Netherlands (existing)	**933**	**913**	***2.2%***	**2,748**	**2,728**	***0.7%***

Resilient performance of Dutch Telco business with growing EBITDA

The 'Dutch Telco business' (defined as the Netherlands excluding Getronics, iBasis and book gains on real estate) delivered a resilient performance against a background of difficult economic circumstances and regulatory pressure. The revenue pressure from regulation (EUR 38m additional MTA tariff reduction, ~EUR 25m roaming tariff reduction and EUR 24m Wholesale Price Cap (WPC) regulation) and the impact of the economic downturn were compensated for by FTE reductions, further cost reductions and efficiency improvements as well as selective price increases. This led to an EBITDA growth of 1.7% y-on-y.

As a result of the continued focus on customer value and costs, EBITDA growth in the **Consumer** Segment amounted to 17% despite a 3.0% y-on-y revenue decline. In the wireline market, ARPUs have remained stable in a competitive market. Whilst in Q3 the broadband market growth continued to decelerate, the net line loss remained at a relatively low level of 55k at a stable broadband market share of 44%. KPN sees continued growth in TV, with IPTV taking increasing share. To enable large scale IPTV coverage in Q2 2010, KPN has decided to upgrade capacity on its copper network to VDSL2. Total wireless service revenues, including debitel and wholesale, declined by 2.1% y-on-y in Q3 2009, impacted by MTA and roaming tariff cuts (by ~7%). Excluding the debitel acquisition, service revenues in the retail segment were down by approximately 1%.

Revenues in the **Business** Segment decreased 5.6% y-on-y due to continued impact from the economic downturn, particularly evidenced in traffic volumes and order intake slowdown. In addition, Wireless services were impacted by MTA and roaming tariff cuts (by ~7%). The decline in Voice & Internet wireline and Wireless services was only partly compensated for by the continued growth in data traffic. The SAC/SRC is carefully managed to maintain market positions. Cost reductions and efficiency improvements resulted in an EBITDA growth of 4.3% y-on-y.

Wholesale & Operations (national, excluding book gains) showed a 6.5% y-on-y decline in revenues and other income. Pressure on revenues is the result of lower voice traffic volumes and a continuing decline in the installed base, but also includes the effect of new wholesale price regulation, impacting external revenues in Q3 2009 by EUR 24m (of which EUR 16m is considered as an incidental for Q3 2009). EBITDA margins remained stable as a result of ongoing efficiency improvements bringing the cost base to a lower level.

Focus on margins at iBasis

On 26 October 2009, iBasis published its Q3 2009 results. In US dollars, revenues declined by 25% and the traffic volume declined by 14% y-on-y, but the decline showed an improvement compared to Q2 2009. As a result of iBasis' strong focus on margins, the gross margin increased to 13.1% (Q3 2008: 9.6%) and the adjusted EBITDA margin increased to 5.0% (Q3 2008: 3.0%). For a more extensive description of iBasis' financial and operating performance, please refer to its press release available at www.ibasis.com.

Strong EBITDA improvement at Getronics despite ongoing impact of economic downturn

Continued revenue pressure due to the economic downturn resulted in 9.2% y-on-y revenue decline in Q3 2009 for Getronics' existing business. Although the economic downturn impacted the revenues in the Netherlands leading to a 4.6% y-on-y decline, Getronics was able to maintain its market position. Global Services' revenues increased by 10% in Q3 y-on-y, but revenues from international operations declined 19% y-on-y, of which EUR 5m was due to currency effects. As a result of the restructuring, cost savings have already come through in Q3, and EBITDA showed a strong improvement to EUR 31m in Q3, leading to an EBITDA margin of 6.4%.

Mobile International

Revenues and other income *(In millions of euro)*	**Q3 2009**	**Q3 2008**	***Δ y-on-y***	**YTD 2009**	**YTD 2008**	***Δ YTD***
- Germany	819	840	*-2.5%*	2,390	2,403	*-0.5%*
- Belgium	200	191	*4.7%*	595	575	*3.5%*
- Rest of World (incl. intercompany revenues)	25	21	*19%*	64	41	*56%*
Mobile International	**1,044**	**1,052**	***-0.8%***	**3,049**	**3,019**	***1.0%***

EBITDA *(In millions of euro)*	**Q3 2009**	**Q3 2008**	***Δ y-on-y***	**YTD 2009**	**YTD 2008**	***Δ YTD***
- Germany	347	336	*3.3%*	1,002	928	*8.0%*
- Belgium	65	58	*12%*	195	183	*6.6%*
- Rest of World	-5	-6	*17%*	-31	-20	*-55%*
Mobile International	**407**	**388**	***4.9%***	**1,166**	**1,091**	***6.9%***

Flat revenues and solid profitability at Mobile International

In Q3 2009, the economic downturn had no material impact on Mobile International. Revenues and other income were slightly below last year with a 0.8% y-on-y decline. The 2.4% y-on-y service revenue growth was the result of positive performance in Belgium and Rest of World, combined with almost flat (-0.4% y-on-y) service revenue growth in Germany. Both in Germany and in Belgium, KPN believes it has outperformed the market in Q3 2009. In Belgium, the ongoing implementation of the Challenger strategy is paying off, leading to wireless service revenue growth of 7.7% y-on-y. Similar initiatives are in progress to re-ignite service revenue growth in Germany. EBITDA of Mobile International was up 4.9% y-on-y in Q3, which is in line with Q2. Continued solid underlying profitability is evidenced in the 39% EBITDA margin.

Revenues and other income in **Germany** were down 2.5% y-on-y in Q3 2009. E-Plus service revenue growth was almost flat, including a negative MTA and roaming impact of approximately 4%. EBITDA showed a continued growth of 3.3% y-on-y in Q3 2009, resulting in an EBITDA margin of 42.4%.
During Q3 2009, E-Plus has taken initiatives to further implement and execute the Challenger strategy. These initiatives focus on expanding the addressable market by moving into geographical regions and market segments that are currently underrepresented. Through meticulous execution this will allow E-Plus to return to increased service revenue growth.

In **Belgium** revenues and other income grew 4.7% y-on-y, driven by BASE's strong increase in service revenues of 7.7% y-on-y, including a negative roaming impact of approximately 3%. As a result of the solid service revenue growth in Q3 2009, BASE's estimated market share increased further to over 17%. This marks the sixth consecutive quarter of y-on-y service revenue growth.

Revenue growth in **Rest of World** was driven by continued growth from KPN's MVNO operations in Spain and France, based on their value-for-money propositions through own brands and wholesale partners. Ortel's performance is gradually improving, although competitive pressure remains within the cultural segment.

Outlook and risk management

Risk management

KPN's risk categories and risk factors which could have a material impact on its financial position and results are extensively described in KPN's Annual Report 2008. Those risk categories and factors are deemed incorporated and repeated in this report by reference and KPN believes that these risks similarly will apply for the final quarter of 2009 except for risks from economic downturn and regulation. With respect to regulatory risk, reference is made to note [13] Regulatory developments of the consolidated interim financial statements.

Economic impact

The impact from the economic **downturn** was still mainly visible in the business markets in which KPN operates and there is no sign of recovery yet. The Business Segment and Getronics continue to experience a decline in traffic volumes and roaming, as well as a decline in enterprise services and consulting, combined with continued price pressure. Customers postpone investment decisions leading to pressure on the order conversion rate, resulting in slower order intake.

There is no material impact visible in the consumer markets across the Group. Whilst KPN experienced some small impact on roaming traffic, no material change in bad debt was detected. In the Netherlands, SIM-only propositions continued to grow but at a lower pace than in the previous quarter.

The third quarter results clearly demonstrate the benefits of the pre-emptive and corrective **actions** taken by KPN to manage and mitigate the effects of the economic downturn. The earlier announced FTE reduction in the Netherlands is ongoing and resulted in a ~250 FTE reduction of own staff in Q3 2009 and over 300 FTE of temporary staff. Since the beginning of the year, the total number of temporary staff decreased by ~1,300 FTE. Getronics's cost reductions are on track and the number of staff was reduced by 1,400 FTE in Q3. In addition, other improvement plans are being executed by Getronics leading to expected annual savings on top of the previously announced EUR 60m.

On the **financing** side KPN continued its more conservative liquidity policy, pre-financing upcoming redemptions further in advance. The temporary excess cash from the bonds issued in February 2009 was used to tender EUR 438m of bonds maturing in 2010 and the redemption of the EUR 700m bond in July 2009. As noted earlier, KPN strengthened its liquidity profile and lengthened its average maturity profile from 5.9 to 7.5 years in Q3 2009 by issuing both a Sterling bond and a Eurobond with long-dated tenors.

Outlook

The benefits of the strategic choice made by KPN in early 2009 to focus on EBITDA, cash flow and market shares are clearly evidenced in the resilient Q3 2009 results. While market conditions have not recovered over the year, KPN was able to maintain market shares and grow EBITDA in each of the last three quarters (up 4.4% y-on-y in Q3 2009).

Historically, reported Capex has been lower than guided Capex. Also for 2009, KPN expects Capex to come in at a lower level, in part driven by lower capacity investments than planned as the growth in traffic was less than expected. In addition, KPN has been focusing increasingly on ensuring the most efficient use of Capex across the Group whilst not compromising on the quality of service to its customers. The Capex target for 2009 is therefore adjusted to EUR 1.8-1.9bn.

Year-to-date free cash flow amounts to EUR 1.5bn (YTD 2008: EUR 1.6bn) and KPN is confident that it will reach the 2009 target of around EUR 2.4bn as a result of an increasing EBITDA, limited cash tax payments due to a prepayment in Q1 2009, regular working capital seasonality and further working capital improvements.

In summary, KPN is on track strategically, is soundly financed, has delivered a resilient Q3 2009 performance in its core business and is confident of achieving its 2009 and 2010 objectives. The outlook for revenues, EBITDA, and free cash flow for 2009 and 2010 is therefore confirmed. KPN remains committed to industry-leading shareholder returns and confirms the EUR 0.80 dividend per share objective for 2010.

Guidance metrics	2008	Outlook 2009	Outlook 2010
Revenues and other income (existing)	EUR 14.0bn	EUR 13.6 - 13.8bn	In line with 2009
EBITDA	EUR 5.0bn	Meaningful step towards 2010	> EUR 5.5bn
Capex	EUR 1.9bn	EUR 1.8-1.9bn	~ EUR 2bn
Free cash flow	EUR 2.6bn	~ EUR 2.4bn	> EUR 2.4bn
Dividend per share	EUR 0.60	Meaningful step towards 2010	EUR 0.80

Financial review by segment

The following table summarizes key figures per business segment. Within Wholesale & Operations, the results of iBasis have been consolidated, as well as the book gains on real estate disposals (both of which are managed by the Wholesale & Operations unit). Consequently, the results shown below for 'Wholesale & Operations' are not identical to those shown on page 3 for 'Wholesale & Operations national' which do not include iBasis or real estate disposals.

Revenues and other income *(In millions of euro)*	**Q3 2009**	**Q3 2008**	***Δ y-on-y***	**YTD 2009**	**YTD 2008**	***Δ YTD***
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- Business	602	638	*-5.6%*	1,867	1,900	*-1.7%*
- Getronics (existing)	485	534	*-9.2%*	1,538	1,598	*-3.8%*
- Wholesale & Operations	844	935	*-9.7%*	2,602	2,836	*-8.3%*
- Other (incl. intercompany revenues)	-661	-690	*4.2%*	-2,024	-2,085	*2.9%*
The Netherlands (existing)	**2,288**	**2,467**	***-7.3%***	**7,074**	**7,336**	***-3.6%***
- Getronics (disposed)	2	145	*n.m.*	22	526	*n.m.*
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- Germany	819	840	*-2.5%*	2,390	2,403	*-0.5%*
- Belgium	200	191	*4.7%*	595	575	*3.5%*
- Rest of World (incl. intercompany revenues)	25	21	*19%*	64	41	*56%*
Mobile International	**1,044**	**1,052**	***-0.8%***	**3,049**	**3,019**	***1.0%***

EBITDA *(In millions of euro)*	**Q3 2009**	**Q3 2008**	***Δ y-on-y***	**YTD 2009**	**YTD 2008**	***Δ YTD***
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- Consumer	265	226	*17%*	789	688	*15%*
- Business	192	184	*4.3%*	599	539	*11%*
- Getronics (existing)	31	19	*63%*	25	77	*-68%*
- Wholesale & Operations	439	476	*-7.8%*	1,334	1,405	*-5.1%*
- Other	6	8	*-25%*	1	19	*-95%*
The Netherlands (existing)	**933**	**913**	***2.2%***	**2,748**	**2,728**	***0.7%***
- Getronics (disposed)	0	6	*n.m.*	0	28	*n.m.*
The Netherlands (reported)	**933**	**919**	***1.5%***	**2,748**	**2,756**	***-0.3%***
- Germany	347	336	*3.3%*	1,002	928	*8.0%*
- Belgium	65	58	*12%*	195	183	*6.6%*
- Rest of World	-5	-6	*17%*	-31	-20	*-55%*
Mobile International	**407**	**388**	***4.9%***	**1,166**	**1,091**	***6.9%***

Consumer

- **Revenues down 3.0% y-on-y, EBITDA up 17% y-on-y**
- **Wireless services robust**
- **Wireline services stable in a competitive market**

Financial highlights *(Amounts in EUR millions)*	**Q3 2009**	**Q3 2008**	***Δ y-on-y***	**YTD 2009**	**YTD 2008**	***Δ YTD***
Revenues and other income	**1,018**	**1,050**	***-3.0%***	**3,091**	**3,087**	***0.1%***
- Voice wireline	168	198	*-15%*	534	627	*-15%*
- Wireless services[2]	482	467	*3.2%*	1,466	1,324	*11%*
- Internet wireline	262	252	*4.0%*	783	752	*4.1%*
- Mobile Wholesale NL[2]	51	83	*- 39%*	151	245	*-38%*
EBITDA	**265**	**226**	***17%***	**789**	**688**	***15%***
EBITDA margin	**26.0%**	**21.5%**		**25.5%**	**22.3%**	

Revenues down 3.0% y-on-y, EBITDA up 17% y-on-y

Revenues and other income declined by 3.0% y-on-y in Q3 2009 reflecting the continued loss of traditional voice customers, albeit at relatively low levels, and the regulatory impact in wireless, which was not offset by revenue growth in internet wireline. Overall wireless service revenues declined by only 2.1%, after absorbing a EUR 37m impact (~7%) from lower MTA and roaming rates. Drivers behind this performance were the y-on-y increase in post paid customers and growing demand for data services. As in Q2 2009, the Consumer Segment delivered a double digit y-on-y EBITDA growth in Q3 due to its strong value and cost focus, leading to a 26.0% EBITDA margin.

Wireless services robust

In Q3 2009, KPN continued its focus on customer value and cost, whilst maintaining market share. The customer base declined by 56k in Q3 2009 due to some additional churn from migrating debitel customers to KPN's main brands, as well as some lower prepaid Telfort adds due to the elimination of subsidies. Since Q3 2008, however, KPN has ~500k more postpaid subscribers (300k from the debitel acquisition) and they now represent 47% of the total customer base (up ~3%-points y-on-y, including debitel). Underlying service revenue growth is slowing down somewhat due to an increasing number of SIM-only in the base and some additional churn from the debitel migration. Blended SAC/SRC increased versus Q2 2009, due to a higher proportion of postpaid gross adds with a two year contract combined with a lower proportion of SIM-only adds. Data revenue growth (excluding SMS) continues to be strong at some 25% q-on-q, benefitting from increased penetration of smartphones and laptop data cards. Growing data revenues largely offsetting the decline in voice revenues resulted in a stable wireless ARPU. Non-voice revenues now represent 29% of ARPU.

Wireline services stable in a competitive market

KPN's focus on high value customers in the broadband market is reflected in a steadily increasing broadband ARPU. Net line loss remained at the relatively low level of 55k as a result of lower VoIP net adds (excluding the minor acquisition of the AOL Dutch customer base) in a broadband market whose rapid growth is slowing on the one hand, and a steady decline in traditional voice lines on the other. KPN's broadband market share has remained stable at 44% (including the AOL acquisition). KPN sees continued growth in TV, with IPTV taking an increasing share and the Company is on track to exceed 1 million TV subscribers in 2010. KPN decided to upgrade capacity on its copper network to VDSL2, enabling large scale IPTV coverage in Q2 2010. HDTV is currently being tested and is planned to go live in the same period.

Operating highlights	**Q3 2009**	**Q2 2009**	***Δ q-on-q***
VoIP subscribers (k)	1,167	1,142	*2.2%*
Net line loss (k)	55	50	*10%*
TV customers (k)	924	886	*4.3%*
Wireless customers (k)[3]	8,683	8,555	*1.5%*

Operating highlights	**Q3 2009**	**Q3 2008**	***Δ y-on-y***
Wireless service rev. (EUR m)[3]	512	523	*-2.1%*
SAC/SRC (EUR)[3]	150	159	*-5.7%*

[2] As from Q1 2009, Debitel is included in Wireless services and no longer included in Mobile Wholesale NL
[3] Wireless customers and Wireless services includes Mobile Wholesale NL, SAC/SRC excludes Mobile Wholesale NL

Business

- **Continued top line pressure, but EBITDA up 4.3%**
- **Resilient performance Wireless services**
- **Ongoing impact of economic downturn**

Financial highlights *(Amounts in EUR millions)*	Q3 2009	Q3 2008	*Δ y-on-y*	YTD 2009	YTD 2008	*Δ YTD*
Revenues and other income	**602**	**638**	***-5.6%***	**1,867**	**1,900**	***-1.7%***
- Voice & Internet wireline	251	265	*-5.3%*	775	808	*-4.1%*
- Data network services	108	106	*1.9%*	329	314	*4.8%*
- Wireless services	208	216	*-3.7%*	649	671	*-3.3%*
EBITDA	**192**	**184**	***4.3%***	**599**	**539**	***11%***
EBITDA margin	**31.9%**	**28.8%**		**32.1%**	**28.4%**	

Continued top line pressure, but EBITDA up 4.3%

Revenues and other income declined 5.6% y-on-y in Q3 2009. Voice & Internet wireline and Wireless services continued to feel the impact of the economic downturn. In addition, Wireless services were impacted by MTA tariff cuts, roaming regulation and roaming traffic being lower due to the economic downturn. Revenues from Data network services continued to increase due to continuing growth in the new portfolio of IP-based services. Furthermore, Q3 2008 included a one-off revenue gain (EUR 10m) relating to services provided to the Dutch Government. Despite the negative impact from MTA and roaming cuts (~EUR 5m), EBITDA increased by 4.3% y-on-y, reflecting KPN's continued focus on cost reductions, also clearly visible in the improved EBITDA margin of 31.9% in Q3 2009.

Resilient performance Wireless services

Service revenues declined 1.7% y-on-y in Q3 2009, almost entirely due to a significant regulation impact of ~7%. This effect is also seen in the blended ARPU which fell by 13% y-on-y mainly due to a declining voice ARPU as a result of this regulation. Despite tough competition, the voice and data customer base increased further. The growth in wireless data revenues continued its upward trend with the percentage of non-voice of ARPU up to 31% in Q3 2009. Furthermore, KPN is carefully managing SAC/SRC to maintain a competitive position.

Ongoing impact of economic downturn

The economic downturn continued to affect the Business Segment with no sign of recovery yet. As in Q2 2009, the Business Segment faced customers postponing investment decisions leading to pressure on the order conversion rate, hence resulting in slower order intake. The decline in enterprise services and consulting combined with requests for contract negotiations continued to put pressure on the top line. Market positions, however, were maintained. In both fixed and mobile, the voice minutes showed a decline due to the combination of vacation and economic downturn and this also has an effect on visitor roaming revenues. As part of the earlier announced restructuring plan, accelerated restructurings in the Business Segment, comprising of ~500 FTEs, are being prepared for Q4 2009.

Operating highlights	Q3 2009	Q2 2009	*Δ q-on-q*
Access lines voice (k)	1,501	1,533	*-2.1%*
VPN (k)	54.7	54.9	*-0.4%*
Leased lines (k)	24.3	26.1	*-6.9%*
Wireless customers (k)	1,636	1,616	*1.2%*

Operating highlights	Q3 2009	Q3 2008	*Δ y-on-y*
Service revenues (EUR m)	234	238	*-1.7%*

Wholesale & Operations

- **Lower cost base, mitigating revenue pressure**
- **Fiber operator gradually scaling up**
- **Continued focus on margins at iBasis**

Financial highlights *(Amounts in EUR millions)*	Q3 2009	Q3 2008	*Δ y-on-y*	YTD 2009	YTD 2008	*Δ YTD*
Revenues and other income	**844**	**935**	***-9.7%***	**2,602**	**2,836**	***-8.3%***
- W&O national	714	763	*-6.4%*	2,182	2,312	*-5.6%*
- iBasis (international wholesale)	180	227	*-21%*	556	680	*-18%*
EBITDA	**439**	**476**	***-7.8%***	**1,334**	**1,405**	***-5.1%***
EBITDA margin	**52.0%**	**50.9%**		**51.3%**	**49.5%**	

Lower cost base, mitigating revenue pressure

Revenues and other income from W&O National declined EUR 49m or 6.4% y-on-y in Q3 2009, partly due to new wholesale price regulation impacting external revenues in Q3 2009 by EUR 24m. As the price regulation is effective retroactively as from 1 January 2009, about EUR 16m out of the EUR 24m relates to Q1 and Q2 2009 and is therefore considered as an incidental for Q3 2009. Please see note [13] for more information on the new wholesale price regulation. The internal revenues were down 3.5% y-on-y as result of the ongoing decline in the installed base and lower voice traffic volumes, mainly in the Business Segment. A book gain of EUR 17m has been recorded due to the sale of mobile towers (Q3 2008: EUR 13m). EBITDA for W&O declined EUR 37m or 7.8% y-on-y partly due to the WPC impact (EUR 18m) and a one-off Telfort penalty regarding the UMTS license (EUR 5m). The decline in revenues was partly compensated by ongoing efficiency improvements, bringing the cost base to a lower level. Although the real estate market remains challenging, KPN realised EUR 13m proceeds from real estate in Q3 2009, amounting to EUR 32m of proceeds YTD.

Fiber operator gradually scaling up

Further progress was made with the fiber roll-out against the commitment of some 850k homes passed by the end of 2009. As at the end of Q3 2009, KPN had reached over 450k FttC homes passed and some 460k FttH homes passed, being ahead of the initial FttH target of ~400k by year-end 2009. In Q3 2009 the scalability of the fiber operator was further improved, although the required standards for scalability are not yet met, and KPN's focus is on converting homes passed into homes activated. From Q1 2010, KPN expects to introduce its service portfolio on infrastructure contributed to the Reggefiber joint venture by Reggeborgh. Reggefiber expects to secure external financing in H1 2010. In the meantime, both KPN and Reggeborgh will be providing temporary financing to bridge this period. The evaluation of the tests in 2x5 cities will be completed by the end of 2009.

Continued focus on margins at iBasis

Whilst the revenues in US dollars were down 25% y-on-y in Q3 2009 (down 21% y-on-y in EUR), the gross margin increased to 13.1% compared to 9.6% in Q3 2008 and the adjusted EBITDA margin increased to 5.0% (Q3 2008: 3.0%) as a result of its focus on profitable contracts and margins. Total minutes were down 14% y-on-y, but showed an improving trend compared to Q2 2009. For a more extensive description of iBasis' financial and operational performance, please refer to its press release available at www.ibasis.com.
On 5 October 2009, KPN increased its cash tender offer for all outstanding shares of common stock of iBasis not owned by KPN to $ 2.25 per share in cash, or approximately USD 70m in total. The Delaware Court of Chancery hearing regarding KPN's and iBasis' claims relating to the tender offer will be held on 28-29 October 2009. The Offer period will expire on 20 November 2009. For important information please see 'Important Information on KPN's Tender Offer on page 29.

Operating highlights	Q3 2009	Q2 2009	*Δ q-on-q*
Access lines retail voice (k)	3,578	3,694	*-3.1%*
MDF access lines (k)	3,751	3,760	*-0.2%*
- of which line sharing (k)	1,434	1,494	*-4.0%*

Operating highlights	Q3 2009	Q2 2009	*Δ q-on-q*
Unbundling, estimates (m)	1.1	1.1	0%
- Shared unbundled lines (m)	0.2	0.2	0%
- Fully unbundled lines (m)	0.9	0.9	0%

Getronics

- **Continued pressure on revenues, strong improvement in EBITDA**
- **Several large contract wins in Q3, supported by Getronics Workspace Alliance**
- **Ongoing impact of economic downturn, but market position maintained**

Financial highlights *(Amounts in EUR millions)*	**Q3 2009**	**Q3 2008**	***Δ y-on-y***	**YTD 2009**	**YTD 2008**	***Δ YTD***
Revenues and other income (existing)	**485**	**534**	***-9.2%***	**1,538**	**1,598**	***-3.8%***
- Global Services	277	251	*10%*	823	751	*9.6%*
- ICT Services	213	240	*-11%*	666	715	*-6.9%*
- International	93	116	*-20%*	289	349	*-17%*
Revenues and other income (disposed)	**2**	**145**	***n.m.***	**22**	**526**	***n.m.***
EBITDA (existing)	**31**	**19**	***63%***	**25**	**77**	***-68%***
EBITDA margin	**6.4%**	**3.6%**		**1.6%**	**4.8%**	

Continued pressure on revenues, strong improvement in EBITDA

Revenues and other income at Getronics amounted to EUR 485m in Q3 2009, down 9.2% y-on-y mainly due to the continued impact from the economic downturn. Global Services' revenues increased by 10% in Q3 y-on-y. Revenues in the Netherlands declined by 4.6% y-on-y in Q3, mainly due to a slowdown in enterprise services and consulting. Revenues from international operations were down further in Q3, 19% y-on-y, of which EUR 5m was due to currency effects. Benefits from cost savings are coming through in Q3, and EBITDA improved strongly to EUR 31m in Q3, up 63% y-on-y. In the absence of significant restructuring charges in Q3 2009 (EUR 1m) compared to Q3 2008 (EUR 15m, integration & restructuring costs), the EBITDA margin increased to 6.4% in Q3. Additional benefits of the restructuring are expected in Q4 2009. This should allow Getronics to make a meaningful step in 2009 towards the ambition of achieving an 8% EBITDA margin in 2010.

Several large contract wins in Q3, supported by Getronics Workspace Alliance

Getronics won several large contracts in Q3, including a EUR 70-80m contract with Enexis in the Netherlands. Furthermore, the strategic value of the Getronics Workspace Alliance became increasingly apparent as the alliance secured contract wins with various global companies and multinationals.

Ongoing impact of economic downturn, but market position maintained

The trend of slower order intake in the enterprise services and the consulting business continued in Q3, leading to further revenue pressure. Although the order funnel is solid, the order conversion rate remains under pressure as clients continue to postpone decisions on capital-intensive projects and cut down on consulting and complementary projects. Despite the revenue decline in the Netherlands, Getronics was able to maintain its market position. To mitigate the effects of the economic downturn, Getronics has taken pre-emptive measures such as FTE reductions and efficiency programs which are now starting to pay off, evidenced by the strong EBITDA improvement in Q3.

Operating highlights	**Q3 2009**	**Q2 2009**	***Δ q-on-q***
Serviced voice workspaces (m)	0.6	0.6	*0%*
Serviced IT workspaces (m)	1.7	1.7	*0%*

Operating highlights	**Q3 2009**	**Q2 2009**	***Δ q-on-q***
Housing capacity in m² (k)	25.0	24.9	*0.4%*
Hosted servers (k)	11.7	9.8	*19.4%*

Germany

- **Service revenues flat, with EBITDA margin of 42.4%**
- **477k net adds in Q3**
- **Spectrum auctions in Germany not in line with E-Plus' view**

Financial highlights *(Amounts in EUR millions)*	**Q3 2009**	**Q3 2008**	***Δ y-on-y***	**YTD 2009**	**YTD 2008**	***Δ YTD***
Revenues and other income	**819**	**840**	***-2.5%***	**2,390**	**2,403**	***-0.5%***
EBITDA	**347**	**336**	***3.3%***	**1,002**	**928**	***8.0%***
EBITDA margin	**42.4%**	**40.0%**		**41.9%**	**38.6%**	

Service revenues flat, with EBITDA margin of 42.4%

In Q3 2009 service revenues were flat (-0.4% y-on-y), negatively impacted by MTA and roaming tariff reductions (~4%). Underlying (excluding MTA and roaming impact) service revenue growth was approximately 3.6%, bringing the service revenue market share estimate close to 16%. As in the second quarter, service revenues were impacted by bundle optimization and a decline in roaming revenues. E-Plus expects to have outperformed the market again in Q3. Revenues and other income amounted to EUR 819m, which is a 2.5% y-on-y decline. The decline was caused by lower handset revenues and lower other income at SMS Michel. EBITDA was up 3.3% y-on-y, leading to an EBITDA margin of 42.4% in Q3 2009. The third quarter included a one-off release of approximately EUR 11m, compared to Q3 2008, as a result of lower roaming expenditures relating to the prior 12 months. Excluding this effect for Q3, the EBITDA margin amounted to 41.0% for Q3 2009.

During Q3 2009, E-Plus has taken initiatives to further implement and execute the Challenger strategy. Initiatives are in progress to expand the addressable market by moving into geographical regions and market segments that are currently underrepresented. As an example, new partnerships have been established in the youth segment (MTV), media (WAZ Group) and for wholesale data. Through meticulous execution this will allow E-Plus to return to increased service revenue growth.

Net adds of 477k in Q3

E-Plus gained 477k net adds in Q3 2009, up from 197k net adds in Q2 2009. The increase in net adds was the result of continued growth in wholesale brands and was supported by lower one-off churn in low-value prepaid compared to previous quarters. Postpaid net adds amounted to 15k in Q3 2009, lower than previous quarters. The total customer base at the end of Q3 was 18.7m, up 9.9% y-on-y. New brands now represent 70% of the total customer base, or 13 million customers.

Spectrum auctions in Germany not in line with E-Plus' view

On 12 October 2009, the advisory committee ('Beirat') of the German Regulator approved the initial proposal for the upcoming spectrum auctions in Germany. In the first half of 2010, over 350 MHz of spectrum will be auctioned in the 800 MHz, 1800 MHz, 2.1 GHz and 2.6 GHz bands. The decision of the Beirat is most relevant for the auction of the 60 MHz spectrum in the 800 MHz band. The auction design provides for caps of 2 blocks of 2x5 MHz each for Vodafone and T-Mobile, which could lead to a situation where only 2x5 MHz each is left for E-Plus and O2 together. This would substantially disadvantage E-Plus' competitive position, given T-Mobile and Vodafone's already strong position on 900 MHz. This is not in line with E-Plus' view and E-Plus is considering legal procedures to change the auction process design. Furthermore, the European Commission supports the view of E-Plus that the current auction design implies a risk that the existing discrimination is maintained. E-Plus is keen to obtain 800 MHz spectrum, but is also considering alternatives, for example other frequency bands and/or other technologies.

Operating highlights	**Q3 2009**	**Q2 2009**	***Δ q-on-q***
Wireless customers (k)	18,712	18,235	*2.6%*
Net adds (k)	477	197	*>100%*
Total traffic (minutes in m)	7,888	7,825	*0.8%*

Operating highlights	**Q3 2009**	**Q3 2008**	***Δ y-on-y***
Service revenues	779	782	*-0.4%*
ARPU blended (EUR)	14	16	*-13%*
SAC/SRC blended (EUR)	45	44	*2.3%*

Belgium

- **Service revenues of BASE up 7.7%, driving continued market share growth**
- **Net adds of 73k in Q3 2009, including 96k one-off churn in wholesale prepaid**
- **Agreement with Mobistar to jointly expand network infrastructure**

Financial highlights *(Amounts in EUR millions)*	Q3 2009	Q3 2008	Δ y-on-y	YTD 2009	YTD 2008	Δ YTD
Revenues and other income	**200**	**191**	***4.7%***	**595**	**575**	***3.5%***
EBITDA	**65**	**58**	***12%***	**195**	**183**	***6.6%***
EBITDA margin	**32.5%**	**30.4%**		**32.8%**	**31.8%**	

Service revenues of BASE up 7.7% in Q3 2009, driving continued market share growth

In Belgium, the ongoing implementation of the Challenger strategy is paying off. BASE delivered 7.7% service revenue growth y-on-y in Q3 2009, including a negative roaming impact of approximately 3%. Key drivers behind the higher service revenue growth are further customer growth, higher traffic related revenues and the annualization of MTA tariff reductions. As a result of the solid service revenue growth in Q3 2009, BASE's market share has increased further over the 17% mark. This marks the sixth consecutive quarter of y-on-y service revenue growth.

Net adds of 73k subscribers in Q3 2009, including 96k one-off churn in wholesale prepaid

In Q3 2009, BASE added another 73k customers to its customer base, of which 34k postpaid customers. The prepaid customer base was negatively impacted by a one-off churn in the wholesale customer base of 96k. Customer growth is driven by the successful launch of the revitalized BASE offers and by BASE's wholesale customers. Traction in Wallonia is increasing through Allo Telecom and the recently launched partnership with RTL Belgium.

Agreement with Mobistar to jointly expand network infrastructure

On 8 October 2009, Mobistar and BASE announced a collaboration agreement to expand their mobile telecommunication networks jointly. The agreement will allow the operators to acquire and build new sites jointly, with a positive impact on network coverage in view of new environmental standards. The agreement will result in a more rapid deployment of mobile telecommunication networks and better services for customers.

Operating highlights[4]	Q3 2009	Q2 2009	Δ q-on-q
Wireless customers (k)	3,560	3,487	*2.1%*
Net adds (k)	73	-10	*>100%*
Total traffic (minutes in m)	1,194	1,273	*-6.2%*

Operating highlights[4]	Q3 2009	Q3 2008	Δ y-on-y
Service revenues	167	155	*7.7%*
ARPU blended (EUR)	16	16	*0%*
SAC/SRC blended (EUR)	18	17	*5.9%*

[4] Refers to BASE only

Rest of World

MVNOs in Spain and France on track

KPN's MVNO operations in Spain and France continue to grow, driven by their value-for-money propositions through own brands and wholesale partners.

The run rate of new customers at KPN Spain remains strong, recording a significantly higher level than at the start of the year, despite lower marketing efforts during the summer period. ARPU has remained stable, despite the current economic conditions. Simyo remains the flagship brand with a healthy mix between prepaid and postpaid customers, next to the blau brand and various wholesale partners. The blau brand is gaining further traction due to the increasing number of points of sale and a recently launched data offer. Simyo and blau have been established as value-for-money brands in Spain.

Also in France the Simyo brand continues to do well, following the new marketing campaign at the end of the second quarter. KPN France expects to launch more partners and own KPN brands over the coming months.

Ortel performance gradually improving

Market conditions in the cultural segment within KPN's footprint remain tough due to the ongoing price promotions from various competitors which are focused on gaining market share. Ortel's performance is gradually improving following actions taken in the second quarter. Ortel now deploys more focused promotions with usage incentives and less focus on customer acquisition. As a result the activity rate of the customer base is improving due to lower inflow of customers that use their SIM only as an international calling card. Furthermore, more value from Ortel's customer base is expected by building an Ortel community across markets and by leveraging further its brand, using focused marketing and targeted product offerings.

Consolidated Interim Financial Statements for the nine months ended 30 September 2009 and 2008

Unaudited Consolidated Statement of Income

(In millions of euro, unless indicated otherwise)	For the three months ended 30 September		For the nine months ended 30 September	
	2009	**2008**	**2009**	**2008**
Revenues	3,307	3,626	10,103	10,812
Other income	24	26	35	72
Revenues and other income [1]	**3,331**	**3,652**	**10,138**	**10,884**
Own work capitalised	-21	-30	-70	-77
Cost of materials	207	259	639	744
Work contracted out and other expenses	1,137	1,332	3,550	3,927
Employee benefits	502	585	1,589	1,660
Depreciation, amortization and impairments	577	578	1,759	1,772
Other operating expenses	177	227	545	853
Total operating expenses	**2,579**	**2,951**	**8,012**	**8,879**
Operating profit [2]	**752**	**701**	**2,126**	**2,005**
Finance income [3]	9	13	28	39
Finance costs [3]	-181	-180	-594	-532
Other financial results [3]	-9	-9	-2	-23
Share of the profit of associates and joint ventures, net of tax	-5	0	-6	-6
Profit before income tax	**566**	**525**	**1,552**	**1,483**
Income taxes [4]	-171	-172	-470	-443
Profit for the period	**395**	**353**	**1,082**	**1,040**
Profit attributable to:				
Owners of the parent	398	349	1,086	1,037
Minority interest	-3	4	-4	3
Earnings per share on a non-diluted basis (in EUR)	**0.25**	**0.20**	**0.66**	**0.59**
Earnings per share on a fully-diluted basis (in EUR)	**0.24**	**0.20**	**0.65**	**0.59**
Weighted average number of shares on a non-diluted basis			1,648,700,120	1,753,604,643
Weighted average number of shares on a fully-diluted basis			1,653,776,530	1,759,835,810

Unaudited Consolidated Statement of Comprehensive Income

(In millions of euro, unless indicated otherwise)	For the three months ending 30 September		For the nine months ending 30 September	
	2009	2008	2009	2008
Profit for the period	**395**	**353**	**1,082**	**1,040**
Other comprehensive income:				
Cash flow hedges:				
Gains or (losses) arising during the period	-57	4	-112	13
Tax	15	-1	29	-3
	-42	3	-83	10
Currency translation adjustments:				
Gains or (losses) arising during the period	3	23	-4	18
Tax	-	-	-	2
	3	23	-4	20
Fair value adjustment available for sale financial assets:				
Gains or (losses) arising during the period	-	-5	4	-5
Tax	-	-	-	-
	-	-5	4	-5
Other comprehensive income for the period, net of taxes	**-39**	**21**	**-83**	**25**
Total comprehensive income for the year, net of tax	**356**	**374**	**999**	**1,065**
Total comprehensive income attributable to:				
Owners of the parent	359	368	1,004	1,060
Minority interest	-3	6	-5	5

Consolidated Statement of Financial Position

	As at	
ASSETS ***(In millions of euro)***	**30 September 2009 (unaudited)**	**31 December 2008**
NON-CURRENT ASSETS		
Goodwill	5,672	5,659
Licenses	2,929	3,156
Software[5]	718	676
Other intangibles	455	569
Total intangible assets	**9,774**	**10,060**
Land and buildings	897	921
Plant and equipment	5,607	5,811
Other tangible non-current assets	181	197
Assets under construction	894	807
Total property, plant & equipment	**7,579**	**7,736**
Investments in associates and joint ventures [5]	265	135
Available-for-sale financial assets	54	52
Derivative financial instruments	7	133
Deferred tax assets	1,474	1,733
Trade and other receivables	233	210
Total non-current assets	**19,386**	**20,059**
CURRENT ASSETS		
Inventories	116	137
Trade and other receivables	2,145	2,295
Income tax receivables	174	102
Available-for-sale financial assets	2	2
Cash	2,815	1,199
Total current assets	**5,252**	**3,735**
Non-current assets and disposal groups held for sale [6]	**35**	**119**
TOTAL ASSETS	**24,673**	**23,913**

[5] Including development costs of software, which was included in other intangibles in KPN's 2008 Annual Report

	As at	
LIABILITIES ***(In millions of euro)***	**30 September 2009** **(unaudited)**	**31 December 2008**
GROUP EQUITY		
Share capital	401	411
Share premium	9,214	9,650
Other reserves	-624	-228
Retained earnings	-6,070	-6,103
Equity attributable to owners of the parent	**2,921**	**3,730**
Minority interest	22	29
Total group equity	**2,943**	**3,759**
NON-CURRENT LIABILITIES		
Borrowings [7]	13,292	10,876
Derivative financial instruments	501	192
Deferred tax liabilities	1,355	1,624
Provisions for retirement benefit obligations [8]	793	892
Provisions for other liabilities and charges	460	427
Other payables and deferred income	338	346
Total non-current liabilities	**16,739**	**14,357**
CURRENT LIABILITIES		
Trade and other payables	3,891	4,280
Borrowings [7]	817	1,165
Derivative financial instruments	1	2
Income tax payables	88	128
Provisions for other liabilities and charges	181	186
Total current liabilities	**4,978**	**5,761**
Liabilities directly associated with non-current assets and disposal groups classified as held for sale [6]	**13**	**36**
TOTAL EQUITY AND LIABILITIES	**24,673**	**23,913**

Unaudited Consolidated Statement of Cash Flows

(In millions of euro)	For the nine months ended 30 September	
	2009	2008
Profit before income tax	**1,552**	**1,483**
Finance costs – net	568	516
Share of the profit of associates and joint ventures	6	6
Adjustments for:		
Depreciation, amortization and impairments	1,759	1,772
Share-based compensation	21	15
Other income	-32	-47
Changes in provisions (excluding deferred taxes)	-205	-150
Inventories	21	-9
Trade receivables	194	111
Prepayments and accrued income	-117	-145
Other current assets	69	9
Trade payables	-282	172
Accruals and deferred income	-295	-232
Current liabilities (excluding short-term financing)	114	-91
Change in working capital:	*-296*	*-185*
Received dividends from associates and joint ventures	2	-
Taxes paid	-561	-329
Interest paid	-461	-380
Net cash flow provided by operating activities	**2,353**	**2,701**
Acquisition of subsidiaries, associates and joint ventures	-96	-171
Disposal of subsidiaries, associates and joint ventures	33	114
Investments in intangible assets (excluding software)	-13	-25
Disposal of intangibles	10	1
Investments in property, plant & equipment and software [11]	-1,202	-1,312
Disposal of property, plant & equipment and software	46	40
Other changes and disposals	3	7
Net cash flow used in investing activities	**-1,219**	**-1,346**
Share repurchases [9]	-712	-1,000
Share repurchases for option plans	-62	-68
Dividends paid [10]	-1,039	-981
Exercised options	18	19
Proceeds from borrowings [7]	3,172	1,781
Repayments of borrowings [7]	-1,242	-264
Other changes	-12	-7
Net cash flow used in financing activities	**123**	**-520**
Changes in cash	**1,257**	**835**
Net Cash at beginning of period	**771**	**-138**
Changes in cash	1,257	835
Exchange rate differences	-1	-
Net Cash at end of period	**2,027**	**697**
Bank overdrafts	788	636
Cash at end of period	**2,815**	**1,333**

Unaudited Consolidated Statement of Changes in Group Equity

Amounts in millions of euro, except number of shares	Number of subscribed shares	Share capital	Share premium	Other reserves	Retained earnings	Equity attributable to owners of the parents	Minority interests	Total Group equity
Balance as of 1 January 2008	**1,843,482,213**	**443**	**11,120**	**-608**	**-6,465**	**4,490**	**28**	**4,518**
Share based compensation (net of tax)	-	-	-	-	6	6	-	6
Exercise of options	-	-	-	19	-	19	-	19
Shares repurchased	-	-	-	-1,068	-	-1,068	-	-1,068
Purchased from minority interests	-	-	-	-	-	-	-6	-6
Dividends paid	-	-	-	-	-981	-981	-4	-985
Shares cancelled	-98,416,133	-24	-1,137	1,161	-	-	-	-
Total comprehensive income for the period	-	-	-	23	1,037	1,060	5	1,065
Balance as of 30 September 2008	**1,745,066,080**	**419**	**9,983**	**-473**	**-6,403**	**3,526**	**23**	**3,549**
Balance as of 1 January 2009	**1,714,362,792**	**411**	**9,650**	**-228**	**-6,103**	**3,730**	**29**	**3,759**
Share based compensation (net of tax)	-	-	-	16	-14	2	-	2
Exercise of options	-	-	-	17	-	17	-	17
Shares repurchased	-	-	-	-793	-	-793	-	-793
Dividends paid	-	-	-	-	-1,039	-1,039	-2	-1,041
Shares cancelled	-43,457,887	-10	-436	446	-	-	-	-
Total comprehensive income for the period	-	-	-	-82	1,086	1,004	-5	999
Balance as of 30 September 2009	**1,670,904,905**	**401**	**9,214**	**-624**	**-6,070**	**2,921**	**22**	**2,943**

Notes to Consolidated Interim Financial Statements

Company profile

KPN is the leading telecommunications and ICT service provider in the Netherlands, offering wireline and wireless telephony, internet and TV to consumers and end-to-end telecom and ICT services to business customers. KPN's subsidiary Getronics operates a global ICT services company with a market leading position in the Benelux, offering end-to-end solutions in infrastructure and network-related IT. In Germany and Belgium, KPN pursues a Challenger strategy in its wireless operations and holds number three market positions through E-Plus and BASE. In Spain and France, 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

These consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. As permitted by IAS 34, the consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with KPN's Annual Report 2008. In addition, the notes to these consolidated interim financial statements are presented in a condensed format. The applied accounting principles are in line with those as described in KPN's Annual Report 2008. These consolidated interim financial statements have not been audited or reviewed and are based on IFRS as adopted by the European Union.

As of 1 January 2009, IAS 1 (revised) 'Presentation of Financial Statements' became effective and has been applied by KPN. IAS 1 (revised) uses the terms "statement of income" (previously "income statement"), "statement of financial position" (previously "balance sheet") and "statement of cash flows" (previously "cash flow statement") and introduces a "statement of comprehensive income." IAS 1 (revised) also requires the presentation of a statement of financial position at the beginning of the first comparative period presented if an entity has changed its accounting policies retrospectively or made retrospective restatements.
As of 1 January 2009 IAS 23 (revised) 'Borrowings Costs' became effective and has been applied by KPN. In accordance with IAS 23 (revised), as of 1 January 2009 borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. In the nine months ending 30 September 2009, IAS 23 (revised) did not have a material impact.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period as well as the information disclosed. For KPN's critical accounting estimates and judgements, reference is made to the notes to the Consolidated Financial Statements contained in the Annual Report 2008, including the determination of deferred tax assets for loss carry forwards and the provision for tax contingencies, the determination of fair value and value in use of cash-generating units for goodwill impairment testing, the amortization and depreciation rates of intangible assets with definite lives and property, plant and equipment, the assumptions used to determine the provision for retirement benefit obligations and periodic pension costs, such as expected salary increases, return on plan assets and benefit increases and the 'more likely than not' assessment required to determine whether or not to recognize a provision for other liabilities and charges and related contingencies. Also reference is made to Note 29 'Financial Risk Management' to the Consolidated Financial Statements contained in the Annual Report 2008 which discusses KPN's exposure to credit risk and financial market risks. Actual results in the future may differ from those estimates. Estimates and judgements are being continually evaluated and based on historic experience and other factors, including expectations of future events believed to be reasonable under the circumstances.

[1] Revenues and other income

Following a number of previously announced organizational changes that came into effect as of the start of this year, KPN publishes its 2009 consolidated interim financial statements in a new reporting format. The main changes that have taken place are the integration of specific parts of KPN's Business Segment into Getronics and the migration of KPN's Dutch mobile wholesale business to the Consumer Segment. Furthermore, operations in Belgium are now reported as one entity.

The new reporting format will only have an impact on segment basis, not on Group numbers. For an explanatory presentation and restated facts and figures for 2008 on a quarterly basis, please see www.kpn.com/ir.

The reportable segments 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 Annual Report 2008. For operating profit reference is made to note [2] and for other segment information reference is made to note [11] in these Consolidated Interim Financial Statements.

	For the nine months ended 30 September 2009				For the nine months ended 30 September 2008			
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**
Consumer	2,934	-	157	3,091	2,924	-	163	3,087
Business	1,658	-	209	1,867	1,691	-	209	1,900
Getronics	1,455	-	105	1,560	2,033	2	89	2,124
Wholesale & Operations	926	33	1,643	2,602	1,081	46	1,709	2,836
Other (incl. intercompany)	1	1	-2,026	-2,024	2	-	-2,087	-2,085
The Netherlands	**6,974**	**34**	**88**	**7,096**	**7,731**	**48**	**83**	**7,862**
Germany	2,330	1	59	2,390	2,356	4	43	2,403
Belgium	552	-	43	595	545	-	30	575
Rest of World (incl. intercompany)	138	-	-74	64	71	-	-30	41
Mobile International	**3,020**	**1**	**28**	**3,049**	**2,972**	**4**	**43**	**3,019**
Other activities	**109**	**-**	**1**	**110**	**109**	**20**	**1**	**130**
Eliminations	-	-	-117	-117	-	-	-127	-127
KPN Total	**10,103**	**35**	**-**	**10,138**	**10,812**	**72**	**-**	**10,884**

In the nine months ended 30 September 2009, KPN Group revenues and other income were down 6.9%. The decline is a result of 9.7% lower revenues and other income within the Netherlands, mainly due to Getronics and Wholesale & Operations. Since the acquisition date of 23 October 2007, Getronics sold those parts of its portfolio which do not fit in its current strategy. The decline in revenues and other income within Wholesale & Operations can mainly be attributed to iBasis. Revenues and other income at Mobile International increased 1.0%, which is attributable to growth at Belgium and Rest of World. For more detailed information on revenues, reference is made to the Management Report. The other income at Wholesale & Operations is mainly from book gains on real estate and sale of towers. Furthermore, other income of EUR 20m in the first half of 2008 within Segment Other activities mainly consists of a release of a provision regarding the sale of a subsidiary in 2002.

[2] Operating profit

Operating profit, DAI and EBITDA	For the nine months ended 30 September 2009			For the nine months ended 30 September 2008		
	Operating profit	Depreciation, Amortization & Impairments (DAI)	EBITDA	Operating profit	Depreciation, Amortization & Impairments (DAI)	EBITDA
Consumer	559	230	789	467	221	688
Business	540	59	599	485	54	539
Getronics	-91	116	25	-17	122	105
Wholesale & Operations	634	700	1,334	652	753	1,405
Other	-29	30	1	-4	23	19
The Netherlands	**1,613**	**1,135**	**2,748**	**1,583**	**1,173**	**2,756**
Germany	491	511	1,002	438	490	928
Belgium	95	100	195	84	99	183
Rest of World	-37	6	-31	-22	2	-20
Mobile International	**549**	**617**	**1,166**	**500**	**591**	**1,091**
Other activities	**-36**	**7**	**-29**	**-78**	**8**	**-70**
KPN Total	**2,126**	**1,759**	**3,885**	**2,005**	**1,772**	**3,777**

In the first nine months ended 30 September 2009, EBITDA for KPN Group was up 2.9%. Within the Netherlands growth was driven by the Consumer Segment and Business Segment while Getronics and Wholesale & Operations have declined. Getronics' EBITDA drop is only partly due to the sale of part of its portfolio. The major part of Getronics' EBITDA decrease is explained by higher restructuring costs in 2009 compared to 2008. Mobile International showed a 6.9% YTD growth, which is attributable to Germany and Belgium. The depreciation, amortization and impairments were slightly lower than 2008. YTD impairment losses on goodwill have been recorded at Getronics (EUR 13m) and iBasis (EUR 11m).

[3] Finance costs and income

Finance costs rose by EUR 62m y-on-y while finance income decreased by EUR 11m. The main reasons for the increased finance costs were the absolute increase in borrowings resulting in approximately EUR 40m extra finance costs, and a one-off premium cost of EUR 27m related to the tender of bonds outstanding. Also see note [7] Borrowings.

[4] Income taxes

The effective tax rate in the first nine months of 2009 was 30.2%, compared to 29.8% in the first nine months of 2008. The effective tax rate for the Group is higher than the statutory tax rate in the Netherlands of 25.5% because the tax rates in Germany are higher.

KPN settled the preliminary Dutch corporate income tax assessment for 2009 of EUR 608m by a prepayment of EUR 598m to the Dutch tax authorities in Q1 2009. KPN benefitted from a EUR 10m discount based on the applicable Dutch tax legislation for this prepayment. The discount has been recorded as a reduction of interest paid in the Consolidated Statement of Cash Flows. An amount of EUR 327m of the prepayment was attributable to the E-Plus tax recapture. In Q2 2009 an amount of EUR 60m Dutch corporate income tax was received due to a refund of tax related to prior years.

[5] Investments in associates and joint ventures

In Q1 2009 KPN contributed EUR 74m equity to match the 41% share in the Reggefiber investment over 2008. This equity contribution completed the incorporation of Reggefiber. In Q3 KPN finalized the purchase price allocation for its stake in Reggefiber. After completion of the purchase price allocation, the investment in Reggefiber as per 30 September 2009 amounted to EUR 237m, which includes EUR 96m goodwill.

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

At 31 December 2008, a number of Getronics' businesses were classified as disposal groups held for sale, as a result of the disposal of non-core assets of Getronics. The transactions of Business Solutions for local governments and healthcare and Document Services, both in the Netherlands, were closed in Q1 2009.

KPN is selling part of its real estate portfolio which becomes redundant after migration to the new All-IP infrastructure. In Q3 2009 properties with a book value of EUR 18m were classified as 'non-current assets held for sale'. Furthermore some parts of the call centers company SNT are classified as held for sale at 30 September 2009 for an amount of EUR 15m.

[7] Borrowings

On 4 February 2009 KPN issued a dual tranche Eurobond consisting of two bonds for respectively an amount of EUR 750m, with a 5 year maturity and a coupon of 6.25% and for an amount of EUR 750m, with a 10 year maturity and a coupon of 7.50%. The proceeds from these bonds have been used to refinance debt and for general corporate purposes. Following the execution of these Eurobond transactions, KPN terminated its EUR 0.4bn backstop credit facility which was signed in October 2008.

On 29 June 2009 KPN repurchased USD 588m, with settlement date 2 July 2009, of the USD 1,750m 8% Notes due 2010. The repurchase of the Notes reduced the amount of KPN's outstanding debt. Furthermore in July, a regular redemption of EUR 700m took place.

On 8 September 2009 KPN issued a Sterling bond for an amount of 850m Sterling with a 20 year maturity and a Sterling coupon of 5.75%. The Sterling bond has been swapped into EUR 971m with a Euro-equivalent coupon of 5.98%. On 22 September 2009 KPN also issued a Eurobond for an amount of EUR 700m, with a 15 year maturity and a coupon of 5.625%. Both bonds have been issued under KPN's Global Medium Term Note program and have been listed on Euronext Amsterdam.

[8] Provisions for retirement benefit obligations

As at 30 September 2009, the KPN pension funds under statutory coverage measurements, as required by the Dutch Central Bank acting as the pension regulator, ended with an average coverage ratio of 109% (31 December 2008: 94%).

KPN and the KPN pension funds reached an agreement in April 2009 on how to return to the coverage ratio of the pension funds to 105%. KPN has agreed to make additional payments to the pension funds of up to a maximum of EUR 390m over the years 2009, 2010, 2011 and 2012. In Q2 and Q3 2009, the first two additional payments of EUR 30m were made.

In Q4 2009, the last additional payment will be made (relating to the coverage ratio at the end of Q2 2009). As the minimum required coverage ratio of 105% is reached, KPN will cease to make additional payments per 2010. KPN is no longer obliged to make additional payments in the current agreement with the pension funds if the coverage ratio is above 105% for three subsequent quarters.

Based on the nature of Getronics' pension scheme, KPN has agreed with the Getronics pension fund to provide additional security for an amount of up to EUR 12.5m per annum for the years 2010-2013. No additional payments were made to the Getronics pension fund in 2009.

[9] Share Repurchases

On 19 November 2008, KPN commenced its EUR 1bn share repurchase program for 2009 that will run until the end of 2009. Under this program, between 1 January and 30 September 2009, KPN repurchased 72.5 million shares at an average price of EUR 10.07, for a total amount of EUR 730m. In total, from November 2008 until 30 September 2009, KPN repurchased 82.2 million shares for a total amount of EUR 832m.

[10] Dividend

In the second quarter, KPN paid the final dividend for 2008, for a total of EUR 664m (incl. dividend tax), or EUR 0.40 per share resulting in a total 2008 dividend of EUR 1,008m (incl. dividend tax) or EUR 0.60 per share. In the third quarter, KPN paid the interim dividend for 2009, totalling EUR 375m (including dividend tax), or EUR 0.23 per share, up 15% compared to last year.

[11] Other Segment information

	As at 30 September 2009		As at 31 December 2008		Nine months ending 30 September	
Assets, liabilities and Capex	**Total assets**	**Total liabilities**	**Total assets**	**Total liabilities**	**2009 Capex**	**2008 Capex**
Consumer	2,656	1,982	3,099	2,985	152	153
Business	1,998	1,470	5,783	5,841	81	88
Getronics	2,728	1,810	3,357	3,165	59	121
Wholesale & Operations	7,602	6,962	11,763	11,731	499	503
Other	-717	-688	-1,605	-1,607	27	31
The Netherlands	**14,267**	**11,536**	**22,397**	**22,115**	**818**	**896**
Germany	10,269	29,754	10,130	29,934	306	332
Belgium	1,778	351	1,711	361	70	72
Rest of World	71	94	62	86	2	5
Mobile International	**12,118**	**30,199**	**11,903**	**30,381**	**378**	**409**
Other activities	**-1,712**	**-20,005**	**-10,387**	**-32,342**	**6**	**7**
KPN Total	**24,673**	**21,730**	**23,913**	**20,154**	**1,202**	**1,312**

Capital expenditures (Capex) have decreased by EUR 110m. This decline is mainly due to Getronics and Germany. At Getronics Capex spending is down due to reductions in expenditures in Data Centers and IT. In Germany less Capex is spent due to less 2G network investments (mainly in Q1 2009) and due to the handset lease service.

The intercompany positions on the balance sheet of the segments are eliminated through the Segment Other. Due to organizational changes within the Segments Business, Getronics and Wholesale & Operations the assets and liabilities changed compared to 31 December 2008.

[12] Off-balance sheet commitments

The off-balance sheet commitments as of 30 September 2009, amounting to EUR 5.6bn, were EUR 1.1bn higher compared to 31 December 2008 (EUR 4.5bn) as disclosed in the Annual Report 2008. The difference is mainly caused by renewal of rental and lease contracts at E-Plus.

[13] Regulatory Developments

The Netherlands: OPTA Wholesale Price Cap (‘WPC’) decision 2009-2011

OPTA has published a draft decision on the WPC for copper-based wholesale services. OPTA aims to lower tariffs for MDF access, fixed termination access, wholesale line rental, and interconnecting leased lines. KPN and other operators have the opportunity to present objections before OPTA makes a final decision. KPN has already brought numerous objections forward. KPN has indicated that if the price cap for wholesale services results in decreasing tariffs, KPN will appeal.

The Netherlands: Auctioning 2.6 GHz frequencies and beyond

The auction of the 2.6 GHz spectrum in the Netherlands is planned for Q1 2010. The Ministry of Economic Affairs has published the rules concerning the 2.6 GHz frequencies allocation ('Regeling, aanvraag- en veilingprocedure 2,6 GHz-band'). Definitive rules are expected shortly. The draft rules cap KPN's acquisition possibilities to 2x10 MHz. They will allow for entry of new parties to the market. KPN is not against such entry, but is sceptical about its effectiveness. The Dutch market has decreased from 5 to 3 mobile network operators with an active MVNO market and shows very competitive tariffs relative to other markets. After the (forced) return of Telfort spectrum, KPN has demanded a clear and predictable framework for future awards from the Government.

Belgium: Update on MTA regulation

At the end of 2008, BIPT started a project for the development of a LR(A)IC-bottom-up cost model in order to determine MTA levels as from 2010. Pending BIPT's decision on the MTA levels as from 2010, KPN Group Belgium (BASE) will provisionally continue to apply the MTA-level of December 2008 (EUR 0.1041). To date, BIPT has not yet submitted any draft decision for consultation to the market. On 30 June 2009 the Brussels Court of Appeal partially annulled the BIPT decisions regulating MTA levels for the three mobile operators for the period November 2006 until January 2008. BIPT has not yet taken a formal position in relation to this annulment decision. It is however expected that the annulment will not have any negative impact on KPN Group Belgium (BASE).

Belgium: Damages claim against Belgacom Mobile

In 2003, KPN Group Belgium (BASE) launched a damages claim against Belgacom Mobile (Proximus), claiming that the latter had abused its dominant position by applying very low onnet-rates. In 2004, Mobistar launched a similar claim. In 2007, the Commercial Court determined Belgacom Mobile's dominant position on the retail market until the end of 2004, and ordered an expertise. In a preliminary report of 2 October 2009, the court experts have concluded that Proximus has indeed abused its dominance and that, for the period 1999-2004, this abuse has resulted in damages of EUR 824m for KPN Group Belgium (BASE) and of EUR 357m for Mobistar. Parties can now comment on this preliminary report which will need to be finalized by 22 January 2010.

Belgium: Belgacom Happy Time – statement of objections

On 30 September 2009, the Belgian Competition Services issued a statement of objections against Belgacom. The Services consider that through its 'Happy Time' retail tariff that it launched in 2005, Belgacom abused its dominant position on the fixed retail market via a price squeeze. This case will now be submitted to the Competition Council which is expected to take a final decision in the first half of 2010.

Germany: Spectrum re-farming and spectrum auction

On 21 October 2009, the German regulator published a decision on frequency allocations for the 800 and 1800 MHz and the 2.1 GHz and 2.6 GHz bands. 900 MHz frequencies will not be redistributed before the auction. If a mobile operator wants to re-farm its 900 MHz frequencies, the mobile operator has to file an application. In that event, the regulator will analyse whether the re-farming of 900 MHz frequencies will lead to a distortion of competition. Therefore it is up to the mobile operators to start the process. If there is no application before 2014, the regulator will initiate the re-farming and a possible re-distribution of 900 MHz frequencies. The GSM licenses will not be prolonged until after 2025.

With regard to the envisaged auction, the auction design will not be changed. T-Mobile and Vodafone will be able to bid for 2 x 10 MHz each at 800 MHz, whereas E-Plus and O2 can obtain in theory 2 x 15 MHz. Only 2 x 30 MHz will be available in the 800 MHz frequency band. The regulator rejected the E-Plus and O2 proposal to restrict the bidding rights of T-Mobile and Vodafone to 2 x 5 MHz. E-Plus will start legal procedures shortly to change the auction process design. In addition, the European Commission supports the view of E-Plus that the current auction design implies a risk that the existing discrimination is maintained.

Germany: Mobile Termination Rates

By way of four separate administrative proceedings, on 31 March 2009 BNetzA approved MTAs of EUR 0.0714 for E-Plus and O2 and of EUR 0.0659 for T-Mobile and Vodafone (for the time period from 1 April 2009 until 30 November 2010). On the one hand, E-Plus has initiated preliminary and main legal proceedings against BNetzA's

MTA decision for E-Plus (mainly asking for higher E-Plus MTAs). The respective rulings are to be expected later in Q4 2009. Other proceedings against the MTA decisions for the other MNOs are still pending at the constitutional court.

[14] 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 Annual Report 2008, including major shareholders. On 12 May 2009, Capital Research and Management Company have notified the AFM that they have reduced their holding in the ordinary shares of KPN to 9.79%.

In the nine months ended 30 September 2009, there have been no changes in the type of related party transactions as described in the Annual Report 2008 that could have a material effect on the financial position or performance of KPN. Nor have related party transactions taken place in the first nine months of 2009 that have materially affected the financial position or the performance of KPN.

[15] Subsequent events

Share repurchase after 30 September 2009

As part of the share repurchase program for 2009, KPN repurchased 5.8 million shares at an average price of EUR11.82, for a total amount of EUR 68.7m between 1 October and 26 October 2009. The 2009 share repurchase program has been completed for approximately 90% to date.

Sale of SNT Netherlands and SNT Belgium

KPN has reached an agreement in principle with Fortis Private Equity Netherlands to sell SNT Netherlands and SNT Belgium. All activities, including 850 FTEs, will be acquired by Fortis Private Equity Netherlands. The transaction is subject to approval of the Dutch competition authority (NMa). Finalisation of the transaction is expected by the end of 2009. The works councils, labour unions and relevant governmental bodies have been informed of the intended transaction. The works council of SNT Netherlands has rendered a positive advice.

Safe harbour

Non-GAAP measures and management estimates

This interim financial report contains a number of non-GAAP figures, such as existing and disposed revenues and other income, 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 average 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.*

*The term **existing** indicates that only the Getronics business that was part of KPN Group as at the end of the reporting period of the interim financial statements are included. The term **disposed** refers to the Getronics business which is no longer part of KPN Group at the end of the reporting period of the interim financial statements. The term existing and disposed refers to, and only to, businesses that were part of Getronics at the initial consolidation of Getronics within the KPN Group on 23 October 2007.*

*The term **Dutch Telco business** is defined as the Netherlands excluding Getronics, iBasis and book gains on real estate disposals.*

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

All market share information in this interim 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 interim 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 2008.

IMPORTANT INFORMATION ON KPN'S TENDER OFFER

This presentation is for informational purposes only and does not constitute an offer to purchase or a solicitation of an offer to sell iBasis stock. Transaction Statement on Schedule TO (including the Offer to Purchase, a related letter of transmittal and other offer materials) filed by KPN with the SEC on 28 July 2009, as amended and supplemented (the "Schedule TO"). Shareholders of iBasis are advised to carefully read the Schedule TO, the Offer to Purchase and any other documents relating to the tender offer that are filed with the SEC, as each may be amended and supplemented, because they contain important information that iBasis shareholders should consider before any decision is made with respect to the Offer. Shareholders of iBasis can obtain copies of these documents for free at the SEC's website at www.sec.gov or by calling Okapi Partners LLC, the Information Agent for the Offer, at 1-877-869-0171.