

# Half Year Results 2011

26 July 2011

# Safe harbor

## **Non-GAAP measures and management estimates**

This financial report contains a number of non-GAAP figures, such as EBITDA and free cash flow. These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures.

KPN defines EBITDA as operating result before depreciation and impairments of PP&E and amortization and impairments of intangible assets. Note that KPN's definition of EBITDA deviates from the literal definition of earnings before interest, taxes, depreciation and amortization and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS. In the net debt/EBITDA ratio, KPN defines EBITDA as a 12 month rolling 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.

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" or similar expressions.

These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside KPN's control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the Annual Report 2010 .

# Agenda

| <b>Chairman's review</b>                | <b>Eelco Blok</b>     |
|---|-----------------------|
| Group financial review                  | Carla Smits-Nusteling |
| Operational review The Netherlands      | Eelco Blok            |
| Operational review Mobile International | Thorsten Dirks        |
| Concluding remarks                      | Eelco Blok            |

## Highlights Q2 '11

- Q2 financial results down y-on-y; on track to realize outlook
- Progress made with strategic initiatives to strengthen the business in The Netherlands
- High underlying growth in Germany at strong margin
- First phase of restructuring plan is being implemented to optimize cost structure
- Confirming outlook

## Financial highlights Q2 '11

- Financial performance Q2 '11
  - Revenues and other income € 3,290m, down 1.9% y-on-y
    - ◆ Regulatory impact of € 136m (4.1%)
    - ◆ Net positive incidentals and effect of acquisitions of € 23m
  - EBITDA of € 1,308m, down 5.6% y-on-y
    - ◆ Regulatory impact of € 56m (4.0%)
    - ◆ Restructuring costs of € 13m
    - ◆ Net positive incidentals and effect of acquisitions of € 12m
  - Capex of € 515m, € 897m YTD
  - Free cash flow of € 792m, € 983m YTD
- Continued focus on industry-leading shareholder returns
  - € 1.0bn share repurchases for 2011 started in February, ~71% completed to date following acceleration in May
  - Final dividend 2010 of € 0.53 per share paid in April 2011, up 15% y-on-y
  - Total cash returned to shareholders in H1 € 1,462m, up 16% y-on-y
  - 2011 interim dividend declared of € 0.28 per share, up 3.7% compared to 2010

# Outlook

Confirming outlook

|                             | Outlook 2011          |
|-----------------------------|-----------------------|
| EBITDA                      | >€ 5.3bn <sup>1</sup> |
| Capex                       | <€ 2bn                |
| Free cash flow <sup>2</sup> | Growth <sup>3</sup>   |
| Dividend per share          | At least € 0.85       |

- EBITDA trend y-on-y improving in H2
  - Solid profitable growth in Germany and Belgium
  - Lower MTA impact
  - Implementation of cost optimization initiatives

Outlook 2012: Free cash flow<sup>2</sup>: ~€ 2.4bn      DPS: € 0.90

Outlook 2013:      DPS: € 0.95

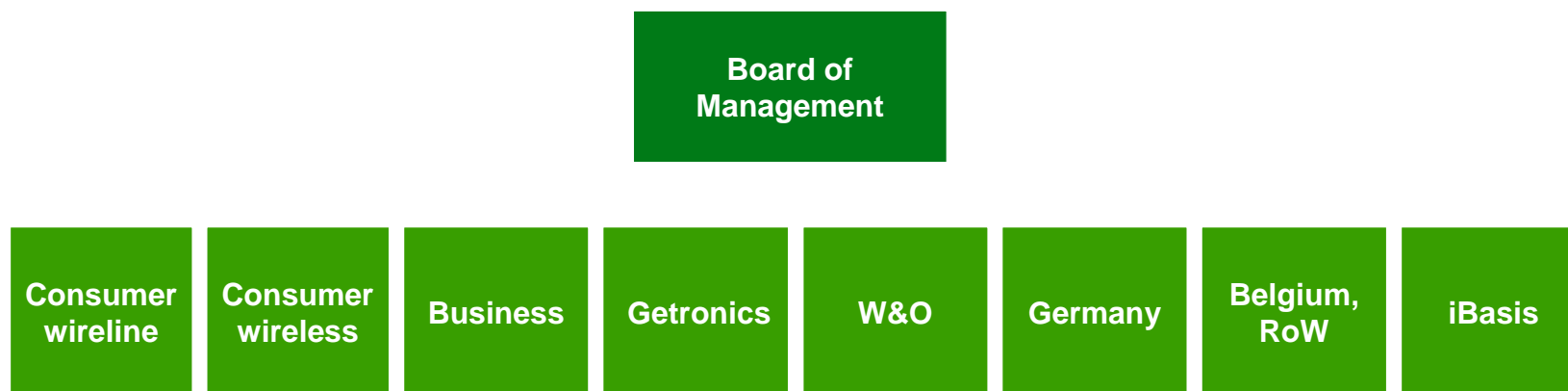
<sup>1</sup> Excluding 2011 restructuring costs

<sup>2</sup> Free cash flow defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture E-Plus

<sup>3</sup> "Growth" defined as growth compared to 2010 free cash flow, set on 26 January 2010 (free cash flow in 2010 was € 2,428m)

# Operational structure

Closer alignment with market dynamics



De-layering operational structure  
To be implemented on 1 January 2012

## Agenda

|   |                              |
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# Group results Q2 '11

| € m   | Q2 '11       | Q2 '10       | %            | YTD '11      | YTD '10      | %            |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenues and other income</b>                      | <b>3,290</b> | <b>3,354</b> | <b>-1.9%</b> | <b>6,525</b> | <b>6,631</b> | <b>-1.6%</b> |
| <b>Operating expenses</b>                             | <b>2,546</b> | <b>2,515</b> | <b>1.2%</b>  | <b>5,069</b> | <b>4,999</b> | <b>1.4%</b>  |
| — of which Depreciation <sup>1</sup>                  | 352          | 351          | 0.3%         | 699          | 699          | flat         |
| — of which Amortization <sup>1</sup>                  | 212          | 196          | 8.2%         | 422          | 378          | 12%          |
| <b>Operating profit</b>                               | <b>744</b>   | <b>839</b>   | <b>-11%</b>  | <b>1,456</b> | <b>1,632</b> | <b>-11%</b>  |
| Financial income/expense                              | -180         | -194         | -7.2%        | -335         | -386         | -13%         |
| Share of profit of associates                         | -12          | -11          | 9.1%         | -11          | -21          | -48%         |
| <b>Profit before taxes</b>                            | <b>552</b>   | <b>634</b>   | <b>-13%</b>  | <b>1,110</b> | <b>1,225</b> | <b>-9.4%</b> |
| Taxes   | -138         | -169         | -18%         | -105         | -311         | -66%         |
| <b>Profit after taxes</b>                             | <b>414</b>   | <b>465</b>   | <b>-11%</b>  | <b>1,005</b> | <b>914</b>   | <b>10%</b>   |
| <b>Earnings per share<sup>2</sup></b>                 | <b>0.28</b>  | <b>0.29</b>  | <b>-3.4%</b> | <b>0.67</b>  | <b>0.57</b>  | <b>18%</b>   |
| <b>EBITDA<sup>3</sup> (reported)</b>                  | <b>1,308</b> | <b>1,386</b> | <b>-5.6%</b> | <b>2,577</b> | <b>2,709</b> | <b>-4.9%</b> |
| — Restructuring costs                                 | 13           | -8           | -            | 23           | -1           | -            |
| <b>EBITDA<sup>3</sup> (excl. restructuring costs)</b> | <b>1,321</b> | <b>1,378</b> | <b>-4.1%</b> | <b>2,600</b> | <b>2,708</b> | <b>-4.0%</b> |

- Operating expenses up 1.4% y-on-y YTD '11 due to investments in growth in Mobile International and Dutch Telco, and higher amortization of licenses and software
- YTD '11 taxes down 66% y-on-y due to positive one-off impact innovation tax facilities (~€ 120m)

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

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

<sup>3</sup> Defined as operating profit plus depreciation, amortization & impairments

# Group cash flow Q2 '11

| € m  | Q2 '11       | Q2 '10       | %           |
|--|--------------|--------------|-------------|
| <b>Operating profit</b>                        | <b>744</b>   | <b>839</b>   | <b>-11%</b> |
| Depreciation and amortization <sup>1</sup>     | 564          | 547          | 3.1%        |
| Interest paid/received                         | -95          | -107         | -11%        |
| Tax paid/received                              | 93           | -4           | <i>n.m.</i> |
| Change in provisions                           | -88          | -82          | 7.3%        |
| Change in working capital <sup>2</sup>         | 13           | -95          | <i>n.m.</i> |
| Other movements                                | -31          | -26          | 19%         |
| <b>Net cash flow from operating activities</b> | <b>1,200</b> | <b>1,072</b> | <b>12%</b>  |
| <b>Capex<sup>3</sup></b>                       | <b>515</b>   | <b>380</b>   | <b>36%</b>  |
| Proceeds from real estate                      | 15           | 15           | <i>flat</i> |
| Tax recapture E-Plus                           | 92           | -            | <i>n.m.</i> |
| <b>Free cash flow<sup>4</sup></b>              | <b>792</b>   | <b>707</b>   | <b>12%</b>  |
| Dividend paid                                  | 795          | 733          | 8.5%        |
| Share repurchases                              | 489          | 431          | 13%         |
| <b>Cash return to shareholders</b>             | <b>1,284</b> | <b>1,164</b> | <b>10%</b>  |

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

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

<sup>3</sup> Including Property, Plant & Equipment and software

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

- Free cash flow of € 792m in Q2 '11, up 12% y-on-y

- € 189m positive tax comparison y-on-y due to € 237m positive impact innovation tax facilities partly offset by higher tax payments as no prepayment in Q1 '11
- € 108m change in working capital improvement y-on-y

partly offset by:

- € 78m lower EBITDA y-on-y
- € 135m higher Capex y-on-y

- Average coverage ratio of KPN pension funds at 108% end Q2 '11

- Q2 '11 recovery payment of € 19m
- No additional recovery payments while coverage ratio above 105%

# Group cash flow YTD '11

On track to meet full-year free cash flow guidance

| € m  | YTD '11      | YTD '10      | %           |
|--|--------------|--------------|-------------|
| <b>Operating profit</b>                        | <b>1,456</b> | <b>1,632</b> | <b>-11%</b> |
| Depreciation and amortization <sup>1</sup>     | 1,121        | 1,077        | 4.1%        |
| Interest paid/received                         | -351         | -366         | -4.1%       |
| Tax paid/received                              | -22          | -558         | -96%        |
| Change in provisions                           | -208         | -166         | 25%         |
| Change in working capital <sup>2</sup>         | -266         | -293         | -9.2%       |
| Other movements                                | -65          | -25          | >100%       |
| <b>Net cash flow from operating activities</b> | <b>1,665</b> | <b>1,301</b> | <b>28%</b>  |
| <b>Capex<sup>3</sup></b>                       | <b>897</b>   | <b>715</b>   | <b>25%</b>  |
| Proceeds from real estate                      | 62           | 22           | >100%       |
| Tax recapture E-Plus                           | 153          | 327          | -53%        |
| <b>Free cash flow<sup>4</sup></b>              | <b>983</b>   | <b>935</b>   | <b>5.1%</b> |
| Dividend paid                                  | 795          | 733          | 8.5%        |
| Share repurchases                              | 667          | 532          | 25%         |
| <b>Cash return to shareholders</b>             | <b>1,462</b> | <b>1,265</b> | <b>16%</b>  |

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

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

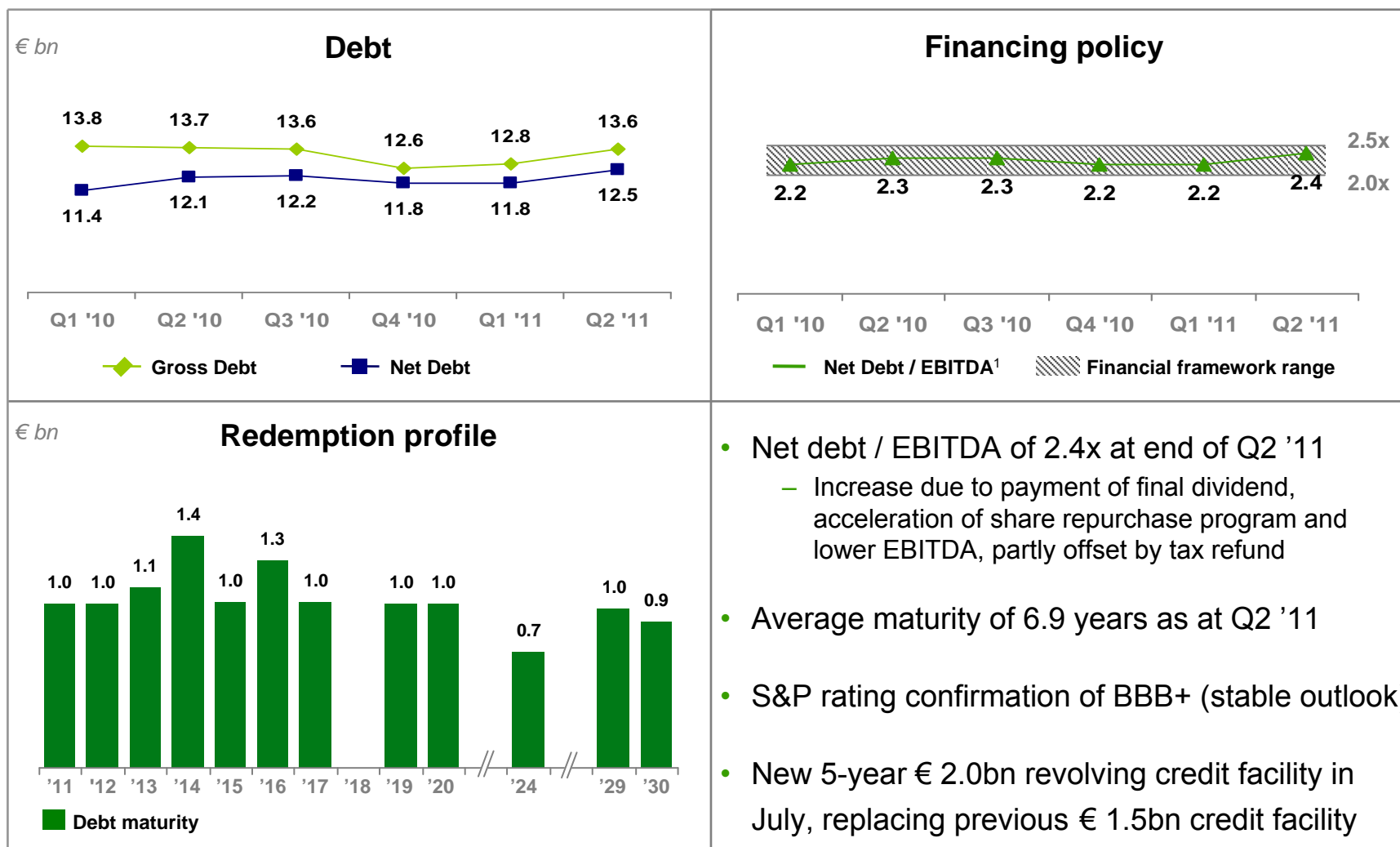
<sup>3</sup> Including Property, Plant & Equipment and software

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

- Free cash flow of € 983m YTD '11, up 5.1% y-on-y
- Positive tax comparison of € 362m YTD '11 y-on-y
  - € 237m positive impact innovation tax facilities
  - Lower tax payments YTD '11 due to monthly tax payments in 2011 while full year tax prepayment in Q1 '10
- Capex € 182m higher YTD '11 y-on-y due to investments in network capacity and timing differences
- € 1,462m shareholder returns, up 16% YTD '11 y-on-y
  - 8.5% higher dividends paid y-on-y
  - 25% more share repurchases y-on-y following acceleration in May

# Group financial profile

Maintaining solid financial profile



<sup>1</sup> Based on 12 months rolling EBITDA excluding book gains/losses, release of pension provisions and restructuring costs, when over € 20m

## Agenda

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# Progress in strengthening Dutch Telco

## Q1 trends Dutch Telco

- Consumer wireless
  - Substitution voice, SMS by data
  - Competition in 'value for money' segment
- Business
  - Pricing pressure
  - Continued rationalization

## Additional investments announced

- Commercial investments
  - Acquisition/retention Consumer wireline
  - Increase distribution capacity
- Operational investments
  - Improve customer service
  - Strengthen IT platforms, upgrade datacenters
- Accelerated Capex
  - VDSL upgrade including pair bonding
  - IPTV improvements
  - Customer equipment (e.g. modems)
  - IT upgrade

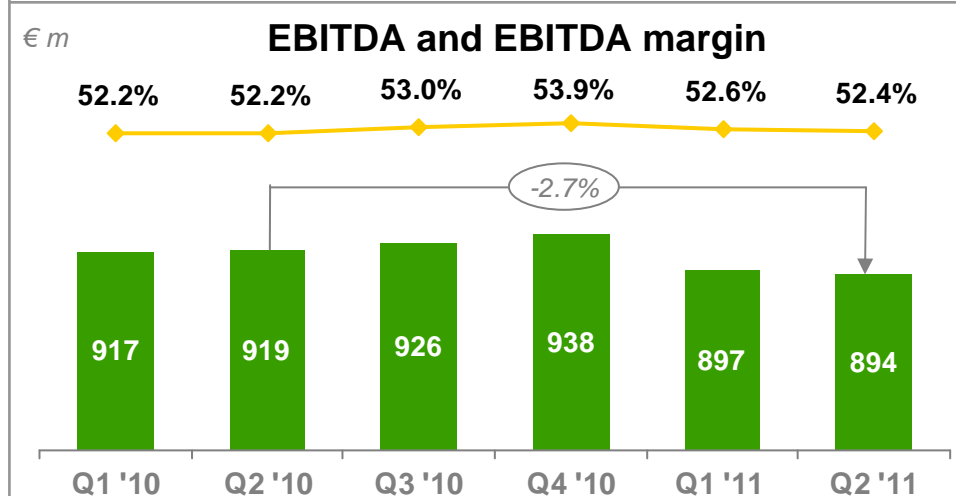
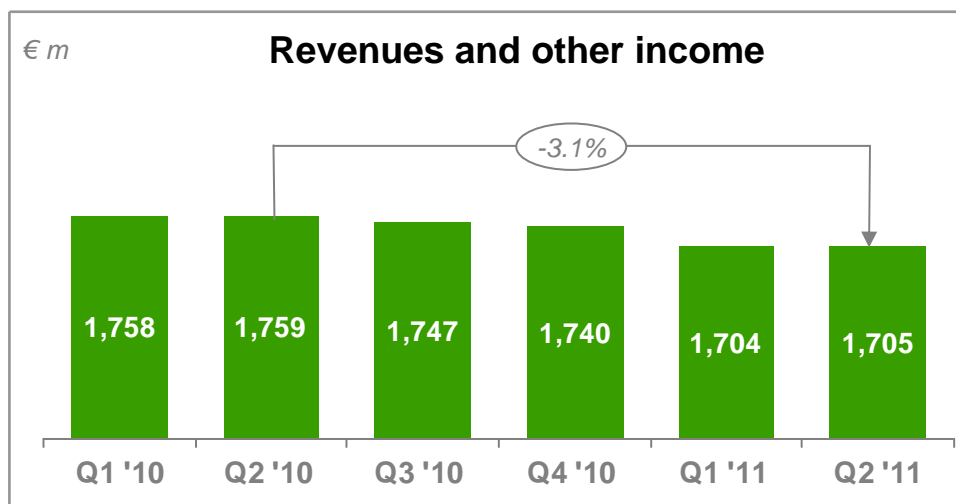
## Progress

- Consumer wireless
  - Short-term measures successful; new mobile propositions in September
  - Customer retention and focus on brand improvement at Telfort
- Business
  - Good customer retention program implemented

## Progress

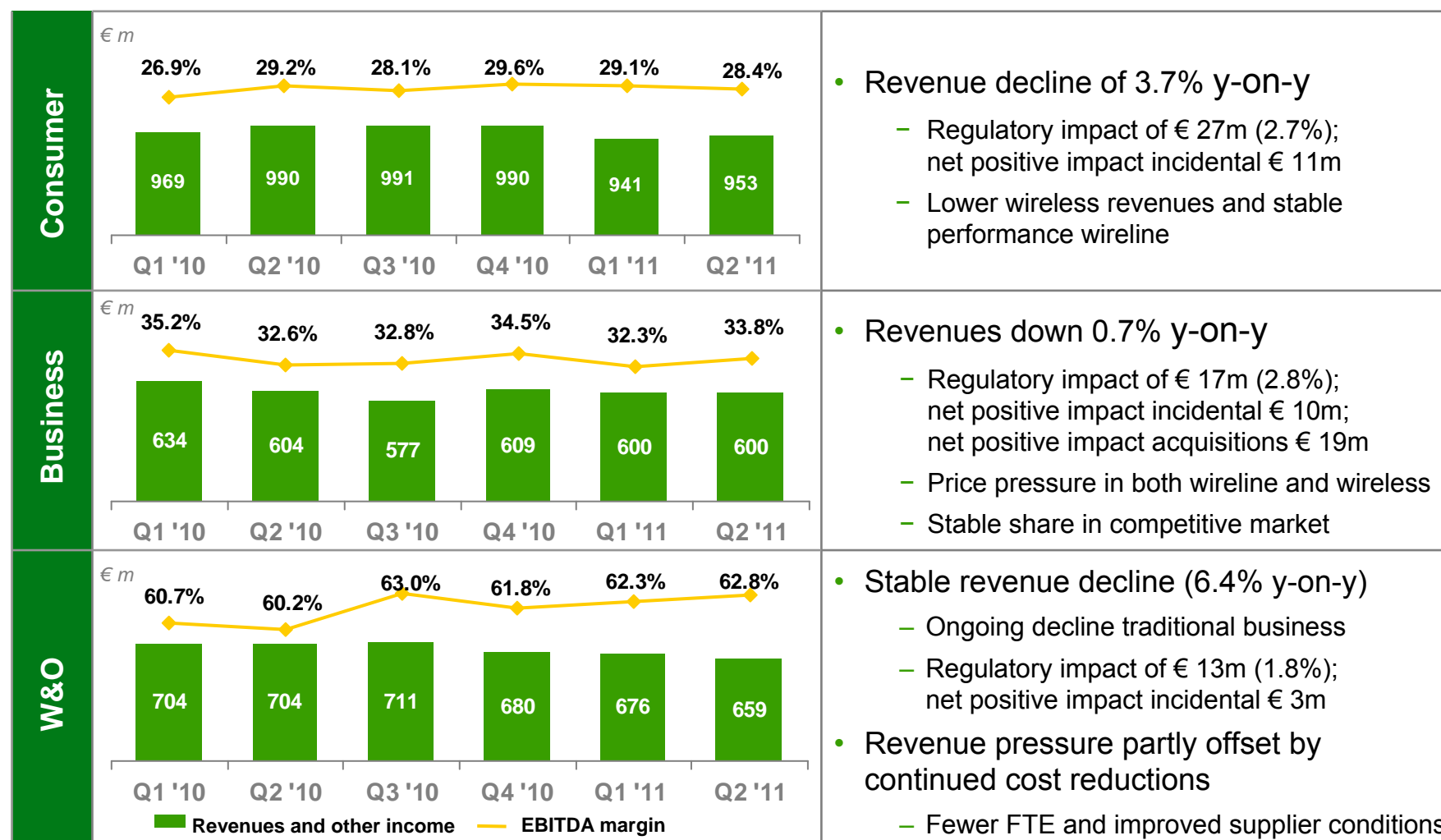
- Commercial investments
  - Multiple brands on IPTV
  - Multi-room IPTV
  - FttH demand aggregation successful
- Operational investments
  - Shortened delivery times
- Accelerated Capex
  - Successfully completed pair bonding pilot
  - VDSL upgrades including pair bonding on track
  - Multi-room IPTV customer equipment

# Financial review - Dutch Telco



- Revenues and other income down 3.1% y-on-y
  - Regulatory impact of € 54m (3.1%)
  - € 24m net positive impact from incidentals
  - € 17m net positive impact from acquisitions
  - Lower service revenues from changing customer behavior and competition in 'value for money' segment
- EBITDA down 2.7% y-on-y
  - Regulatory impact of € 12m (1.3%)
  - € 18m net positive impact from incidentals
  - € 2m net positive impact from acquisitions
  - Reduction in fixed costs offset by increased costs to strengthen Dutch Telco business

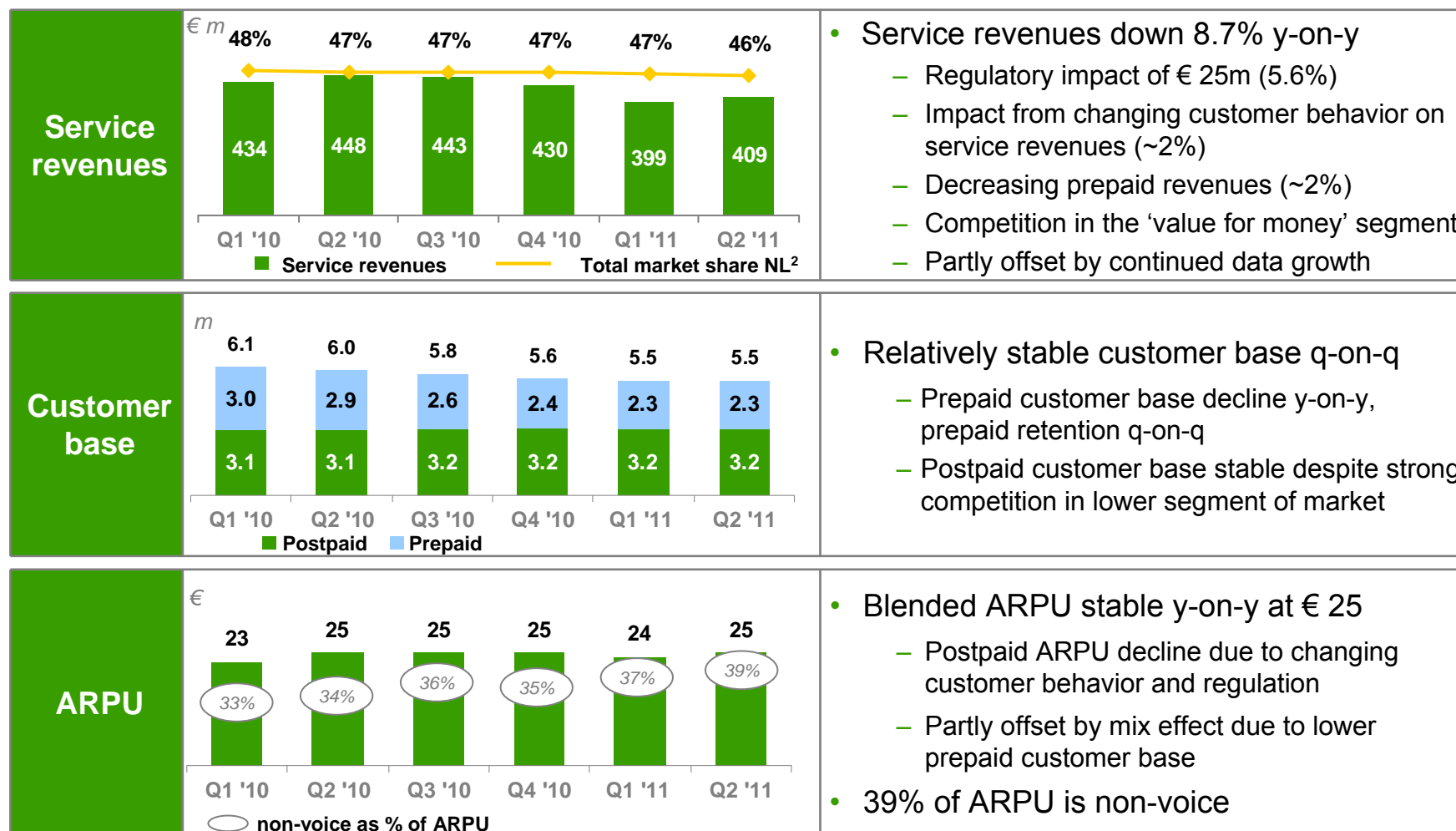
# Financial review - Dutch Telco by segment





# Operating review - Consumer wireless<sup>1</sup>

Service revenues impacted by regulation and changing customer behavior

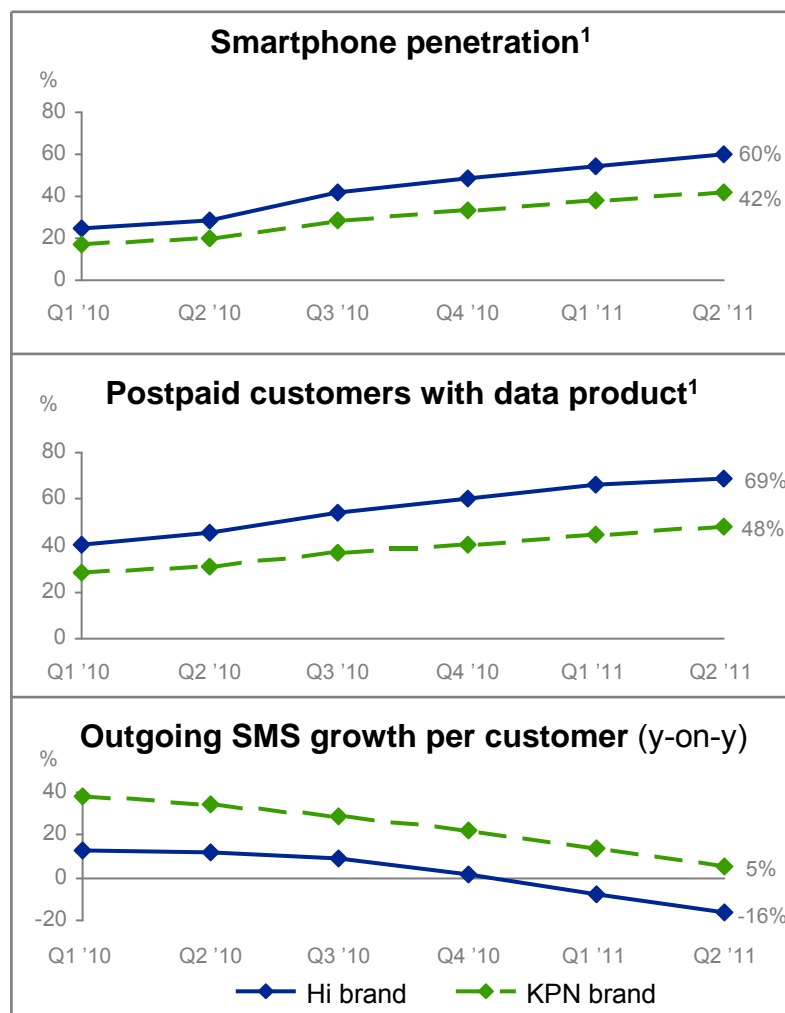


<sup>1</sup> Excluding Mobile Wholesale NL

<sup>2</sup> Total KPN (Consumer, Business and other Dutch activities) service revenue market share

# Consumer wireless - update of trends

Smartphones and new apps change customer behavior



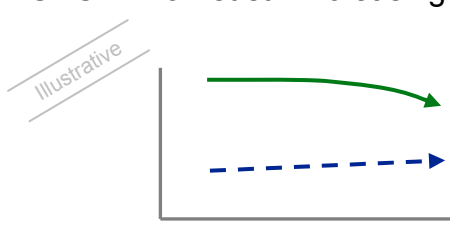
## Trends

- Number of data customers increasing
- Smartphones and new communication apps drive SMS - and in second instance voice - to data substitution
- Expansion of (free) WiFi hotspots
- 'Hi' brand has many early adopters; other KPN brands following but at significantly lower speed

## Exposure to trends

- Postpaid ARPU under pressure
- 'Unlimited' data packages promote substitution
- 'Out of bundle' service revenues exposed to trends: currently 22% of service revenues is 'out of bundle'
- SAC / SRC in market still increasing

*Illustrative*

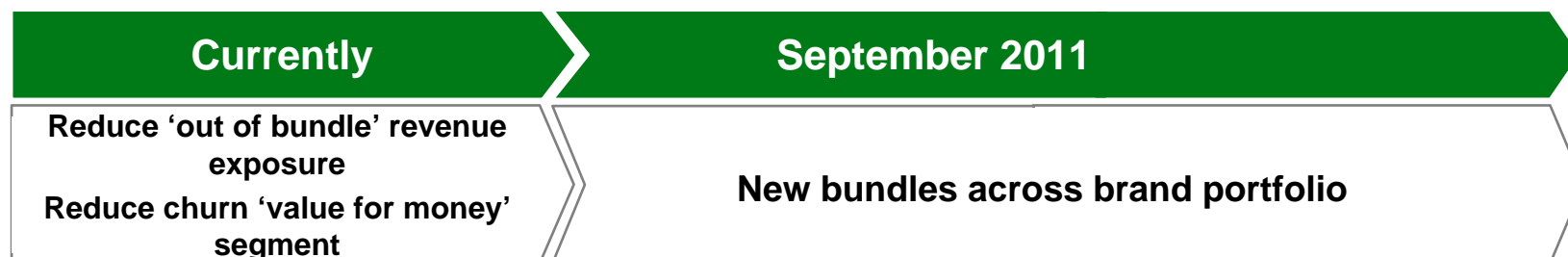


— Postpaid ARPU    - - SAC / SRC per customer

<sup>1</sup> Consumer postpaid excluding SIM-only; Q2 figures include April and May only

# Consumer wireless - update on initiatives

Short-term measures successful, new mobile propositions announced



- Actively upsell 'out of bundle' customers to higher bundles
- Short term measures are successful:



- ~35% of addressed customers adjusted their contract
- Changed customers have significantly lower 'out of bundle' exposure

- Reduce churn in 'value for money' segment



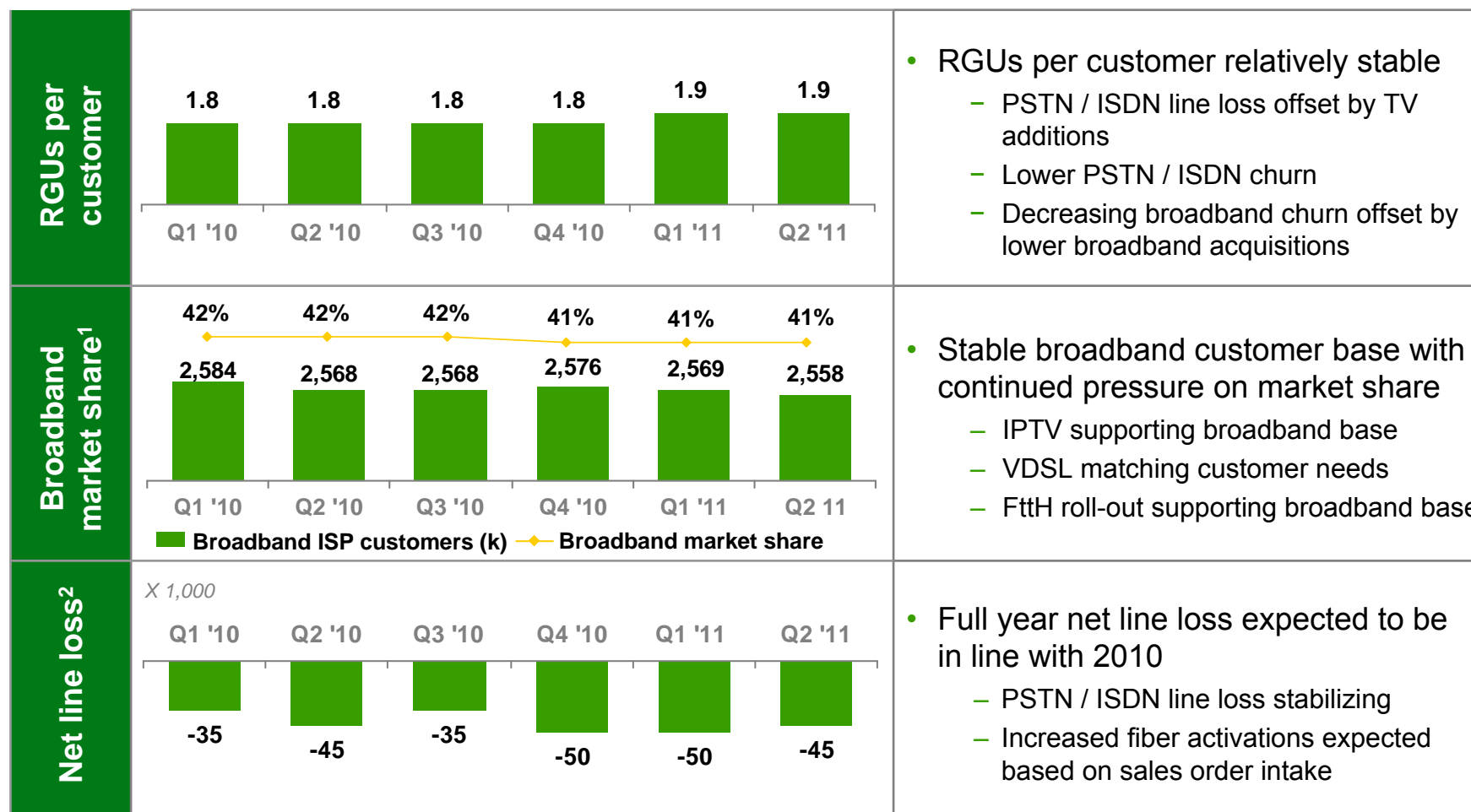
- Improved retention management
- Actively address SIM-only market
- Improved brand positioning of Telfort

- Integrated data / voice / SMS propositions
- Differentiation on quantity, speed and service
- Transparent propositions to prevent 'bill surprise' for customers
- Data volume pricing will increase
- Managing down SAC / SRC, step down of hardware subsidization
- Net neutrality adhered, no blocking

## Detail new bundles

- Three brands: KPN and Hi launch in September '11, Telfort in Q1 '12
- Three types of line-up for each brand
  1. voice / SMS; max. speed 2.0 Mbps down / 0.1 Mbps up
  2. data / voice / SMS; max. speed 2.0 Mbps down / 0.1 Mbps up
  3. data XL / voice / SMS; max. speed 7.2 Mbps down / 2.0 Mbps up

# Operating review - Consumer wireline

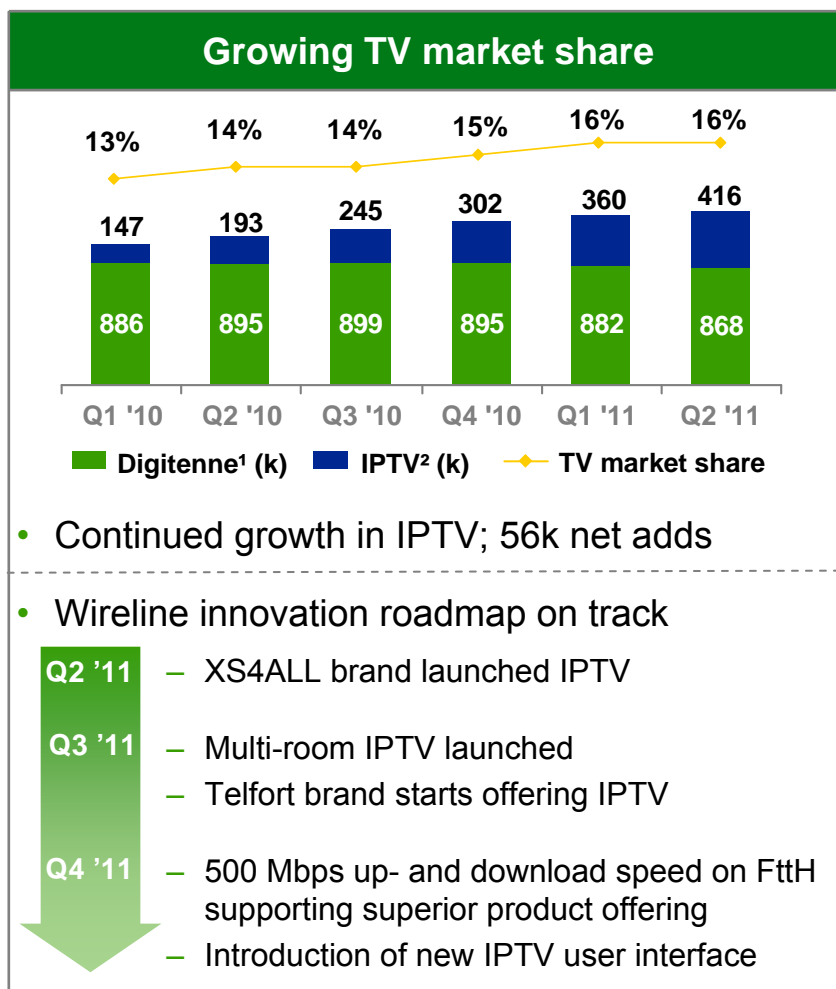


1 Source: Telecompaper, management estimates for Q2 '11

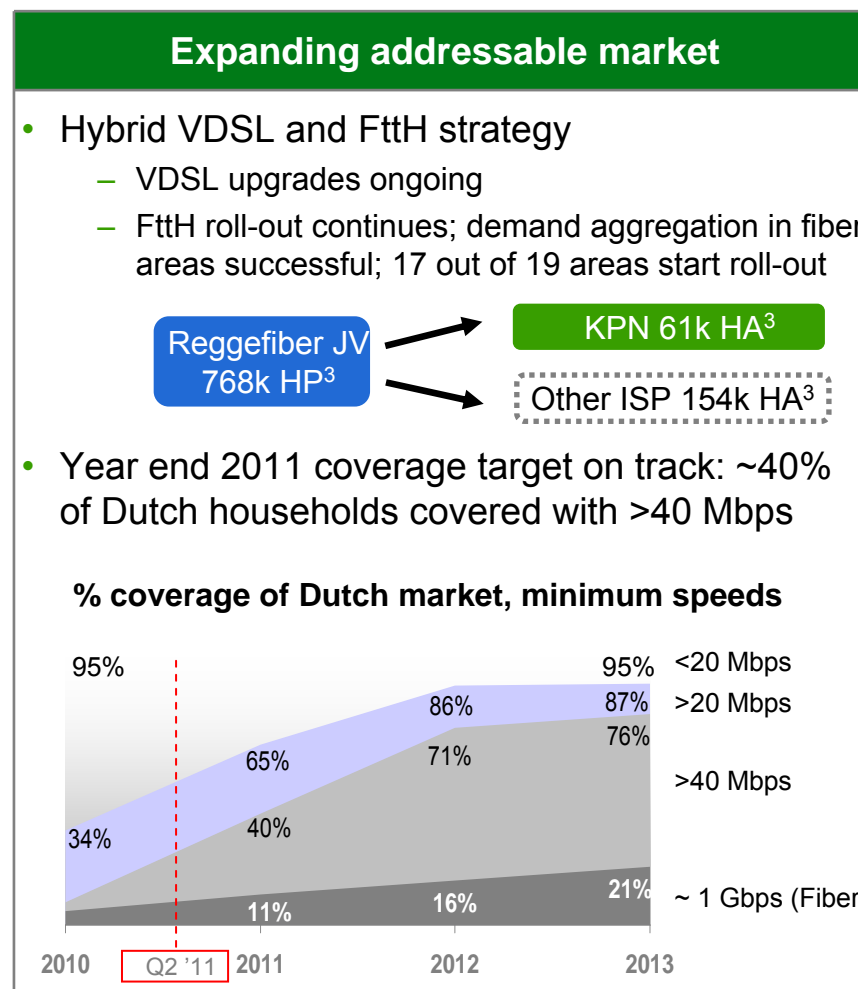
2 Quarterly delta in PSTN / ISDN access lines + delta Consumer VoIP, ADSL Only and delta Consumer Fiber

## Operating review - Consumer wireline (cont'd)

Continued growth in TV market share, strategic innovation roadmap on track

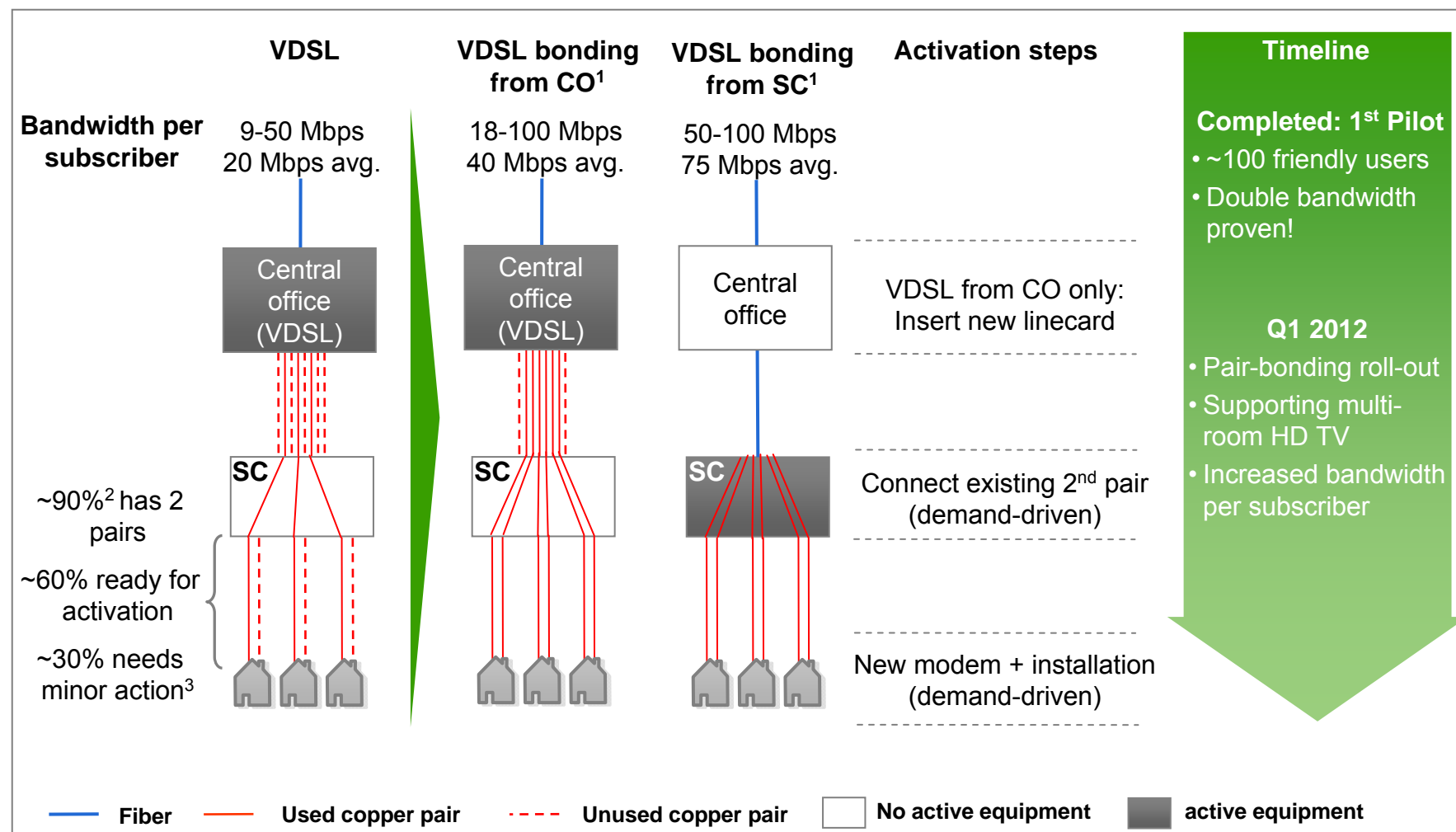


1 Digitenne used as primary TV connection  
 2 Including FttH IPTV  
 3 HP = Homes Passed; HA = Homes Activated



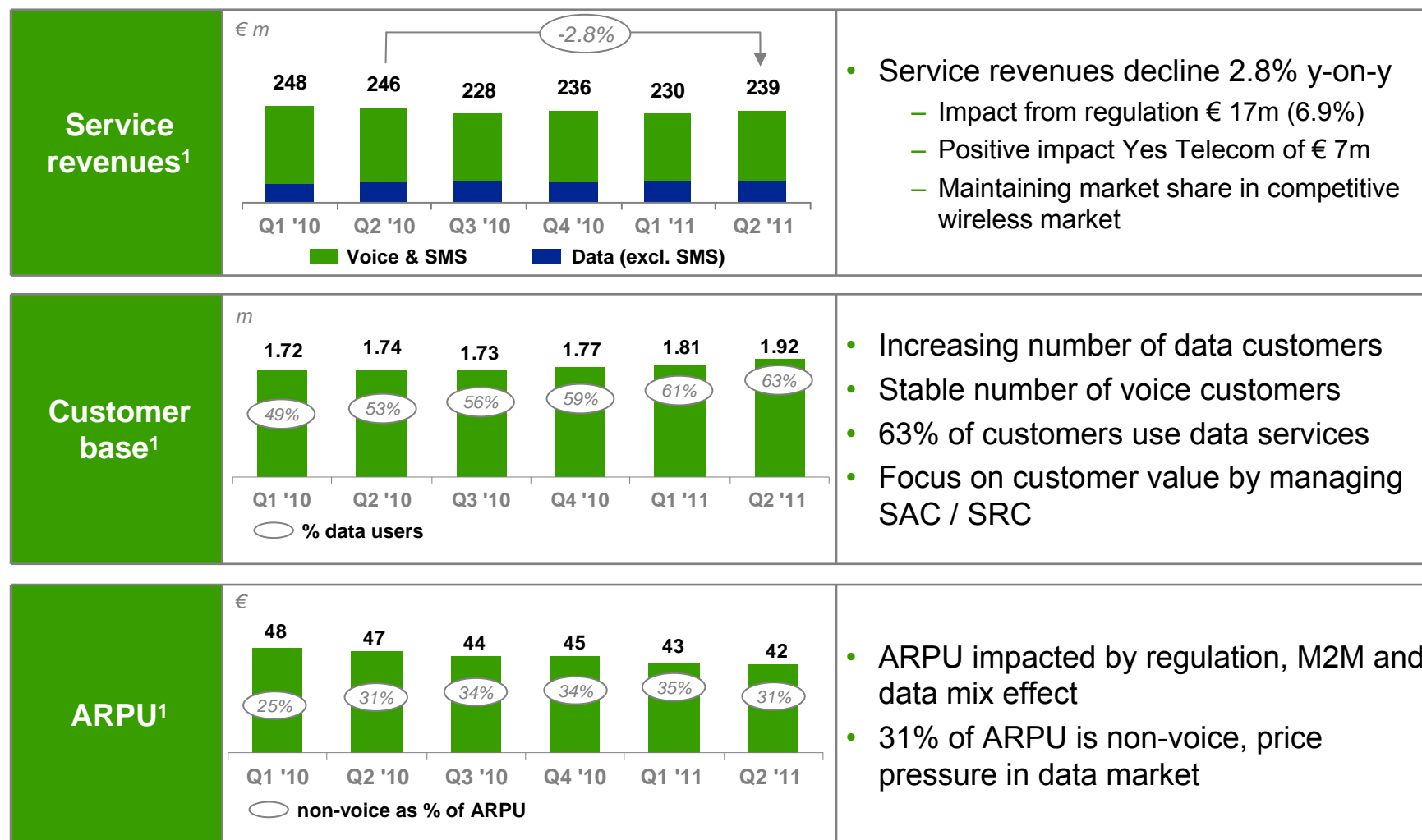
# Copper upgrades - pair bonding

Supporting multi-room HD TV proposition and increasing bandwidth



1 CO = Central office; SC = Street cabinet  
 2 Amongst the highest rankings in Europe  
 3 Minor copper correction, typically welding

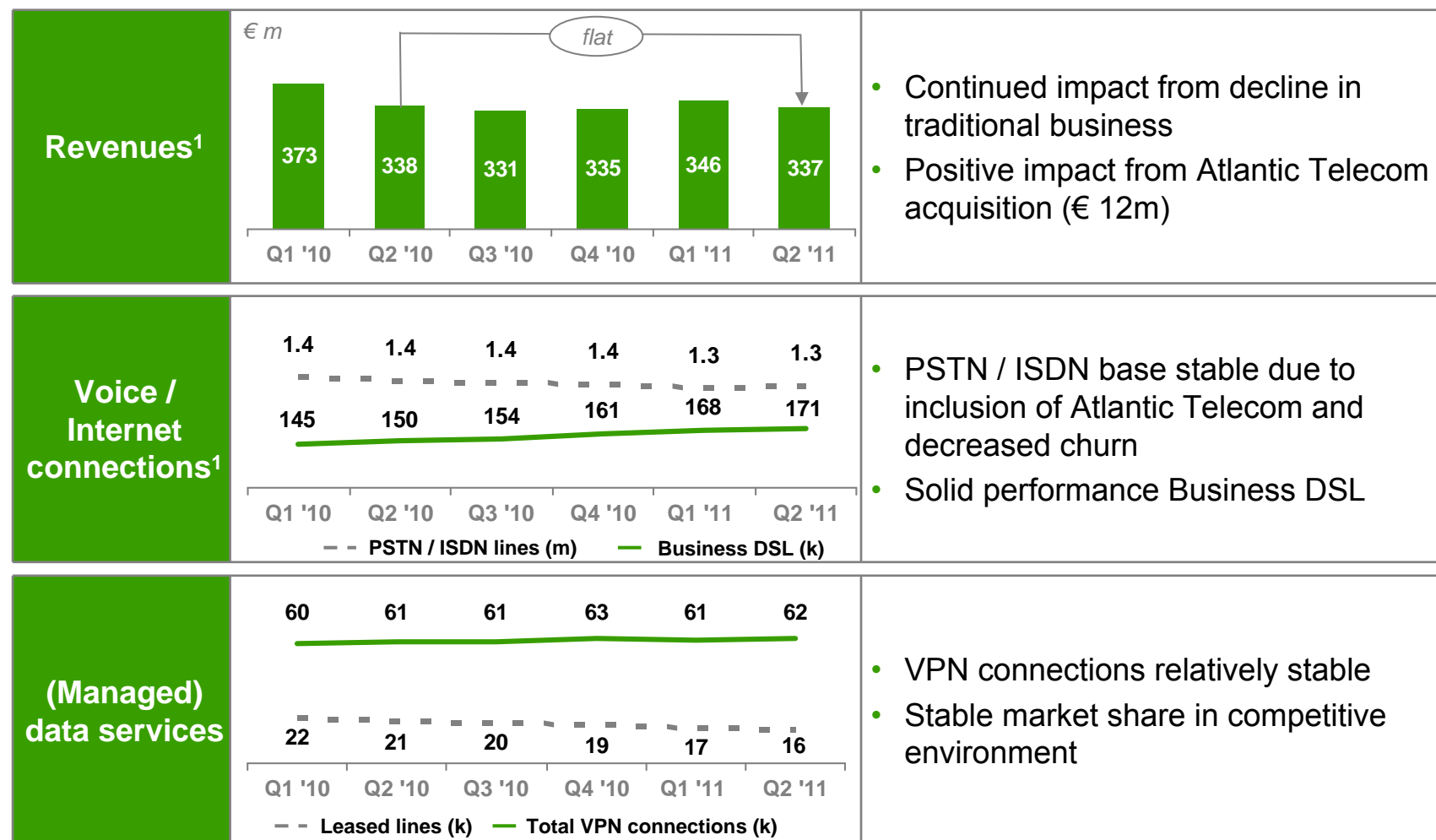
# Operating review - Business wireless



<sup>1</sup> Business wireless figures include 'Yes Telecom' as of Q2 2011

## Operating review - Business wireline

## Continued pressure on traditional services

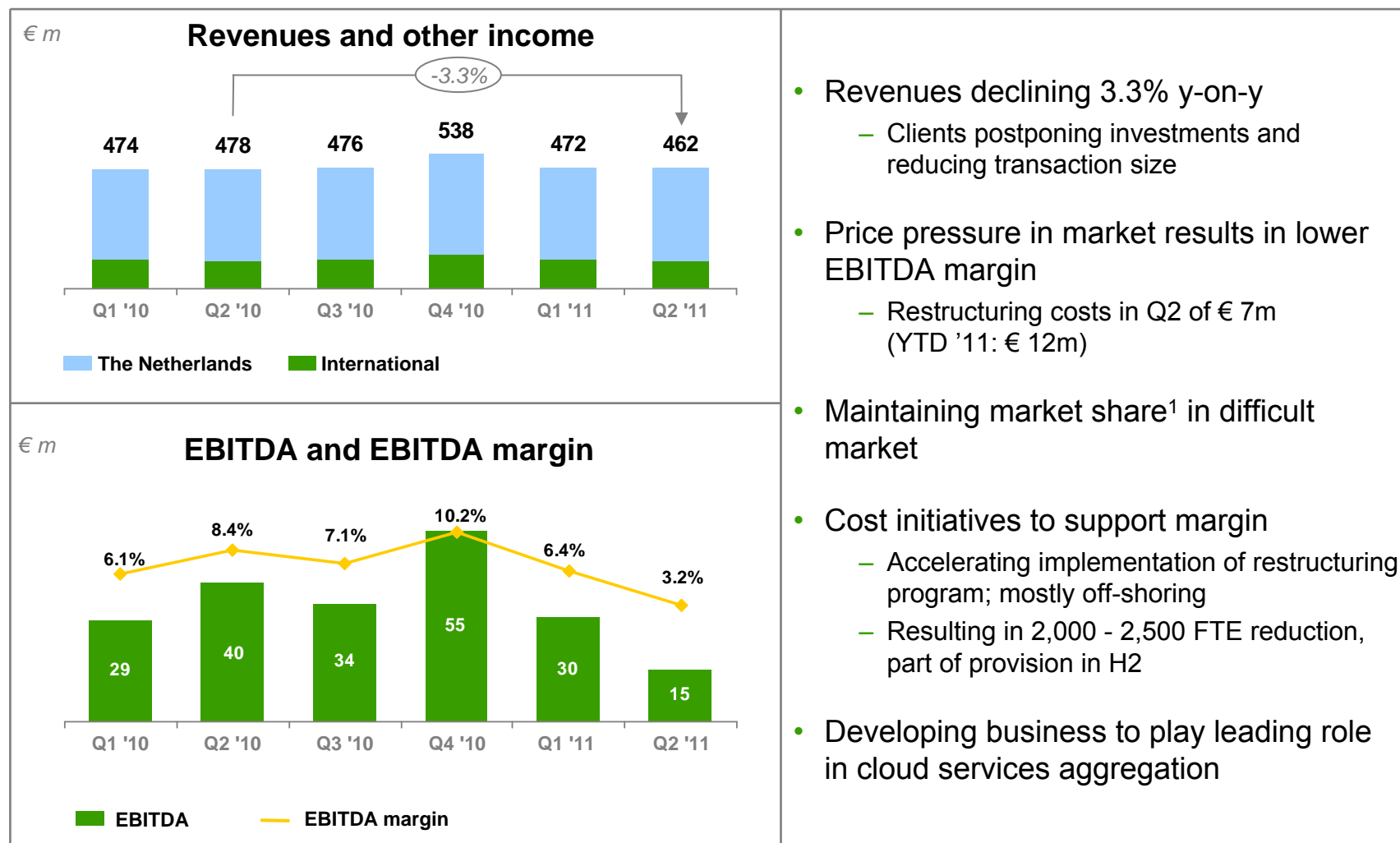


1 Revenues include Atlantic Telecom as of Q1 2011; Voice / Internet connections include Atlantic Telecom lines as of Q2 2011



# Operating review - Getronics

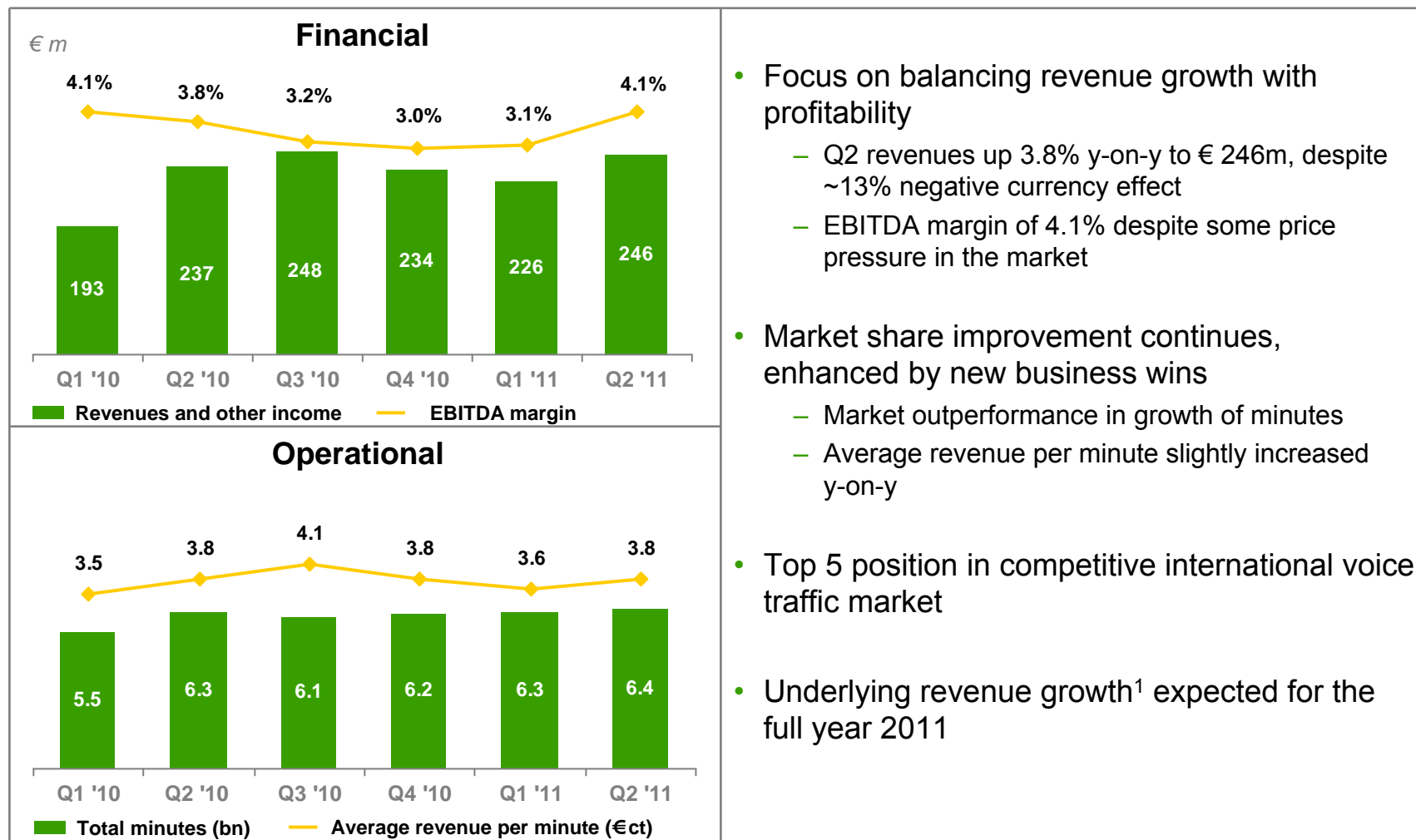
Relatively stable market position in difficult market



<sup>1</sup> Management estimate

# Operating review - iBasis

Focus on balancing revenue growth with profitability



<sup>1</sup> Excluding currency effects

## The Netherlands - concluding remarks

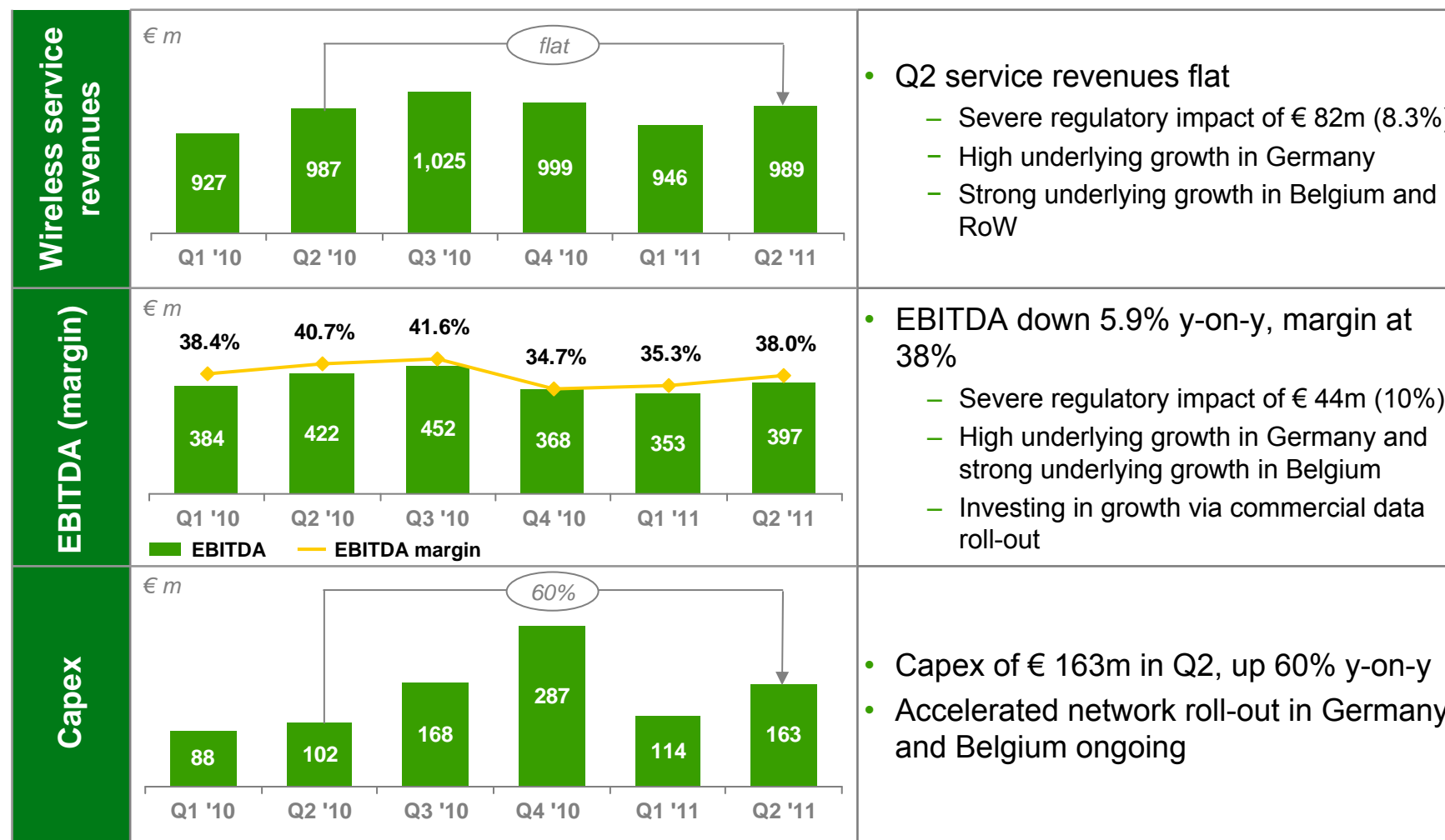
- Consumer wireless trends in line with Q1; short term measures successful
- Structural step in moving to data centric wireless portfolio with new mobile propositions
- Consumer wireline innovation roadmap on track
- Good customer retention management at Business
- Accelerating restructuring plan at Getronics to support margin
- First results of quality program
- Implementation of cost optimization initiatives started

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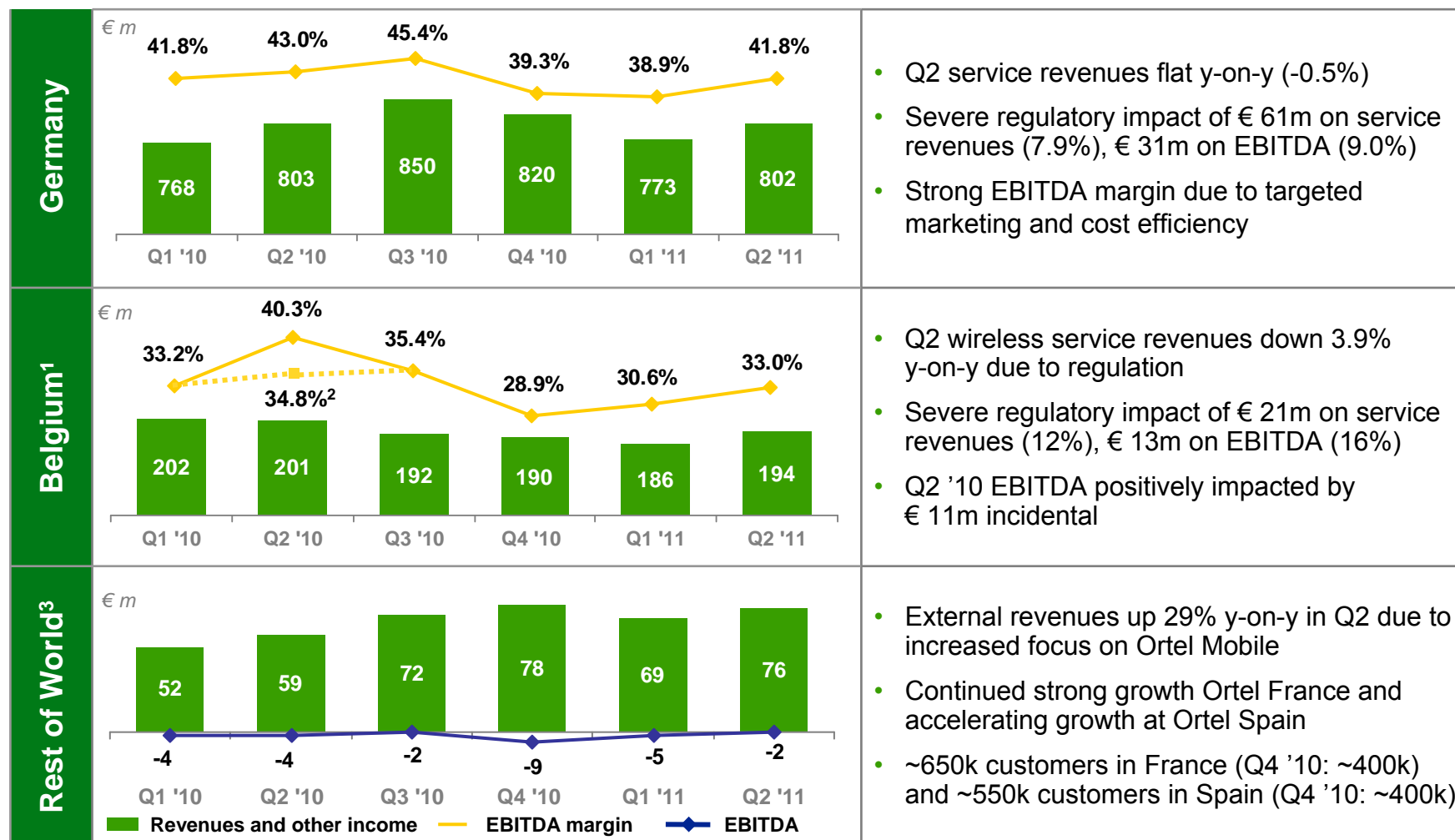
# Financial review - Mobile International

Service revenue flat and good profitability despite severe MTA impact



## Financial review - Mobile International by segment

Continued underlying growth in all segments, severe regulatory impact



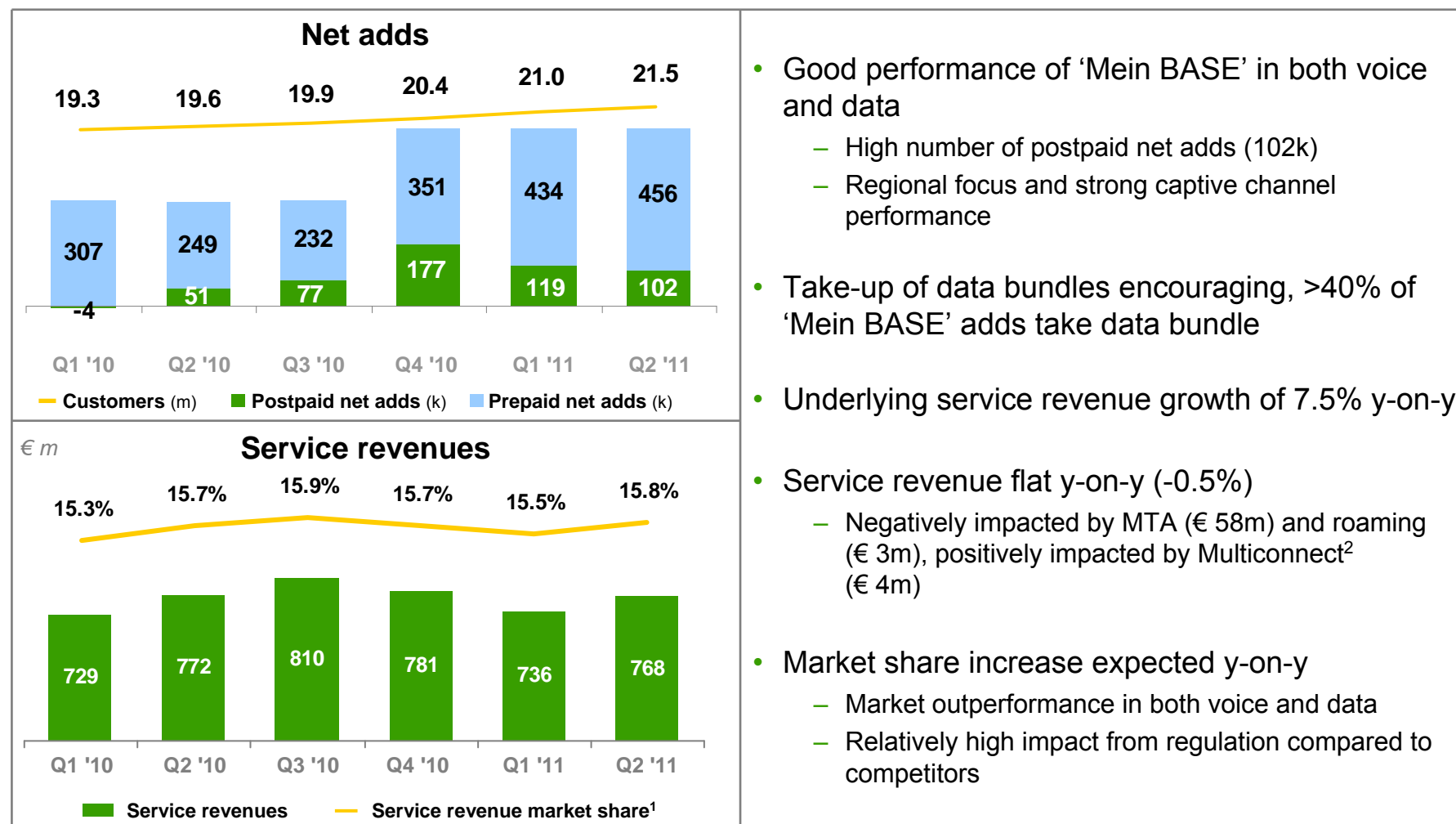
1 Including fixed Belgian B2B and Carrier business, including the fiber network; divested per 31 March 2010

2 Normalized EBITDA margin, excluding one-off release of € 11m

3 External revenues

# Operating review - Germany

High underlying service revenue growth of 7.5% at strong margin

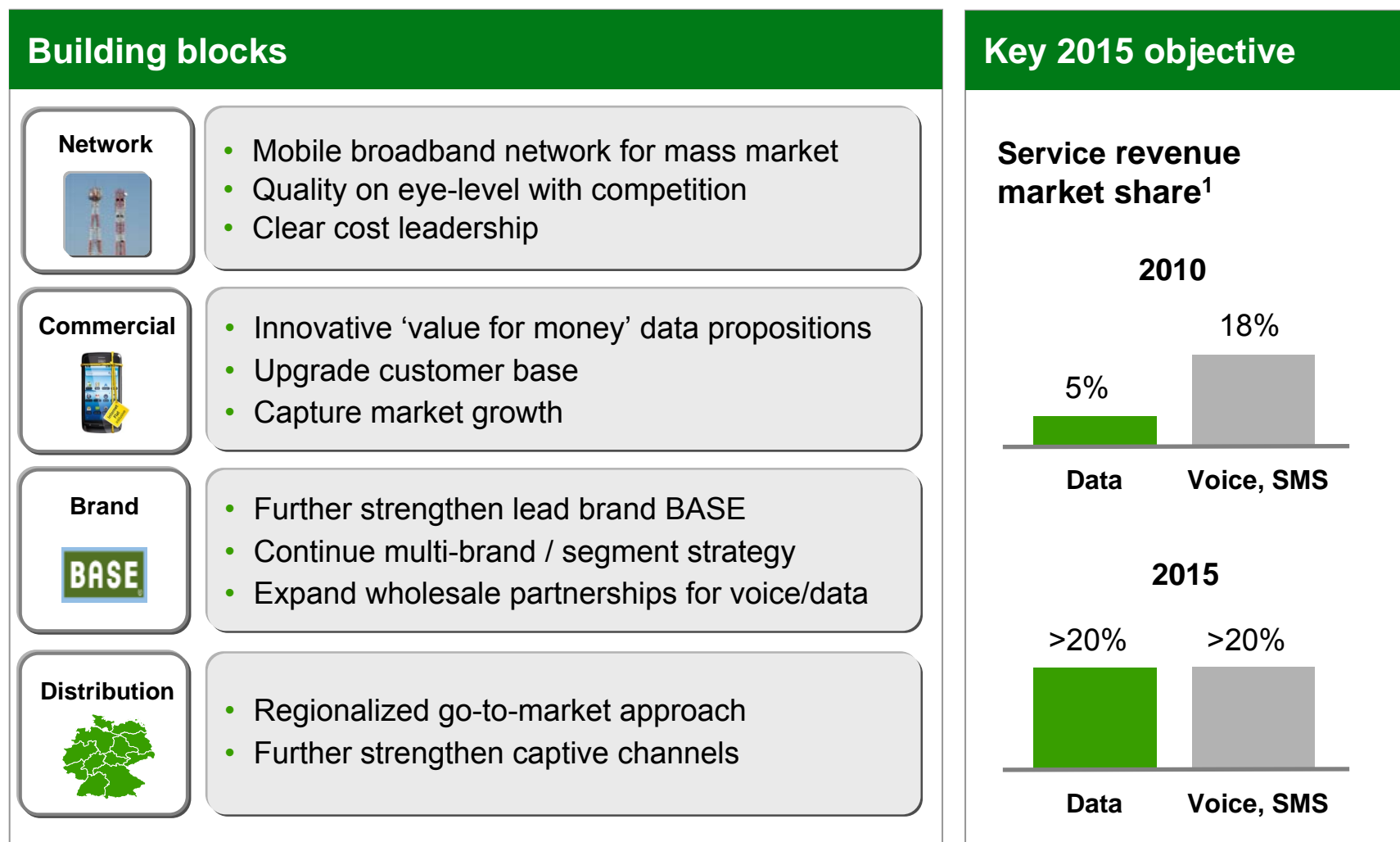


<sup>1</sup> Management estimates, based on service revenues; market shares restated due to change in reporting of Deutsche Telekom in Q1 '11

<sup>2</sup> Former part of SNT Germany; transferred from segment Other to Germany on 1 June 2010

# Strategic building blocks

Grow mobile Challenger strategy with data



<sup>1</sup> 2010 market shares and 2015 objectives for Germany



# Progress Germany

Strong growth in data supported by accelerated network roll-out

## Strong data growth



### BASE Lutea

€ 12 per month  
24 month contract  
Internet flat inclusive



### BASE Tablet

€ 19 per month  
24 month contract  
Internet flat inclusive

- BASE branded smartphones and tablets with data packages for mass market
- Data via 'Mein BASE' and partners shows good take-up



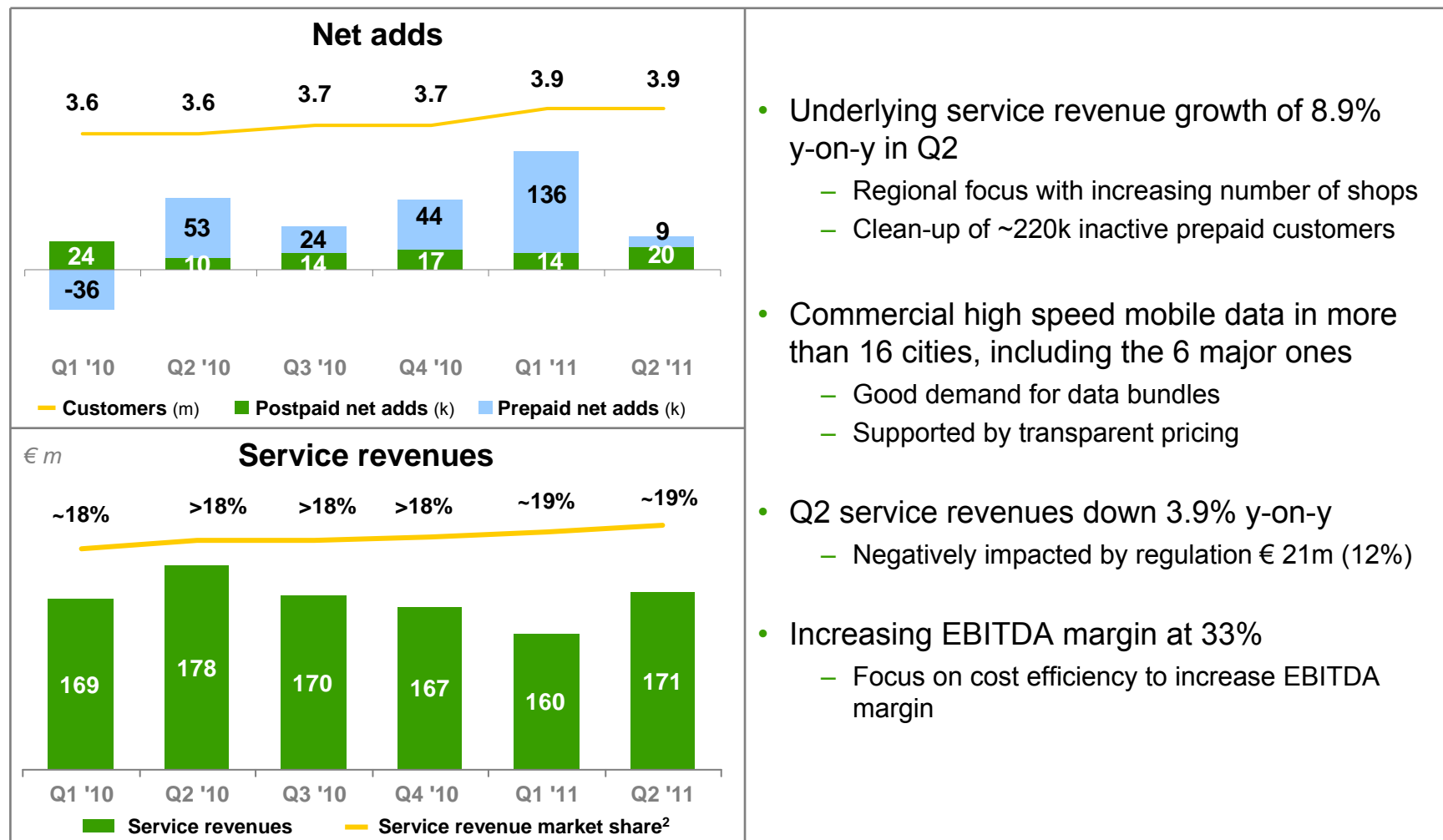
## Accelerated network roll-out

- High speed data network roll-out through multiple partnerships running ahead of schedule
- >75% of own customer base covered with high speed data (up to 21 Mbps)
- End of year 2012: >80% of total population covered (up to 42 Mbps)
- More than 15 site upgrades per day



# Operating review - Belgium<sup>1</sup>

Strong underlying growth of 8.9%, service revenues impacted by regulation



<sup>1</sup> Wireless services only  
<sup>2</sup> Management estimates

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| Operational review The Netherlands | Eelco Blok            |
| Operational review International   | Thorsten Dirks        |
| <b>Concluding remarks</b>          | <b>Eelco Blok</b>     |

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## Concluding remarks

- Q2 financial results down y-on-y; on track to realize outlook
- Progress made with strategic initiatives to strengthen the business in The Netherlands
- High underlying growth in Germany at strong margin
- First phase of restructuring plan is being implemented to optimize cost structure
- Confirming outlook

**Q&A**

# Annex

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# Analysis of results

Key items worth mentioning in results interpretation

| € m                                 |           | Q2 '11 | Q2 '10 | YTD '11 | YTD '10 |
|-------------------------------------|-----------|--------|--------|---------|---------|
| Revenue effect                      |           |        |        |         |         |
| MTA reduction                       | Group     | -132   | -23    | -259    | -78     |
| Roaming tariff reduction            | Group     | -4     | -15    | -10     | -30     |
| EBITDA effect                       |           |        |        |         |         |
| MTA reduction                       | Group     | -55    | 1      | -108    | -19     |
| Roaming tariff reduction            | Group     | -1     | -11    | -4      | -24     |
| Restructuring costs                 | Group     | -13    | 8      | -23     | 1       |
| Release of provisions               | Getronics | -      | 5      | 10      | 5       |
| Release of provisions               | Belgium   | -      | 11     | -       | 11      |
| Revenue & EBITDA effect             |           |        |        |         |         |
| Book gain on sale of real estate    | W&O       | 11     | -      | 44      | -       |
| Book gain on sale of real estate    | Other     | -      | 4      | -       | 6       |
| Release of deferred connection fees | Consumer  | 11     | -      | 11      | -       |
| Release of deferred connection fees | Business  | 7      | -3     | 4       | 16      |
| Release of deferred connection fees | W&O       | -      | 9      | -       | 9       |
| Wholesale price cap                 | W&O       | -      | -      | -       | 4       |
| Book gain on sale of business       | Getronics | -      | -      | 5       | -       |

## Restructuring costs

| € m                         | Q2 '11     | Q2 '10    | YTD '11    | YTD '10   |
|-----------------------------|------------|-----------|------------|-----------|
| Germany                     | -          | -2        | -          | -2        |
| Belgium                     | -          | -         | -          | -         |
| Rest of World               | -2         | -         | -2         | -         |
| <b>Mobile International</b> | <b>-2</b>  | <b>-2</b> | <b>-2</b>  | <b>-2</b> |
| Consumer                    | -          | -1        | -1         | -2        |
| Business                    | -          | -         | -          | -         |
| Wholesale & Operations      | -          | 6         | -          | 3         |
| IT NL                       | -          | -         | -          | -         |
| Other                       | -1         | -         | -1         | -         |
| <b>Dutch Telco</b>          | <b>-1</b>  | <b>5</b>  | <b>-2</b>  | <b>1</b>  |
| Getronics                   | -7         | 1         | -12        | 1         |
| <b>The Netherlands</b>      | <b>-8</b>  | <b>6</b>  | <b>-14</b> | <b>2</b>  |
| Other                       | -3         | 4         | -7         | 1         |
| <b>KPN Group</b>            | <b>-13</b> | <b>8</b>  | <b>-23</b> | <b>1</b>  |



# Regulation

## MTA reductions and upcoming spectrum auctions

| MTA reductions implemented across the Group |   |                 |            |                        |         |         |         |
|---|---|-----------------|------------|------------------------|---------|---------|---------|
| NL  | <ul style="list-style-type: none"><li>KPN's suspension request has been rejected, annulment procedure is ongoing</li></ul>                  |                 |            |                        |         |         |         |
|   | € ct / min  | Until 7 July    | 7 July '10 | Sep '10                | Jan '11 | Sep '11 | Sep '12 |
|   | MTA rate  | 7.00            | 5.60       | 5.60                   | 4.20    | 2.70    | 1.20    |
| GER   | <ul style="list-style-type: none"><li>Final MTA decisions published, E-Plus has started legal proceedings against these decisions</li></ul> |                 |            |                        |         |         |         |
|   | € ct / min  | Until 1 Dec '10 |            | 1 Dec '10 – 30 Nov '12 |         |         |         |
|   | MTA rate  | 7.14            |            | 3.36                   |         |         |         |
| BE  | <ul style="list-style-type: none"><li>KPN's suspension request has been rejected, annulment procedure is ongoing</li></ul>                  |                 |            |                        |         |         |         |
|   | € ct / min  | Until Aug '10   | Aug '10    | Jan '11                | Jan '12 | Jan '13 |         |
|   | MTA rate  | 11.43           | 5.68       | 4.76                   | 2.92    | 1.08    |         |

| Upcoming spectrum auctions |   |
|----------------------------|---|
| NL                         | <ul style="list-style-type: none"> <li>Concept auction document published</li> <li>Preliminary timing indicates Q1 2012</li> <li>Auction of 800 - 900 - 1.8GHz and left overs 2.1GHz - 2.6GHz</li> </ul>                                |
|                            |   |
|                            |   |
| BE                         | <ul style="list-style-type: none"> <li>Auction document published</li> <li>Preliminary timing of 2.6GHz auction is end of November 2011</li> <li>Combination Telenet &amp; Voo recently acquired 29.6MHz 2.1 GHz for € 71.5m</li> </ul> |
|                            |   |
|                            |   |

### MTA impact on Group revenues & EBITDA

| € m      | 2010 | 2011E | 2012E |
|----------|------|-------|-------|
| Revenues | 180  | ~ 500 | ~ 125 |
| EBITDA   | 62   | ~ 200 | ~ 50  |

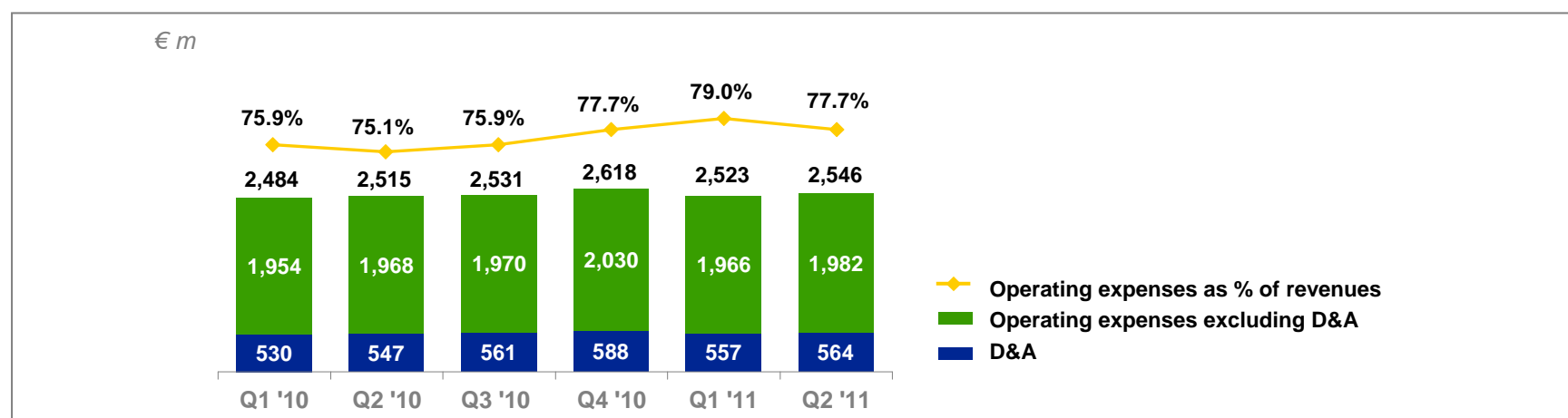
# Impact MTA reduction

| € m                               | Q2 '11      |                     | YTD '11     |                     |
|-----------------------------------|-------------|---------------------|-------------|---------------------|
|                                   | Revenues    | EBITDA <sup>1</sup> | Revenues    | EBITDA <sup>1</sup> |
| Germany                           | -58         | -30                 | -111        | -57                 |
| Belgium                           | -21         | -13                 | -42         | -27                 |
| <b>Mobile International</b>       | <b>-79</b>  | <b>-43</b>          | <b>-153</b> | <b>-84</b>          |
| Consumer                          | -27         | -10                 | -55         | -19                 |
| <i>Of which: Mobile Wholesale</i> | -2          | -1                  | -4          | -2                  |
| Business                          | -16         | -2                  | -33         | -4                  |
| Wholesale & Operations            | -13         | -                   | -25         | -1                  |
| Intercompany                      | 3           | -                   | 7           | -                   |
| <b>The Netherlands</b>            | <b>-53</b>  | <b>-12</b>          | <b>-106</b> | <b>-24</b>          |
| <b>KPN Group</b>                  | <b>-132</b> | <b>-55</b>          | <b>-259</b> | <b>-108</b>         |

<sup>1</sup> Defined as operating profit plus depreciation, amortization and impairments

# Operating expenses

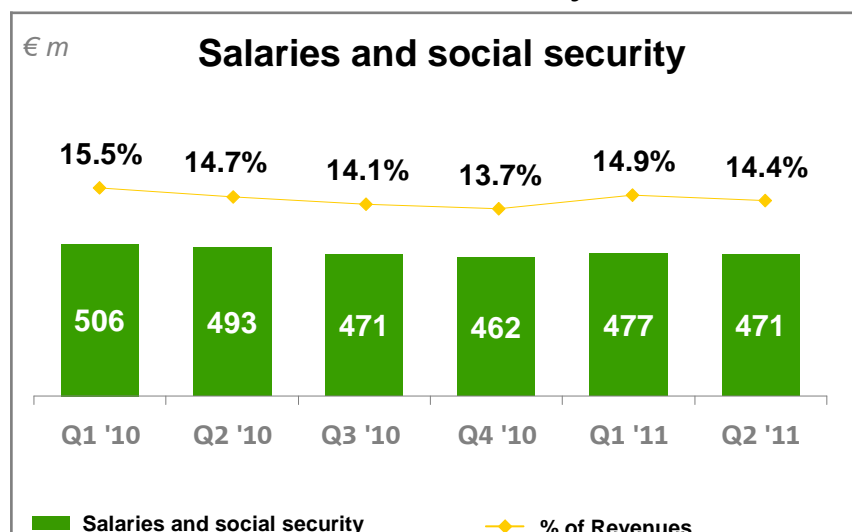
| € m  | Q2 '11       | Q2 '10       | %           |
|--|--------------|--------------|-------------|
| Salaries and social security contributions | 471          | 493          | -4.5%       |
| Cost of materials                          | 232          | 199          | 17%         |
| Work contracted out and other expenses     | 1,136        | 1,144        | -0.7%       |
| Own work capitalized                       | -30          | -25          | -20%        |
| Other operating expenses                   | 173          | 157          | 10%         |
| Depreciation <sup>1</sup>                  | 352          | 351          | flat        |
| Amortization <sup>1</sup>                  | 212          | 196          | 8.2%        |
| <b>Total</b>                               | <b>2,546</b> | <b>2,515</b> | <b>1.2%</b> |



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

# Operating expenses - analysis

## Salaries and social security contributions & Cost of materials

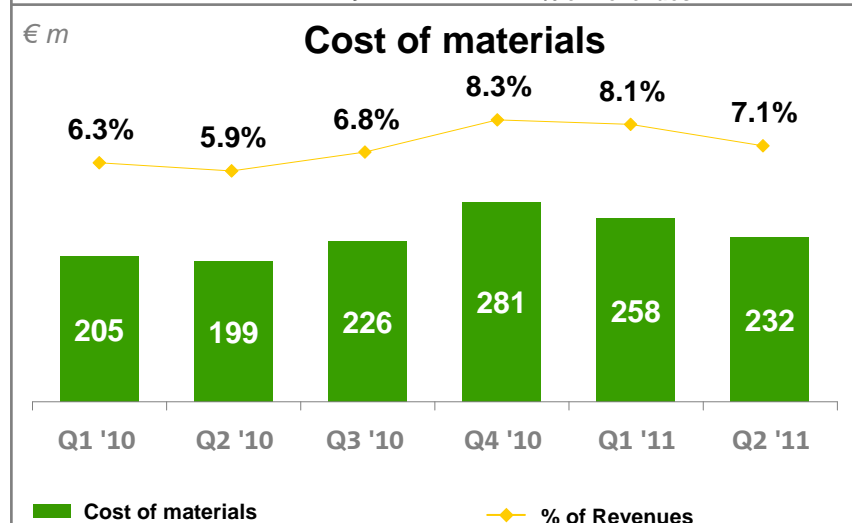


### Y-on-Y decrease

- Reduction of own personnel in The Netherlands and Getronics, partly offset by increase at Mobile International

### Q-on-Q decrease

- Reduction of own personnel in The Netherlands and Getronics, partly offset by increase at Mobile International



### Y-on-Y increase

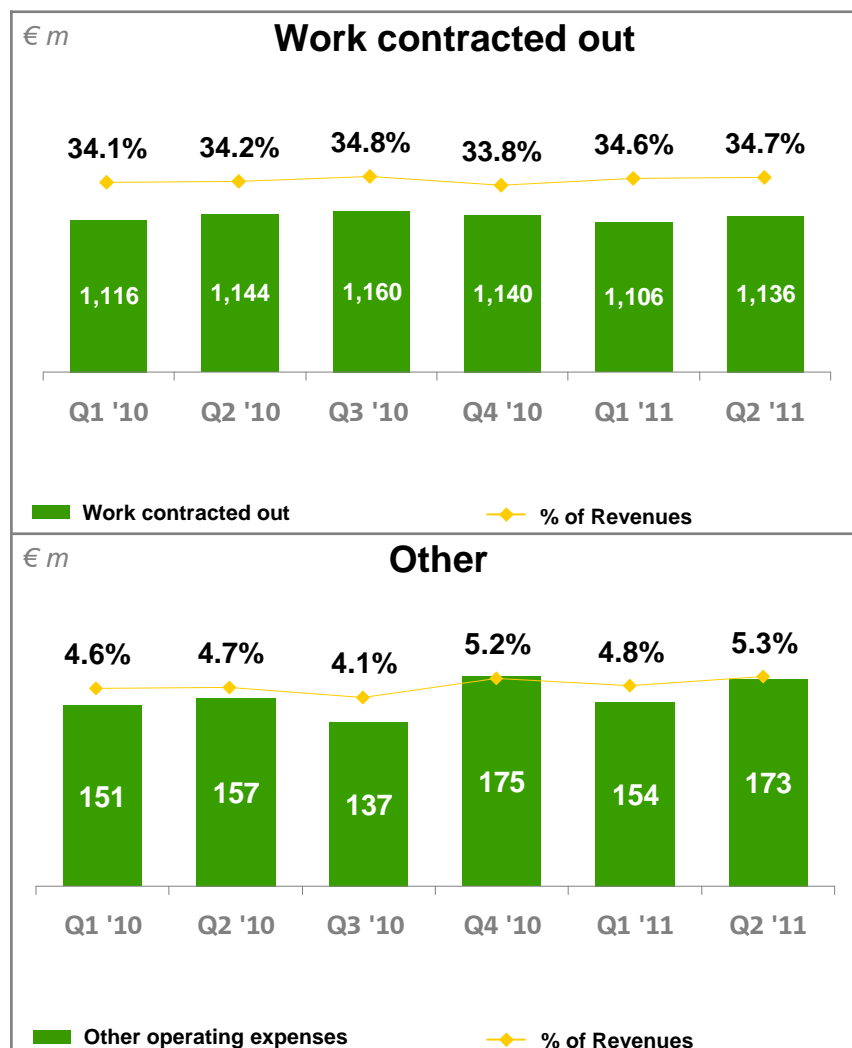
- Higher cost of materials due to increased smartphone sales

### Q-on-Q decrease

- Lower costs in Germany due to full implementation of handset lease model as of 1 April

# Operating expenses - analysis

## Work contracted out & Other



### Y-on-Y decrease

- Lower traffic costs due to regulatory tariff cuts across all segments
- Partly offset by increase at Mobile International and iBasis due to higher traffic

### Q-on-Q increase

- Higher costs related to higher traffic at Mobile International and iBasis

### Y-on-Y increase

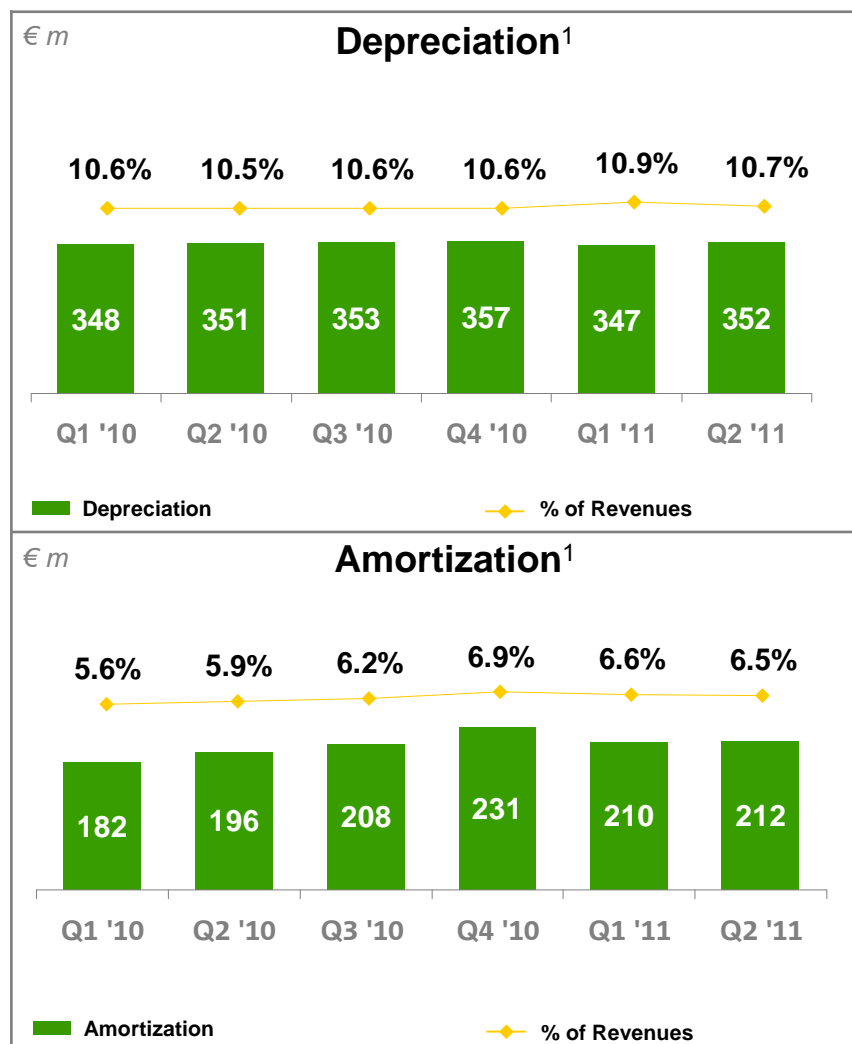
- New restructuring provisions in The Netherlands
- Release of provisions Q2 2010

### Q-on-Q increase

- Increase in marketing expenditure Germany
- Higher addition to restructuring provision in Q2

# Operating expenses - analysis

## Depreciation & Amortization



### Y-on-Y increase

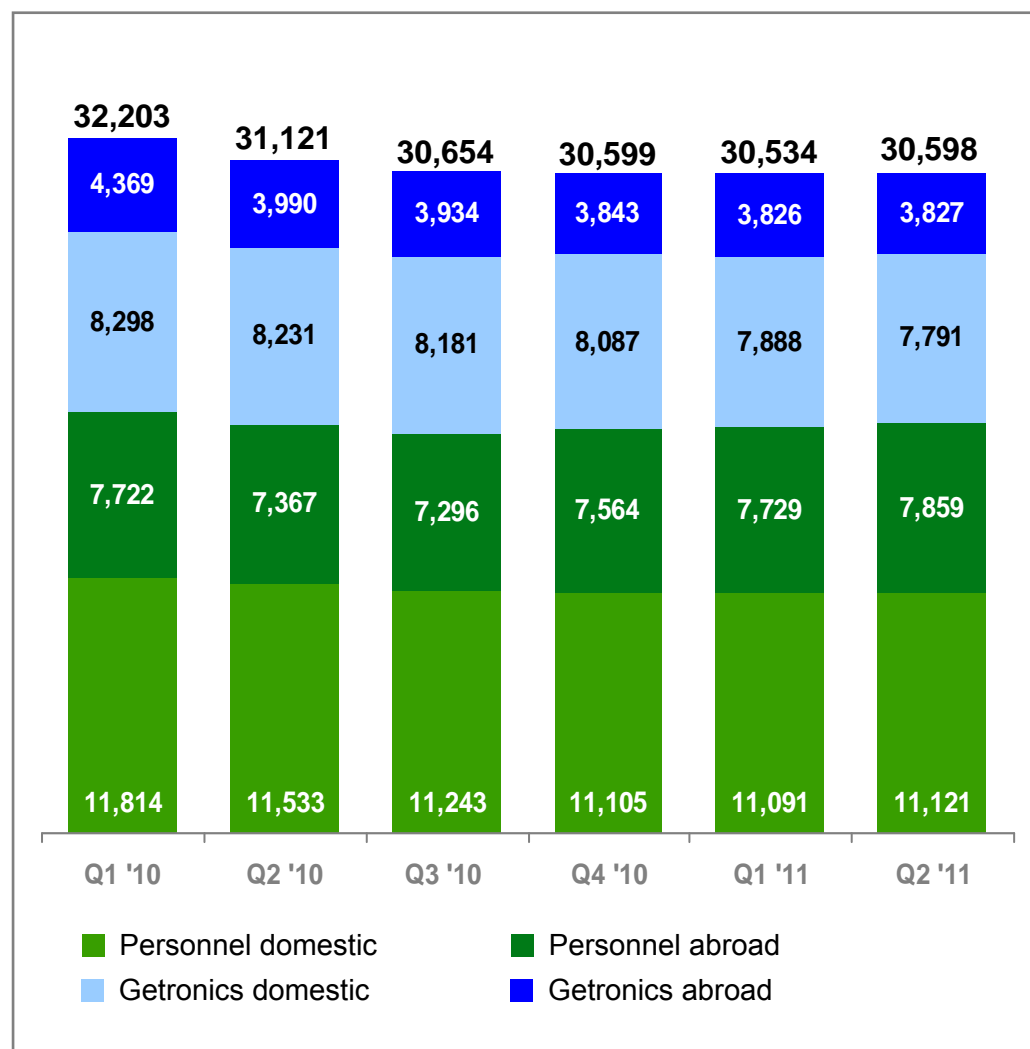
- Higher amortization costs due to new spectrum licenses in Germany
- Amortization of software licenses

### Q-on-Q increase

- Amortization of software licenses

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

# Personnel



- Decrease of 523 FTE y-on-y
  - Reduction of 412 FTE in The Netherlands (excl. Getronics) from all segments
  - Increase of 492 FTE at Mobile International (including SNT Germany)
  - Getronics domestic: reduction of 440 FTE
  - Getronics abroad: reduction of 163 FTE
- Increase of 64 FTE q-on-q
  - Decrease of 96 FTE at Getronics, offset by:
  - Increase of 30 FTE in The Netherlands (mainly at call centers, migrating external to internal personnel as part of quality program)
  - Increase of 130 FTE at Mobile International (including SNT Germany), caused by growing business (shops and call centers)

# Tax

|                               | P&L           |               | Cash flow     |               |
|-------------------------------|---------------|---------------|---------------|---------------|
| <b>Fiscal units (€ m)</b>     | <b>Q2 '11</b> | <b>Q2 '10</b> | <b>Q2 '11</b> | <b>Q2 '10</b> |
| Dutch activities <sup>1</sup> | -107          | -111          | 95            | -2            |
| Getronics                     | 9             | -2            | -             | 1             |
| German Mobile activities      | -28           | -33           | -1            | -1            |
| Belgian Mobile activities     | -10           | -16           | -             | -             |
| Other                         | -2            | -7            | -1            | -2            |
| <b>Total reported tax</b>     | <b>-138</b>   | <b>-169</b>   | <b>93</b>     | <b>-4</b>     |
| <i>Effective tax rate</i>     | 24.5%         | 26.2%         |               |               |

- KPN has reached an agreement in principle with the Dutch tax authorities with regard to the application of the innovation tax facilities
- The innovation tax facilities lead to a positive one-off impact YTD '11 of € 118m for the P&L and € 237m for the cash flow
- The normalized effective tax rate for the Group will be reduced to approximately 20% from 2011 onwards

<sup>1</sup> Includes tax recapture E-Plus, one-off gains in relation to the innovation tax facilities. Preliminary tax assessment 2010 fully prepaid in Q1 '10



# Share repurchase progress

| Date <sup>1</sup> | Value (€ m)  | Shares (m)  | Avg. share price (€) |
|-------------------|--------------|-------------|----------------------|
| <b>Q1 '11</b>     | <b>178.4</b> | <b>15.2</b> | <b>11.71</b>         |
| April             | 107.1        | 9.5         | 11.29                |
| May               | 252.3        | 24.3        | 10.40                |
| June              | 136.0        | 13.6        | 10.03                |
| <b>Q2 '11</b>     | <b>495.4</b> | <b>47.3</b> | <b>10.47</b>         |
| July <sup>2</sup> | 32.4         | 3.4         | 9.57                 |
| <b>Total</b>      | <b>706.2</b> | <b>65.9</b> | <b>10.72</b>         |

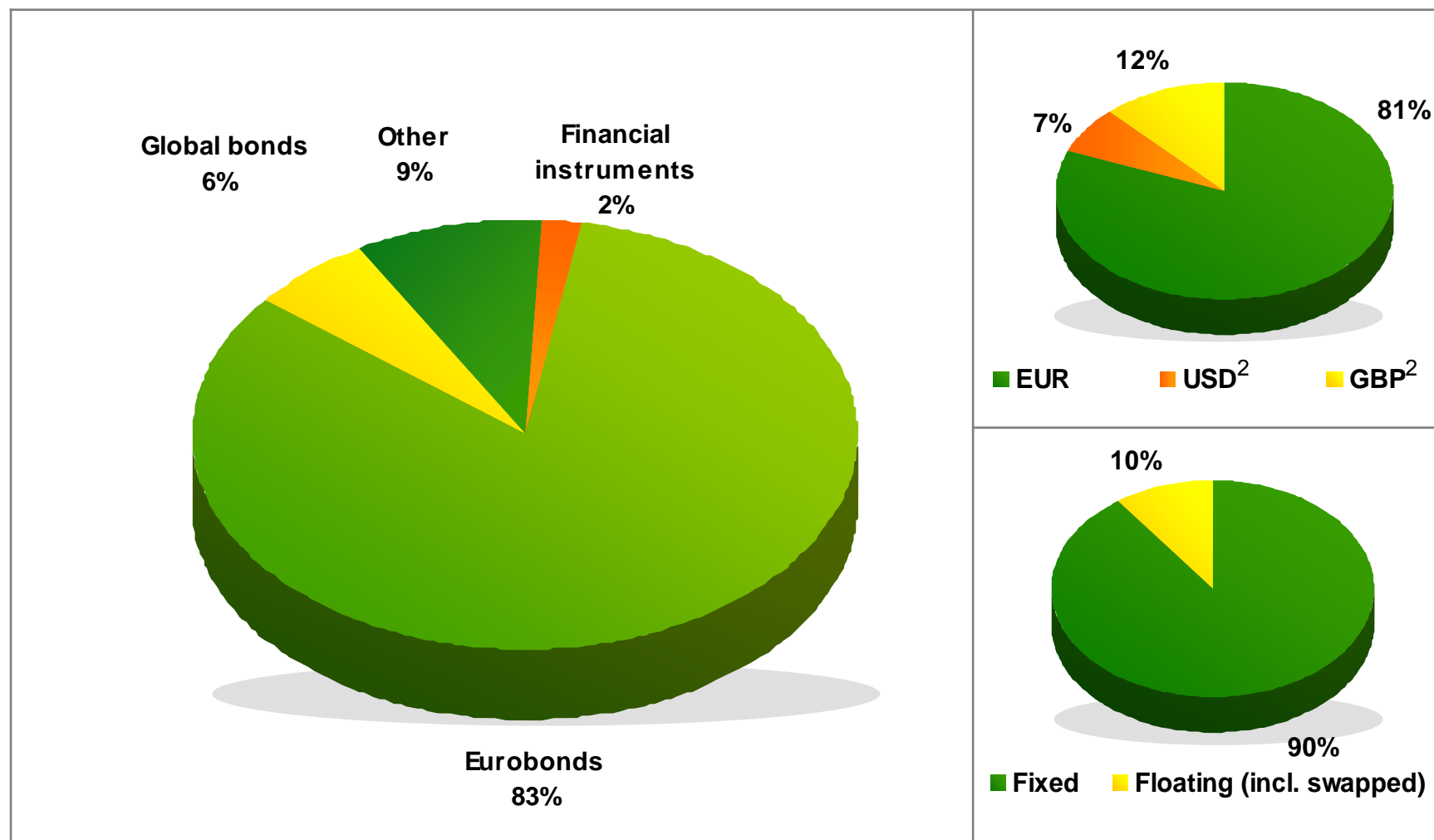
- € 1bn share repurchase program for 2011 started on 21 February 2011
  - ~71% completed to date, following acceleration in May
  - Program expected to be finalized around 1 October 2011
- € 9.5bn in shares repurchased since start in 2004, at an average price of € 9.24
  - ~39% of outstanding shares cancelled since 2004
- Number of outstanding shares amounting to 1,528,251,409 per 30 June 2011
  - No shares cancelled in Q2 '11
  - Large part of the shares that were repurchased as part of 2011 program to be cancelled in Q3 '11

<sup>1</sup> Figures based on transaction date of share repurchases, some rounding changes may apply

<sup>2</sup> Until 25 July 2011

# Debt portfolio

Breakdown of € 13.6bn gross debt<sup>1</sup>



<sup>1</sup> Book value of interest bearing financial liabilities plus the fair value of financial instruments (excluding Reggefiber) related to these financial liabilities  
<sup>2</sup> Foreign currency amounts hedged into EUR

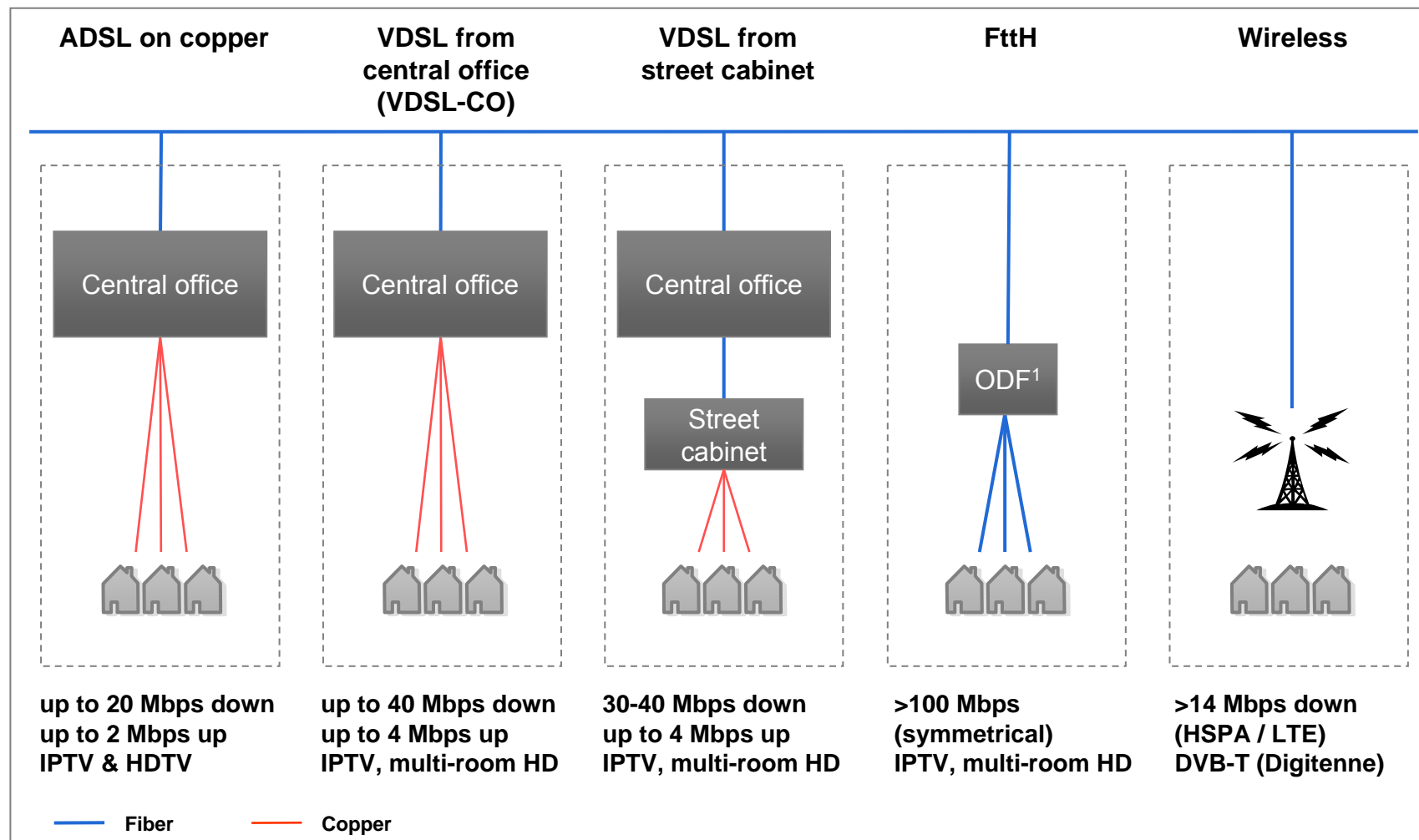
## Dutch wireless services disclosure

|                                       | Q2 '11     | Q1 '11     | Q2 '10     |
|---------------------------------------|------------|------------|------------|
| <b>Service revenues (€ m)</b>         | <b>702</b> | <b>698</b> | <b>761</b> |
| - Consumer                            | 409        | 399        | 448        |
| - Business                            | 239        | 230        | 246        |
| - Other Dutch activities <sup>1</sup> | 54         | 69         | 67         |
| <b>SAC / SRC (€)</b>                  |            |            |            |
| - Consumer                            | 164        | 146        | 157        |
| - Business                            | 224        | 225        | 215        |

<sup>1</sup> Indicates amongst others Mobile Wholesale NL, Simyo and visitor roaming revenues within KPN The Netherlands, Q2 '11 including Yes Telecom at Business

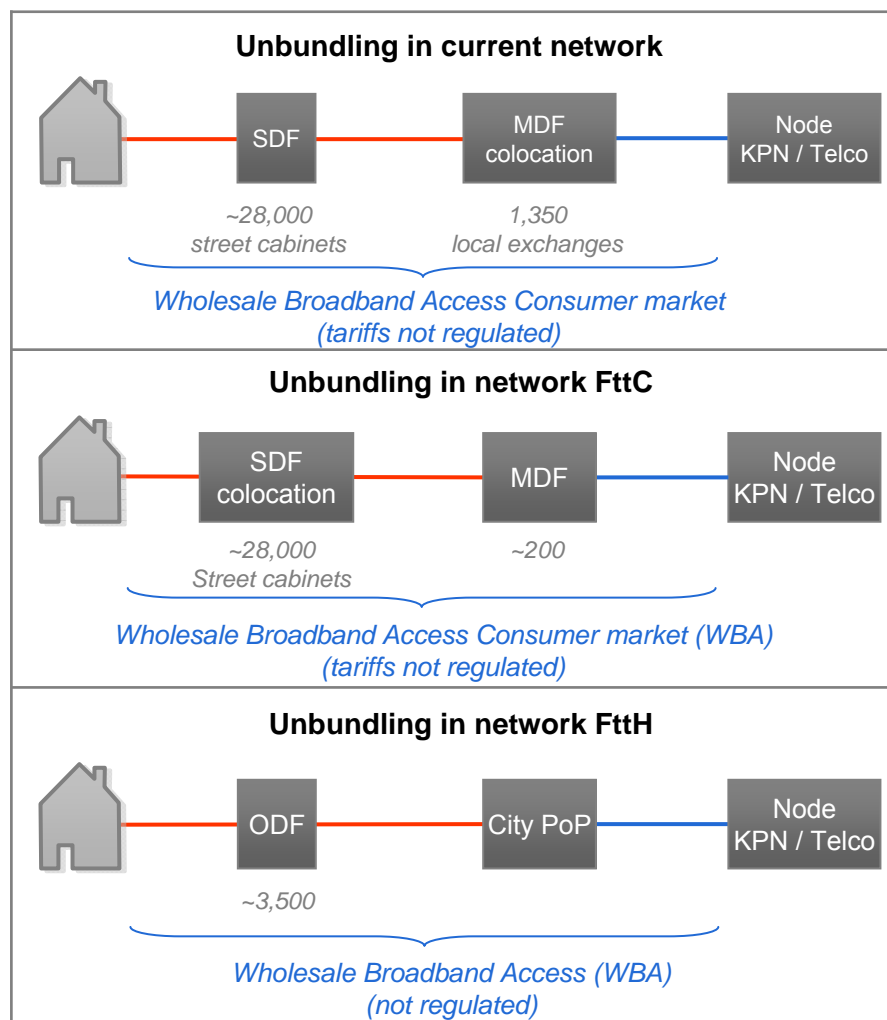
# Infrastructure

Deploying mix of technologies going forward



1 Optical distribution frame

# Unbundling tariffs



— Regulated — Not-regulated

1) Tariffs refer to WPC 2009-2011 |(WPC 2A)

| Category                           | Monthly tariff                      |
|------------------------------------|-------------------------------------|
| Line sharing (LLU) <sup>1</sup>    | € 0.11 / line                       |
| Fully unbundled (LLU) <sup>1</sup> | € 6.54 / line                       |
| MDF colocation <sup>1</sup>        | € 871.20 / footprint / year         |
| MDF backhaul                       | Commercial pricing, not regulated   |
| Wholesale Broadband Access (WBA)   | € 5.32 shared<br>€ 13.00 non-shared |

| Category                           | Monthly tariff  |
|------------------------------------|---|
| Line sharing (SLU) <sup>1</sup>    | € 7.59 / line   |
| Fully unbundled (SLU) <sup>1</sup> | € 7.41 / line   |
| SDF colocation <sup>1</sup>        | € 1.21 / line or 5.38 / per unit<br>One-off € 492.80 / per unit |
| SDF backhaul                       | Will not be regulated by OPTA                                   |
| Wholesale Broadband Access (WBA)   | € 5.32 shared<br>€ 13.00 non-shared                             |

| Category                              | Monthly tariff   |
|---------------------------------------|--|
| Fully unbundled (ODF FttH)            | € 12.30 – € 17.94  |
| ODF FttH colocation                   | ≤ € 512 / month / per Area Pop<br>One-off ≤ € 3,075 / per Area Pop |
| ODF FttH Backhaul                     | ≤ 615 / month  |
| Wholesale Broadband Access (WBA) FttH | € 19.00 non-shared   |
| ODF FttO                              | Will not be regulated by OPTA                                      |

# Spectrum in The Netherlands

## Current status

|             |                  |          |          |                 |      |        |       |             |              |
|-------------|------------------|----------|----------|-----------------|------|--------|-------|-------------|--------------|
|             |                  |          |          |                 |      |        |       | Total       |              |
| 800MHz      | Free             |          |          |                 |      |        |       | 2x30        |              |
|             | 2x30 MHz         |          |          |                 |      |        |       |             |              |
| 900MHz      | Vodafone         | T-Mobile | KPN      | To be auctioned |      |        |       | 2x35        |              |
|             | 2x12.5           | 2x10     | 2x12.5   |                 |      |        |       |             |              |
| 1.8GHz      | Vodafone         | T-Mobile |          | KPN             | Free |        | 2x70  |             |              |
|             | 2x5              | 2x30     |          | 2x20            | 2x15 |        |       |             |              |
| 1.9-2.0 GHz | Free             |          |          |                 |      |        |       | 14.7        |              |
|             | 14.7MHz unpaired |          |          |                 |      |        |       |             |              |
| 2.1GHz      | Vodafone         |          | T-Mobile |                 | KPN  |        | Free  |             | 2x60<br>1x25 |
|             | 2x15             | 1x5      | 2x20     | 1x10            | 2x15 | 1x5    | 2x10  | 1x5         |              |
| 2.6GHz      | Vodafone         | T-Mobile | KPN      | Ziggo4          |      | Tele2  |       | Free        | 2x65<br>1x55 |
|             | 2x10             | 2x5      | 2x10     | 2x20            |      | 2x20   |       | 55 unpaired |              |
| Total       | Vodafone         | T-Mobile |          | KPN             |      | Ziggo4 | Tele2 | Free        |              |
|             | 90MHz            | 140MHz   |          | 120MHz          |      | 40MHz  | 40MHz | 184.7MHz    |              |

## Upcoming auction

Draft auction document published, includes the following:

- 2x30MHz in 800MHz will be auctioned together with 2x35MHz in 900MHz band, available 1 January 2013
- 2x10MHz in the 800MHz band is reserved for new entrant(s)
- All spectrum has minimum prices and roll-out obligations, In addition, reserved spectrum has trading restrictions for the first five years
- No spectrum caps
- License duration for the 800MHz, 900MHz and 1.8GHz bands will be aligned with the 2.6GHz licenses and therefore expire in 2030. The 2.1GHz licenses expire on 1 January 2017
- The auction will take place in Q1 2012

# Spectrum in Belgium

## Current status

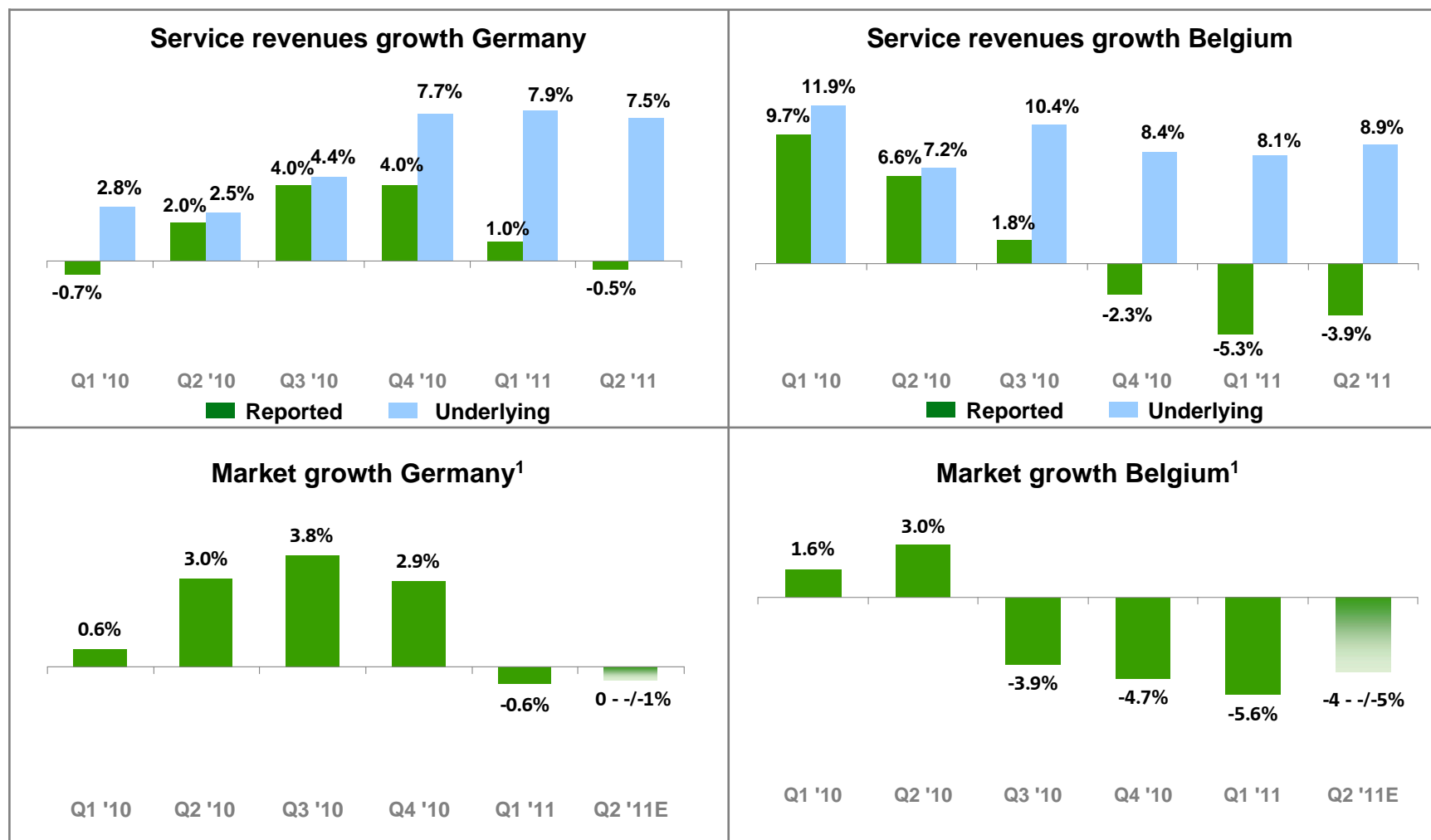
|               |  |                      |                      |                          |              |                  |  |
|---------------|--|----------------------|----------------------|--------------------------|--------------|------------------|--|
| <b>900MHz</b> | KPNgB<br>2x10.8                                    | Proximus<br>2x12     | Mobistar<br>2x12     |                          |              |                  |  |
| <b>1.8GHz</b> | KPNgB<br>2x22                                      | Proximus<br>2x15     | Mobistar<br>2x15     | Prox<br>2x5.8            | Mob<br>2x5.8 | Free<br>2x11.4   |  |
| <b>2.1GHz</b> | KPNgB<br>2x15                                      | Proximus<br>2x15     | Mobistar<br>2x15     | Telenet & Voo<br>2x14.8  |              | Free<br>1x5      |  |
| <b>2.6GHz</b> | Free<br>140MHz paired, 50MHz unpaired <sup>1</sup> |                      |                      |                          |              |                  |  |
| <b>Total</b>  | KPNgB<br>100.6MHz                                  | Proximus<br>100.6MHz | Mobistar<br>100.6MHz | Telenet & Voo<br>29.6MHz |              | Free<br>217.8MHz |  |

## Upcoming auction

- Auction of 185MHz (140 paired + 45 unpaired) in 2.6GHz band scheduled for end of November 2011
  - Operators capped at 40MHz (2x20) in paired
- Current 2G licenses can be extended till 2021
- No clarity on 800MHz band yet

<sup>1</sup> 45 of 50MHz unpaired will be auctioned

# Service revenues growth Mobile International



<sup>1</sup> Management estimates for market service revenues growth, based on equity research