

# **Company presentation KPN**

August 2009

# Safe harbor

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

This presentation 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 at 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.

All market share information in this presentation 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.

## **Forward looking statements**

Certain statements contained in this presentation constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the impact of regulatory initiatives on KPN's operations, its and its joint ventures' share of new and existing markets, general industry and macro-economic trends and KPN's performance relative thereto, and statements preceded by, followed by or including the words "believes", "expects", "anticipates" or similar expressions.

These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside KPN's control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the 2008 Annual Report.

# Agenda

**KPN profile**


















**Results Q2 2009**

**Strategy**



# KPN profile<sup>1</sup>

Market leader in the Netherlands, mobile challenger abroad

	<b>The Netherlands</b>		<b>Germany</b>		<b>Belgium</b>																														
   	<table><tr><td>Wireless</td><td></td></tr><tr><td>Position</td><td>1</td></tr><tr><td>Market share</td><td>~50%</td></tr><tr><td>Wireline</td><td></td></tr><tr><td>Position</td><td>1</td></tr><tr><td>Market share</td><td>&gt;50%</td></tr><tr><td>Broadband</td><td></td></tr><tr><td>Position</td><td>1</td></tr><tr><td>Market share</td><td>44%</td></tr></table> <ul style="list-style-type: none"><li>• Integrated market leader in telecoms</li><li>• Own brands and partners</li><li>• Leading business ICT service provider</li></ul>	Wireless		Position	1	Market share	~50%	Wireline		Position	1	Market share	>50%	Broadband		Position	1	Market share	44%		<table><tr><td>Position</td><td>3</td></tr><tr><td>Market share</td><td>15.5%</td></tr><tr><td>Customers</td><td>18.2m</td></tr></table> <ul style="list-style-type: none"><li>• 'Challenger' network operator</li><li>• Own brands and partners</li><li>• Part of KPN as of 2000</li></ul>	Position	3	Market share	15.5%	Customers	18.2m		<table><tr><td>Position</td><td>3</td></tr><tr><td>Market share</td><td>&gt;17%</td></tr><tr><td>Customers</td><td>3.5m</td></tr></table> <ul style="list-style-type: none"><li>• 'Challenger' network operator</li><li>• Own brands and partners</li><li>• Part of KPN as of 1998</li></ul>	Position	3	Market share	>17%	Customers	3.5m
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	<b>Spain</b>			<b>Group financials</b>																															
	<table><tr><td>Position</td><td>n/a</td></tr><tr><td>Market share</td><td>&lt; 0.3%</td></tr><tr><td>Customers</td><td>~0.2m</td></tr></table> <ul style="list-style-type: none"><li>• MVNO on Orange network</li><li>• Own brands and partners</li><li>• Launched in January 2008</li></ul>	Position	n/a	Market share	< 0.3%	Customers	~0.2m			<table><tr><td>Revenues FY 2008</td><td>€14.6 bn</td></tr><tr><td>EBITDA FY 2008</td><td>€5.1 bn</td></tr><tr><td>FTE</td><td>35,502</td></tr><tr><td>Market cap</td><td>~€16 bn</td></tr><tr><td>Net Debt</td><td>€12 bn</td></tr></table>		Revenues FY 2008	€14.6 bn	EBITDA FY 2008	€5.1 bn	FTE	35,502	Market cap	~€16 bn	Net Debt	€12 bn														
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<sup>1</sup> Numbers relate to Q2 2009 unless stated otherwise; market shares are management estimates

# KPN profile FY 2008 (cont'd)

Market leader in the Netherlands, mobile challenger abroad

<b>KPN<sup>1</sup></b>		Revenues € 14.6 bn	EBITDA € 5.1 bn
<b>The Netherlands<sup>1</sup></b>		Revenues € 10.5 bn	EBITDA € 3.7 bn
<b>Consumer</b>		Revenues € 4.1 bn	EBITDA € 0.9 bn
<b>Business</b>		Revenues € 2.5 bn	EBITDA € 0.7 bn
<b>Wholesale &amp; Operations</b>		Revenues € 3.9 bn	EBITDA € 1.9 bn
<b>Getronics</b>		Revenues € 2.2 bn	EBITDA € 0.1 bn
<b>Mobile International</b>		Revenues € 4.1 bn	EBITDA € 1.5 bn
<b>E-Plus</b>		Revenues € 3.2 bn	EBITDA € 1.2 bn
<b>BASE</b>		Revenues € 0.8 bn	EBITDA € 0.3 bn
<b>Rest of the World</b>		Revenues € 0.1 bn	EBITDA < € -0.1 bn

<sup>1</sup> Excluding intercompany revenues

# Operating principles

Executing our strategy along clear principles

## Country-specific strategies



- Strategy tailored to local markets
- Integrated market leader in NL
- Challenger in Germany and Belgium

## Customer focus



- Services based on customer needs
- No technology push
- Customer Lifecycle Management

## Multi-branding / distribution



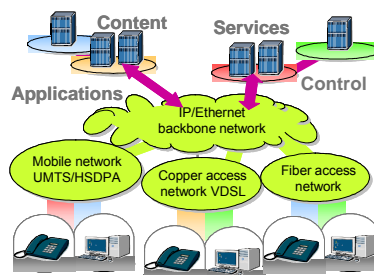
- Segmented market approach
- Many own and third party channels

## Lowest cost



- Focus on operational excellence
- Competitive cost base

## Open access model



- Infrastructure sharing
- Committed wholesale partner

## Proactive

Migration to IP



- Turning early exposure to market trends into key strength

# Financing principles

Prudent financing policy and strong focus on shareholder remuneration

Prudent financing policy	Growing dividend per share	Share repurchases
<ul style="list-style-type: none"> <li>Combining attractive shareholder remuneration and flexibility to invest in business</li> <li>Protecting interests of both shareholders and bondholders</li> <li>Net debt / EBITDA ratio between 2.0x and 2.5x<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>Targeting dividend per share of € 0.80 in 2010 as part of 'Back to Growth' strategy</li> <li>Dividend pay-out of 40-50% of free cash flow<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>Using surplus cash for share repurchases</li> <li>€ 7.5 bn in shares repurchased since 2004, &gt;30% of total outstanding shares</li> <li>€ 1 bn share repurchase program for 2009 ongoing</li> </ul>
Refinancing	Credit rating	Selective M&A
<ul style="list-style-type: none"> <li>Redemptions financed well ahead               <ul style="list-style-type: none"> <li>Issued € 1.5 bn in bonds in February 2009</li> </ul> </li> <li>Tendered 34% of € 1.3 bn redemption for 2010</li> <li>€ 1.5 bn of undrawn credit lines</li> </ul>	<ul style="list-style-type: none"> <li>Current ratings BBB+ (S&amp;P) and Baa2 (Moody's)</li> <li>Committed to minimum credit rating of resp. BBB and Baa2</li> <li>S&amp;P upgraded outlook from 'negative' to 'stable' BBB+ in December 2008</li> </ul>	<ul style="list-style-type: none"> <li>Clear focus on value creation</li> <li>Right asset at the right price as main principle</li> <li>Successful track record of buying market share and capabilities in past years</li> </ul>

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

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

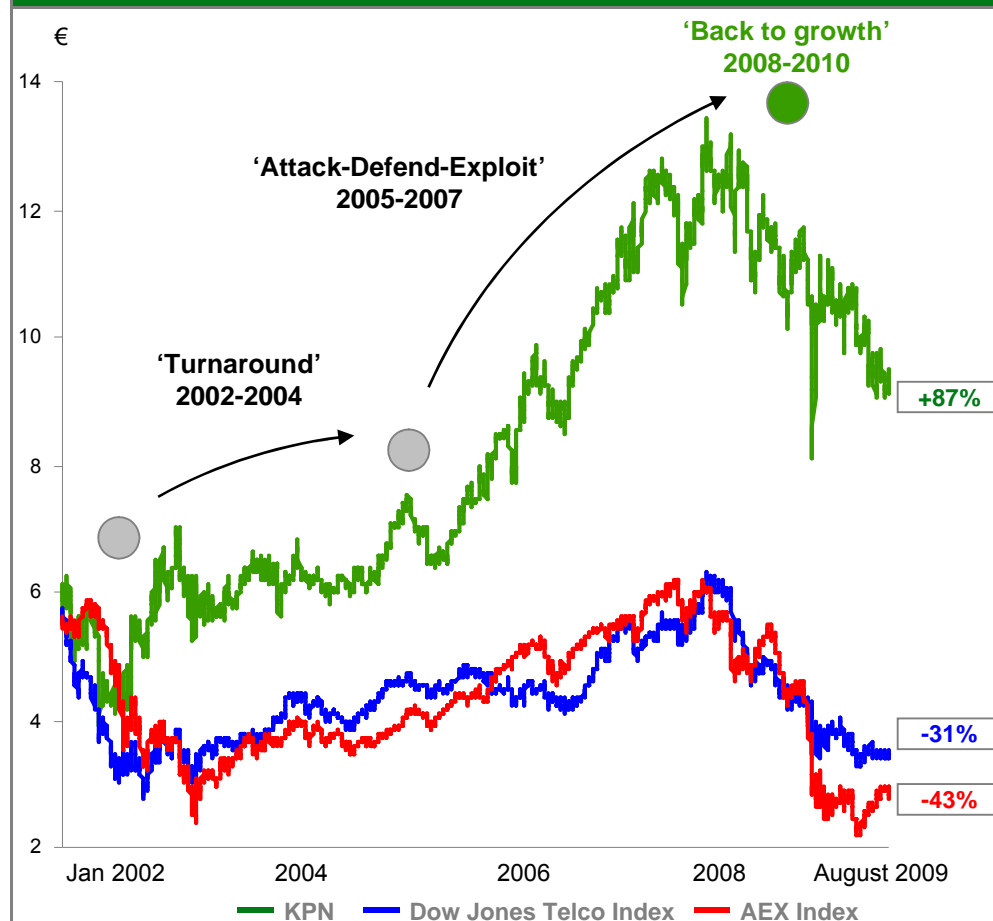
# Share price performance

Strategies executed by KPN leading to market outperformance

## Shareholder returns

- Track record of delivering shareholder value
- Returning excess cash to shareholders
- € 13.6 bn returned to shareholders since 2002
  - € 5.8 bn dividend
  - € 7.8 bn share repurchases<sup>1</sup>
- Strengthened financial profile between 2002 and Q1 2009
  - Equity value increased from ~€ 15 bn to ~€ 18 bn
  - Net debt decreased from ~€ 16 bn to ~€ 12 bn

## KPN share price outperformance<sup>2</sup>



<sup>1</sup> Of which € 1 bn share repurchase program committed in 2009

<sup>2</sup> Source Bloomberg; performances based on prices of 1 January '02 until 20 August '09



# KPN the Netherlands: Historic perspective

“Innovative” strategy to drive value in most competitive market

	Position	Proactive strategy
Mobile 2004	<ul style="list-style-type: none"> <li>• Competition from 4 other Mobile operators</li> <li>• Pressure on all key metrics (market share, revenue, EBITDA margin)</li> <li>• Underrepresented in youth &amp; value for money segment</li> <li>• Limited presence in external retail</li> </ul>	<ul style="list-style-type: none"> <li>• Revitalized commercial strategy <ul style="list-style-type: none"> <li>– Launch of multi-brands to service all segments, e.g. youth, no-frills</li> <li>– Expand captive channels and strategic partnerships with key external retail</li> <li>– Alignment customer value and SAC/SRC</li> </ul> </li> <li>• In-country consolidation through Telfort</li> </ul>
Fixed 2005	<ul style="list-style-type: none"> <li>• Strong competition from 5 major cable operators (90% penetration), 4 alternative DSL networks and C(P)S operators</li> <li>• Continued revenue and EBITDA decline in traditional services</li> <li>• Contraction “Fixed” market due to mobile substitution and price pressure</li> <li>• Accelerating net line loss to competition</li> </ul>	<ul style="list-style-type: none"> <li>• All-IP strategy with Attack/Defend/Exploit <ul style="list-style-type: none"> <li>– Drive new (IP) revenue streams (Attack)</li> <li>– Maintain share in traditional markets (Defend)</li> <li>– Achieve structurally lower cost base (Exploit)</li> </ul> </li> <li>• In-country consolidation of ISPs / Alt DSL and new capabilities</li> </ul>

# KPN the Netherlands: Achievements

Leading position through successful strategy

## Consumer market

- Consumer strategy delivering results
  - Revenue decline stopped per Q4 '08
  - Shift to customer value and investments for growth
  - Simplification program
- Net line loss at relatively low levels
- 12% market share in TV
- Sustained leadership in wireless
  - Quality of net adds continues to improve
  - Carefully managing SAC/SRC

## Business market

- Solid revenue and profitability trends up to Q2 '09, current economic climate brings challenges
- Stable market shares in most segments
- Actions to mitigate impact from economic downturn are paying off

## Getronics





- Successful transition during 2008
- Timely disposals at good prices
  - Focus on workspace management
  - Total consideration of disposals >€ 500 mn
- Synergies and cost reductions on track
- Pre-emptive measures taken to maintain profitability goals
  - 10 % staff reduction on total of about 14,000 FTE

## Wholesale & Operations

- Business case FttH and FttC
  - Implementing fiber in five cities each in 2009
  - Evaluation by end of 2009
- Significant cost cutting programs
- Real estate disposal program ongoing
  - € 180 mn sold in 2008
  - Focus on value optimization rather than on timing

# Mobile International: Historic perspective

Challenger strategy to unlock value from market dominated by competition


Position	Challenger strategy
  <p><b>2002:</b></p> <ul style="list-style-type: none"> <li>• Outrun and outnumbered by competition <ul style="list-style-type: none"> <li>– Low market share</li> <li>– Under deployed and underutilized network</li> <li>– Generating negative cash flow</li> </ul> </li> <li>• Distribution dominated by competition</li> </ul>	<div> <div>Customer targeting</div> <ul style="list-style-type: none"> <li>• Target segments through multi-brands, create brand preference</li> </ul> </div> <div> <div>Distribution</div> <ul style="list-style-type: none"> <li>• Launch MVNOs with strong and new distribution channels and expand captive channels</li> </ul> </div> <div> <div>Operational excellence</div> <ul style="list-style-type: none"> <li>• Improve network coverage to drive Fixed-Mobile substitution and simplify operations (outsourcing)</li> </ul> </div> <div> <div>Financial model</div> <ul style="list-style-type: none"> <li>• Focus on margin and pay-back time; align SAC/SRC with customer value</li> </ul> </div>
  <p><b>2005:</b></p> <ul style="list-style-type: none"> <li>• Outrun and outnumbered by competition <ul style="list-style-type: none"> <li>– Low market share</li> <li>– High acquisition costs relative to ARPU</li> <li>– Under deployed and underutilized network</li> </ul> </li> <li>• Distribution dominated by competition</li> </ul>	


# Mobile International: Achievements


Impressive turnaround through challenger strategy

## Successful customer targeting

- Multiple brands launched with leading position per segment

 – Simple, low and uniform pricing, no-frills segment

 – Value for money flat rates for heavy users, Fixed-Mobile substitution

 – Attractive rates to Turkey and within community, ethnic segment

## Distribution strengthened

- MVNOs with strong and new distribution channels launched on our network
- Captive channels expanded
  - Acquired shops e.g. SMS Michel, Allo Telecom
  - leading internet distribution through Simyo





- Biggest retailer in Germany
- >4,000 points of sale



- Ethnic focus

## Operational excellence

- Simplified operations
  - Outsourcing of network operations / maintenance
  - Smart follower strategy for advanced services
  - More customer facing staff
- Network coverage improved
  - E-GSM in Germany improved indoor coverage
  - EDGE deployed for data in Belgium

## Financial model

- Outperforming market growth
  - Share of new brands
  - Fixed-Mobile substitution
- Profitable growth due to wholesale partners
  - Low acquisition costs, outsourcing
- Amongst most profitable #3 operator
  - Short pay-back period

# Agenda

KPN profile

**Results Q2 2009**

Strategy



## Highlights Q2 2009

- Resilient results reflect continued focus on EBITDA and free cash flow, whilst maintaining market shares
- Solid performance Dutch Telco business, strong EBITDA growth
- Mobile International service revenues flat, Challenger strategy resulting in continued EBITDA growth
- Early anticipation of economic downturn is paying off
- Confirming EBITDA, free cash flow and dividend projections

### Financial highlights

- Revenues and other income from existing operations € 3,411 mn, down 2.0% y-on-y
- EBITDA of € 1,322 mn, up 5.3% y-on-y
- Free cash flow<sup>1</sup> of € 739 mn, on track to meet full-year guidance of ~ € 2.4 bn
- € 1.0 bn SBB for 2009 started in November 2008, ~72% completed at 24 August '09
- Interim dividend declared for 2009 of € 0.23 per share, up 15% compared to 2008

<sup>1</sup> Defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture at E-Plus

## Economic downturn

Impact predominantly in business market, pre-emptive measures paying off

### Impact so far

- Consumer
  - No material impact, except roaming
- Business
  - Decline traffic volumes and roaming
  - Requests for contract renegotiations
- Getronics
  - Decline in outsourcing and consulting business
- W&O
  - No material impact, except for real estate disposals
- Mobile International
  - No material impact, except roaming

### Measures taken and results

- Reduction of ~1,000 FTE in temporary staff
- Tariff reduction of 20% for services from third parties
- € 100 mn savings on purchasing already contracted with suppliers
- ~€ 60 mn annual savings from ~10% FTE reduction at Getronics
- Resilient financial performance given current market conditions
- Market shares not impacted by economic downturn

# Group results

Strong profitability across the group, lower revenues mainly due to iBasis

€ mn	Q2 '09	Q2 '08	%	YTD '09	YTD '08	%
<b>Revenues and other income (reported)</b>	<b>3,411</b>	<b>3,662</b>	<b>-6.9%</b>	<b>6,807</b>	<b>7,232</b>	<b>-5.9%</b>
– Getronics revenues (disposed)	-	181	-	14	373	-
<b>Revenues and other income (existing)</b>	<b>3,411</b>	<b>3,481</b>	<b>-2.0%</b>	<b>6,793</b>	<b>6,859</b>	<b>-1.0%</b>
<b>Operating expenses</b>	<b>2,669</b>	<b>3,006</b>	<b>-11%</b>	<b>5,433</b>	<b>5,928</b>	<b>-8.4%</b>
– of which Depreciation <sup>1</sup>	391	407	-3.9%	783	816	-4.0%
– of which Amortization <sup>1</sup>	189	204	-7.4%	399	378	5.6%
<b>Operating result</b>	<b>742</b>	<b>656</b>	<b>13%</b>	<b>1,374</b>	<b>1,304</b>	<b>5.4%</b>
Financial income/expense	-212	-175	21%	-387	-340	14%
Share of profit of associates	-2	-	-	-1	-6	-83%
<b>Profit before taxes</b>	<b>528</b>	<b>481</b>	<b>9.8%</b>	<b>986</b>	<b>958</b>	<b>2.9%</b>
Taxes	-158	-128	23%	-299	-271	10%
<b>Profit after taxes</b>	<b>370</b>	<b>353</b>	<b>4.8%</b>	<b>687</b>	<b>687</b>	<b>0%</b>
<b>Earnings per share<sup>2</sup></b>	<b>0.22</b>	<b>0.20</b>	<b>10%</b>	<b>0.41</b>	<b>0.39</b>	<b>5.1%</b>
<b>EBITDA<sup>3</sup> (existing)</b>	<b>1,322</b>	<b>1,256</b>	<b>5.3%</b>	<b>2,556</b>	<b>2,477</b>	<b>3.2%</b>
– Getronics EBITDA (disposed)	-	11	-	-	21	-
<b>EBITDA<sup>3</sup> (reported)</b>	<b>1,322</b>	<b>1,267</b>	<b>4.3%</b>	<b>2,556</b>	<b>2,498</b>	<b>2.3%</b>

- Revenues mainly down due to iBasis, following shift from revenues to gross margin
- EBITDA in Q2 '09 negatively impacted by € 26 mn restructuring provision at Getronics

<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 €), based on a weighted average of 1,662 mn shares

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



## Group cash flow Q2 '09

Free cash flow of € 0.7 bn in Q2 '09

€ mn	Q2 '09	Q2 '08	%
<b>Operating result</b>	<b>742</b>	<b>656</b>	<b>13%</b>
Depreciation and amortization <sup>1</sup>	580	611	-5.1%
Interest paid/received	-123	-145	-15%
Tax paid/received	58	-85	n.m.
Change in provisions	-61	-41	49%
Change in working capital <sup>2</sup>	-75	190	n.m.
Other movements	-1	-9	89%
<b>Net cash flow from operating activities</b>	<b>1,120</b>	<b>1,177</b>	<b>-4.8%</b>
<b>Capex<sup>3</sup></b>	<b>386</b>	<b>451</b>	<b>-14%</b>
Proceeds from real estate	5	1	>200%
Tax recapture E-Plus	-	71	-
<b>Free cash flow<sup>4</sup></b>	<b>739</b>	<b>798</b>	<b>-7.4%</b>
Dividend paid	664	637	4.2%
Share repurchases	196	374	-48%
<b>Cash return to shareholders</b>	<b>860</b>	<b>1,011</b>	<b>-15%</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 at E-Plus

- Free cash flow of € 739 mn, down 7.4% y-on-y
  - € 75 mn positive effect from tax prepayment in Q1 '09
  - € 60 mn tax benefit in Q2 '09
  - Strong working capital improvement in Q2 '08
  - € 5 mn proceeds from real estate disposals in Q2, due to current market circumstances
- Capex down 14% y-on-y
  - Different Capex phasing at Getronics
  - Capex for handset lease in Germany decreasing following € 30 mn sale and lease back agreement in Q2 '09

# Agenda

KPN profile

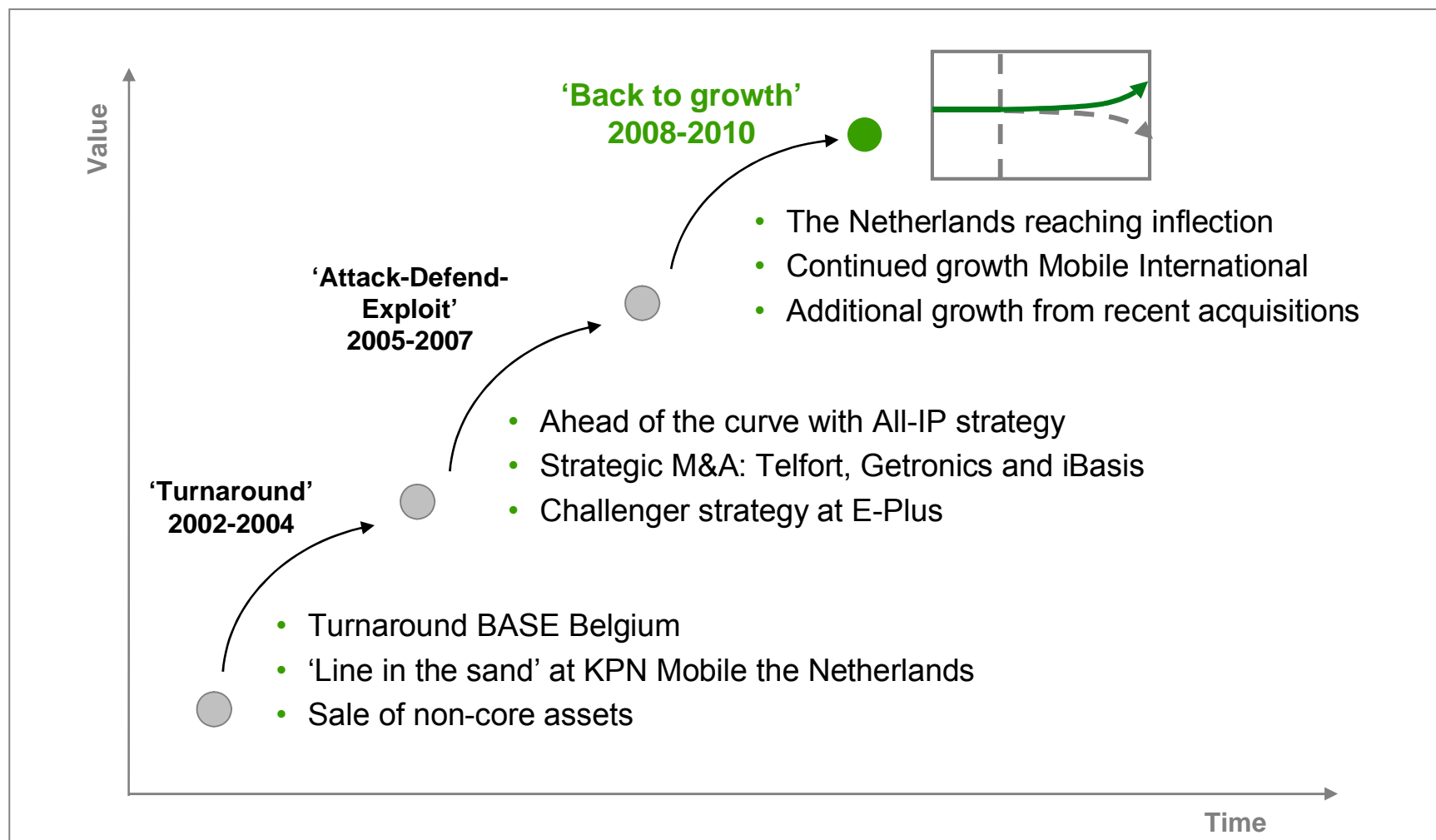
Results Q2 2009

**Strategy**



# Ambition 2008-2010

KPN entering a growth phase with 'Back to Growth' strategy



# Outlook

Confirming EBITDA and free cash flow outlook for 2009 and 2010

	Reported <sup>1</sup> 2008	Outlook 2009	Outlook 2010
Revenues and other income <sup>1</sup>	€ 14.0 bn	€ 13.6-13.8 bn	In line with 2009
EBITDA <sup>1</sup>	€ 5.0 bn	Meaningful step towards 2010 target	> € 5.5 bn
Capex	€ 1.9 bn	~ € 2 bn	~ € 2 bn
Free cash flow <sup>2</sup>	€ 2.6 bn	~ € 2.4 bn	> € 2.4 bn
Dividend per share	€ 0.60	Meaningful step towards 2010 target	€ 0.80

- Focus on EBITDA and cash flow, rather than revenues
- Confirming EBITDA, free cash flow and dividend projections for 2009 and 2010
- Adjusting revenue outlook, due to revenue performance iBasis and lower real estate sales
  - Guiding for revenues of € 13.6 - 13.8 bn in 2009
  - Revenues for 2010 expected to be in line with 2009
  - Limited EBITDA impact
- Dividend per share for 2009 making meaningful step towards 2010 target
- Expecting € 50-100 mn real estate proceeds in 2009

<sup>1</sup> Excluding disposed operations at Getronics

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

# Strategic progress Consumer

Consumer strategy delivering results

## **'Back to Growth' strategy**

**Strengthen position as  
leading consumer  
service provider**

**Market share growth in  
broadband and  
strengthening wireless**

**Reach inflection in  
EBITDA**

## **Achievements H1 '09**

- Increase in EBITDA and margins
  - Managing customer base for value
  - Cost reductions from simplification
- Net line loss at low levels
  - Retention offers reducing PSTN/ISDN loss
  - Partly offset by slowdown in broadband market
- Sustained leadership in wireless
  - Quality of net adds continues to improve
  - Carefully managing SAC/SRC
  - Migration Debitel customers on track
- Secured competitive position in TV market

# Strategic progress Business

Solid performance in challenging markets

## **'Back to Growth' strategy**

**Benefit from leading position in infrastructure**

**Preferred supplier for business market**

**Revenue growth with 'best-in-class' margins**

## **Achievements H1 '09**

- Solid financial performance in challenging markets
  - Revenue growth slowing down to 0.2% YTD
  - Strong growth in EBITDA and margins
  - Actions to mitigate economic impact are paying off
- Stable market shares, except for small decrease in wireless voice
- Customer satisfaction continuously increasing, reflected in 'Net Promotor Score'

## Strategic progress Getronics

Improving performance despite challenging market conditions

### **'Back to Growth' strategy**

**Benelux market leader**

**Expand global  
workspace management**

**'Best-in-class' margins**

### **Achievements H1 '09**

- Improving revenue and profitability trends
  - Better than expected in challenging markets
- Created Benelux market leader following integration with KPN Business Segment
- Established 'Global Workspace Alliance' to strengthen global presence through partners
- 1,400 FTE reduction program largely done
- Focus on EBITDA and cash flow, rather than revenues
- On track for ambition of 8% EBITDA margin in 2010

# Strategic progress Mobile International

Sustained market outperformance through challenger strategy

	2006 – 2007 <i>Establishing the business model</i>	2008 <i>Refining the business model</i>
Germany	<ul style="list-style-type: none"> <li>• Strong top-line growth through focus on voice / SIM-only with multi-brands</li> <li>• Step change in EBITDA through SIM-only, wholesale and outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Sustained customer growth, driven by new brands and wholesale</li> <li>• Continued Fixed-Mobile substitution</li> <li>• Focused marketing and network rollout</li> </ul>
Belgium	<ul style="list-style-type: none"> <li>• Sustained top-line growth by focus on consumer segments and wholesale</li> <li>• Efficiency through smart follower for new technology</li> </ul>	<ul style="list-style-type: none"> <li>• Optimization of retail tariffs and wholesale portfolio</li> <li>• Expansion of captive distribution</li> <li>• Tailwind from more favourable MTA ruling</li> </ul>
Inter-national MVNOs	<ul style="list-style-type: none"> <li>• First-mover to tap attractive segment</li> <li>• Leveraged wholesale partners across footprint</li> <li>• Prepared international MVNO rollout</li> </ul>	<ul style="list-style-type: none"> <li>• Spain launched in January 2008, fastest growing MVNO</li> <li>• French MVNO prepared, Simyo launched in January 2009</li> </ul>

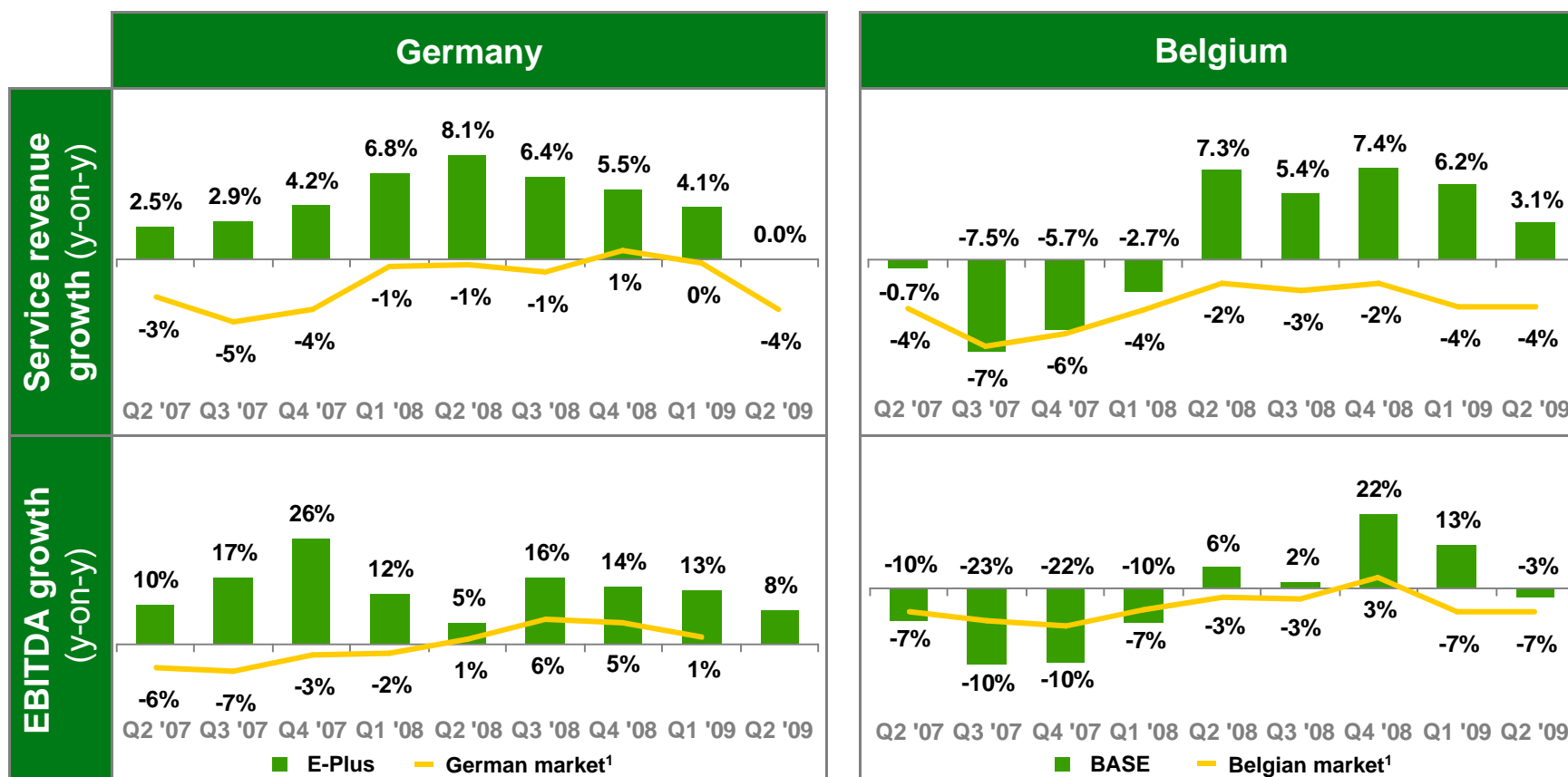
**Sustained market outperformance**

**Robust financial business model, amongst most profitable # 3 operators**



# Market outperformance

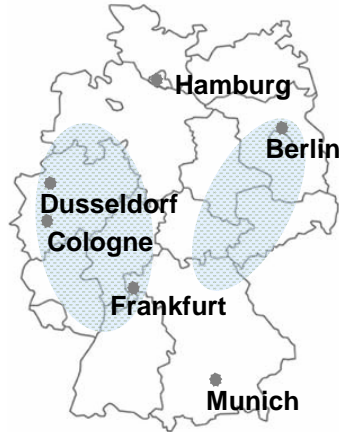
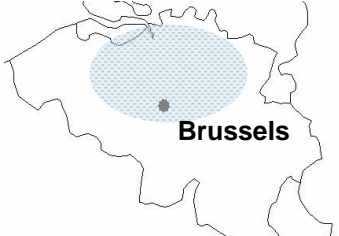
Clear outperformance in Germany and Belgium in past years



<sup>1</sup> Management estimates

# Strategy going forward

Confident to achieve outperformance with Challenger strategy

Strategy going forward	
<ul style="list-style-type: none"> <li>• Unlocking substantial untapped market potential through further intensifying execution of Challenger strategy</li> <li>• Expanding addressable market by moving into regions and segments that are underrepresented <ul style="list-style-type: none"> <li>– Regions with below average market share</li> <li>– Move into SME/SoHo and high-value Post Paid</li> </ul> </li> <li>• Business model with built-in flexibility in cost base driving strong profitability</li> <li>• Smart-follower investment strategy based on return on capital employed (ROCE)</li> </ul>	
Regional approach	
Germany	
	
<p>● Region with high Post Paid share</p>	

**Targeting 20-25% service revenue market share in next few years**

**EBITDA margin of at least 35%**

## Rest of World

MVNOs in Spain and France on track, Ortel lagging behind but actions taken

### Spain

- Fastest growing MVNO with stable ARPU from value-for-money offers
- Growth accelerating following new Simyo marketing campaign
- Continued growth from blau and wholesale partners
- Expecting to become cash flow positive in 2010

### France



- Relatively stable sales in first months without significant marketing
- Growth accelerating following new Simyo marketing campaign
- Launch of several partners and brands in H2 '09
- Expecting to become cash flow positive in 2011

### Ortel



- Performance Ortel lagging behind plan, due to further increase in competition in cultural segment in Q2 '09
  - Strong focus on price promotions leading to high inactivity and churn
- Structured actions taken to improve performance
  - E.g. less focus on customer acquisition, but more on usage incentives

# Appendix

*For further information please contact*

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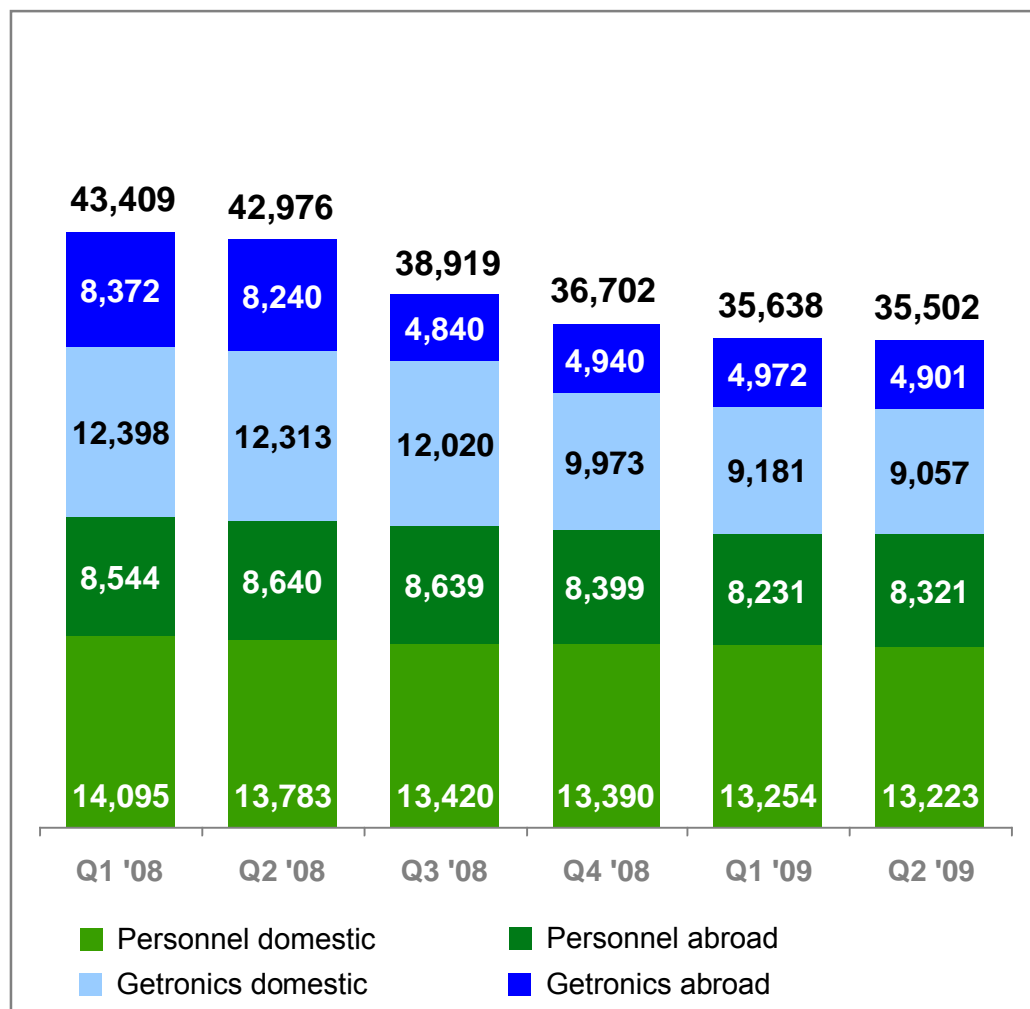
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# Personnel<sup>1</sup>

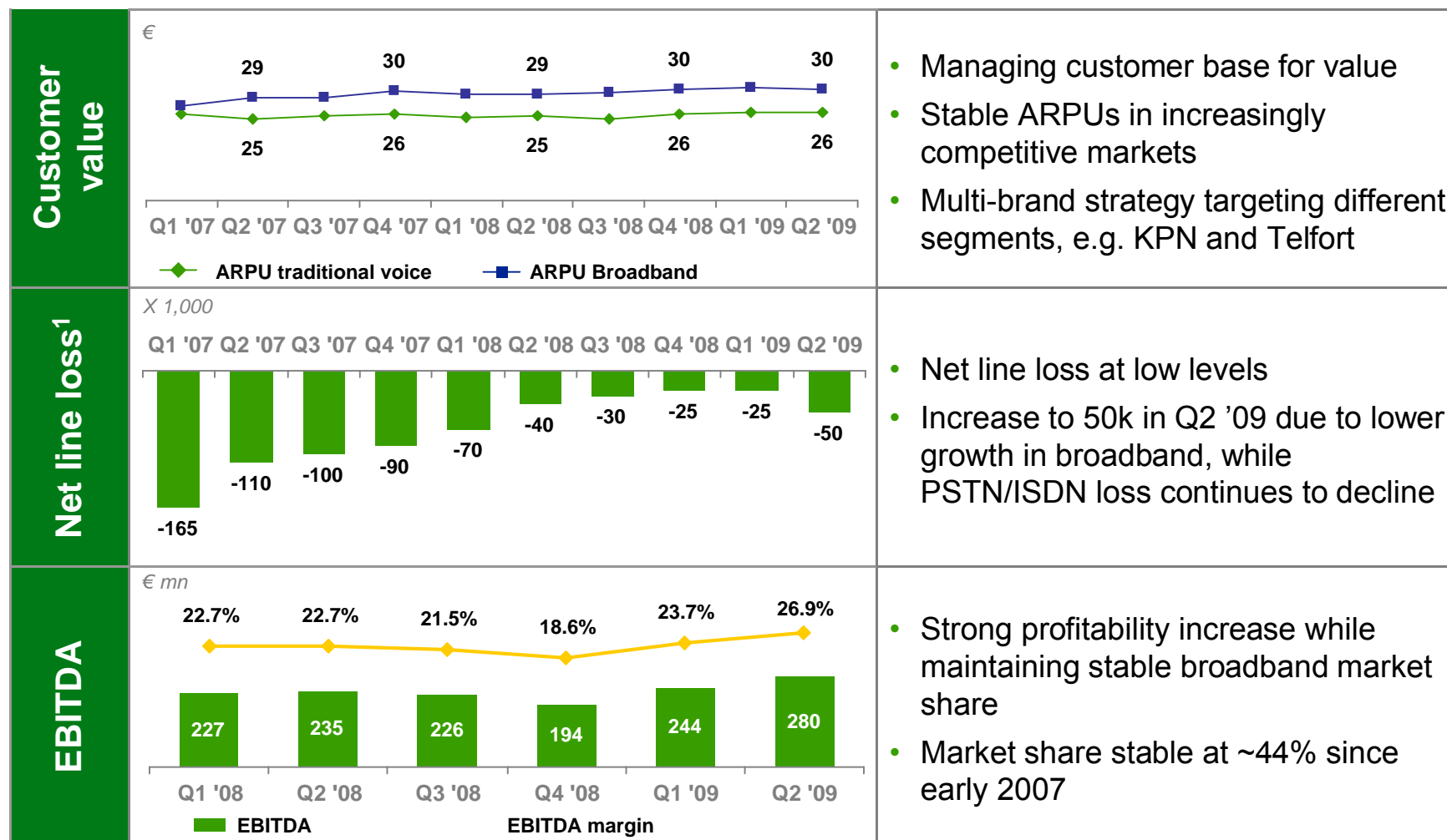


- Decrease of 7,474 FTE y-on-y
  - Reduction of 643 FTE in the Netherlands (excl. Getronics and acquisitions)
  - Reduction of 6,595 FTE at Getronics, mainly from divestments
  - Reduction of 319 FTE at KPN abroad, mainly in call centers
- Decrease of 136 FTE compared to Q1 '09
  - Reduction of 195 FTE at Getronics due to restructuring
  - Partly offset by increase at Mobile International
- Cumulative reduction of 7,103 FTE in the Netherlands since 2005
  - Excluding Getronics and acquisitions
  - Related to reduction target of 10,000 FTE by 2010
  - Taking number of outsourcing decisions in early 2010 at the latest

<sup>1</sup> New organizational structure as of Q1 '09, following integration of part of KPN Business Market into Getronics; restated numbers for 2008

# Wireline services

Profitability increase driven by managing customer base for value

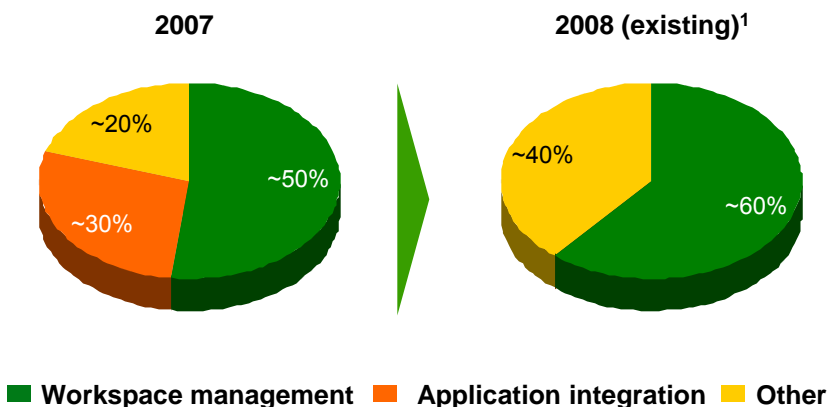


<sup>1</sup> PSTN / ISDN line loss + growth VoIP Consumer + growth ADSL only + growth WLR; management estimates

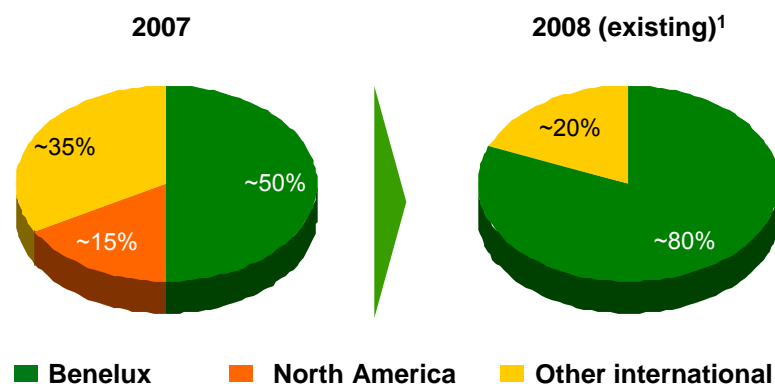
# Getronics

Risk profile substantially improved and strong progress on strategic priorities

Revenues by segment



Revenues by geography



- Getronics acquired to create prime contractor for managed ICT services
  - Customers increasingly requiring all telecom and ICT services from one vendor
- Expedient transformation at Getronics
  - Disposals of non-core assets, e.g. North America and Business Application Services (in total ~€ 0.9 bn annual revenues)
  - Integration of part of KPN Business market into Getronics (~€ 0.9 bn annual revenues)
- Risk profile substantially improved and strong progress on strategic priorities
  - Part of earlier announced synergies already realized
  - Growing number of joint contract wins and upselling to existing customers

<sup>1</sup> Revenue data for 2008 excluding disposals and including operations transferred from KPN Business Market

# Fiber

Balanced approach in fiber rollout, evaluation of 2x5 cities by end of 2009

## Key principles

- Fiber rollout driven by fast return on investment and proven customer demand
- Maximizing customer value during fiber rollout, as measured by ARPU and EBITDA developments
- Majority of fiber-related Capex already committed and in plans for 2009 and 2010
- Focus on regional rollout, rather than comprehensive national rollout

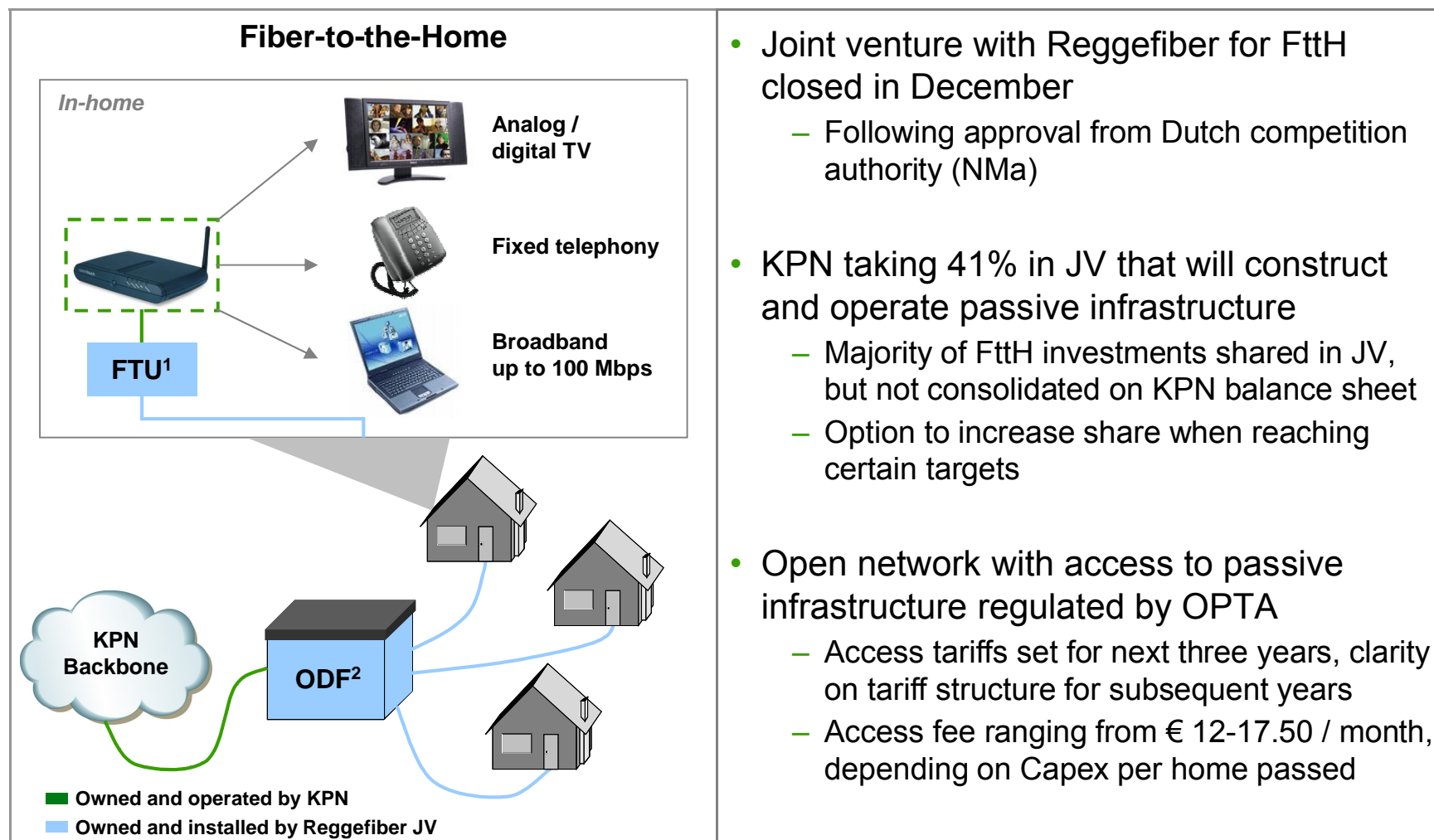
## Current status and next steps

- Fiber initiatives in 2x5 cities, based on FttC and FttH
- Evaluation by end 2009, determining speed and direction of further rollout
- Taking sufficient time to fine-tune delivery processes and IT
  - Some operational issues relating to scalability of fiber operator
  - Improving operational excellence throughout the supply chain
- Reaching ~850k homes passed by end of 2009
  - ~400k FttH (via Reggefiber JV)
  - ~450k FttC (via KPN)



# Ftth approach

Committed to selected Ftth rollout following approval of Reggefiber JV



1 Fiber Termination Unit

2 Optical Distribution Frame