KPN Investor Day: Group strategy

Strengthen - Simplify - Grow

London, 10 May 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.

The term service revenues refers to wireless service revenues.

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

Forward-looking statements

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

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

Agenda

Group strategy	Eelco Blok, CEO
Simplification and quality	Baptiest Coopmans
Finance	Carla Smits-Nusteling, CFO
Concluding remarks	Eelco Blok, CEO

2015 strategic vision

Focus on 3 core principles

Strengthen	• Market positions in the Netherlands • Cost leadership (synergies, outsourcing/off-shoring) • Financial framework (tax, treasury) • Reputation & Quality
Simplify	• Portfolio of businesses & Innovation • Customer offerings and processes • Organizational structure
Grow	• Mobile Challenger businesses (Germany, Belgium, Rest of World) • Data opportunities on mobile and fixed • Dividend per share

Strategy highlights

- Anticipating changing industry dynamics
- Building on a strong platform and management team
- Balancing interests of customers, employees, and shareholders
- Making fundamental choices
  - Strengthening market leadership in the Netherlands
  - Growing successful Challenger model
  - Increasing focus on simplification, quality and reputation
  - Streamlining portfolio of businesses to focus on value
  - Sustainable prudent financial framework
- Outlook
  - 2011: EBITDA[1]: >€ 5.3bn, FCF[2]: Growth[3], DPS: ≥€ 0.85, € 1bn share repurchase program
  - 2012: FCF[2]: ~€ 2.4bn, DPS: € 0.90
  - 2013: DPS: € 0.95

1 Excluding 2011 part of reorganization costs
2 Free cash flow defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture at E-Plus
3 “Growth” defined as growth compared to 2010 free cash flow, set on 26 January 2010 (free cash flow in 2010 was EUR 2,428m)

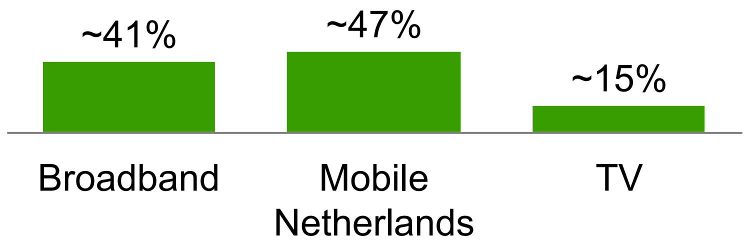
KPN Group profile

Building on our strong platform and management team

Industry-leading incumbent

- Market leader in the Netherlands
  - Fixed and mobile
  - Strong growth in digital TV
- Leading ICT service provider
- Strong track record in cost leadership

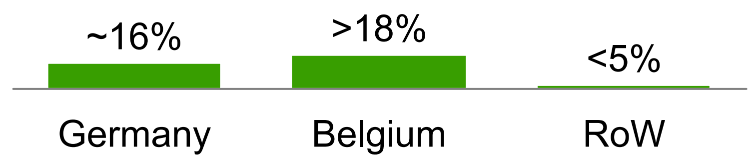
Market share[1]



Successful Challenger

- Growing profitability in Germany and Belgium
- Ortel leading in cultural segment
- Leading in international wholesale

Market share[1]



1 2010 service revenue market share. Broadband and TV based on subscribers

Macro trends

Global forces impacting KPN

Changing demographics

- Ageing: ~35% (Netherlands), >40% (Germany, Belgium) of population aged above 50

- Cultural minorities: ~20% of Western-European population

Digital world

- Communication anytime, everywhere
- Increasing role of social media and apps

- Ways of working and knowledge dissemination

New centers of economic activity

- Rise of China and India
- New centers of innovation

- Global financial influence

Accelerating green economy

- Changing customer mindsets

- Substantial government investments and incentives

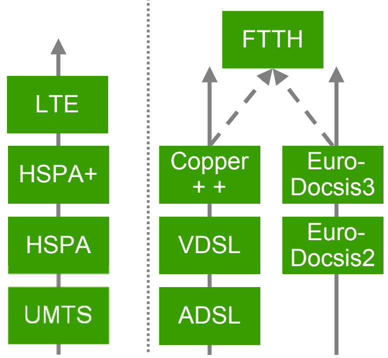
Telecom trends

New technologies and services are redrawing the landscape

Multifunctional devices

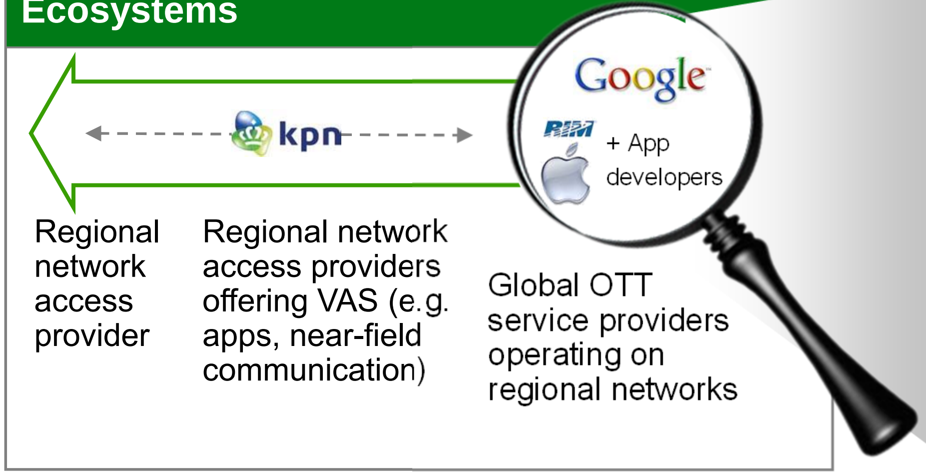
- Smartphones
- Tablets
- Internet TV
- Connected game consoles

Broadband technologies



- Road to 4G
- xDSL upgrades
  - Pair bonding
  - Vectoring
  - Phantoming
- Fiber

Ecosystems



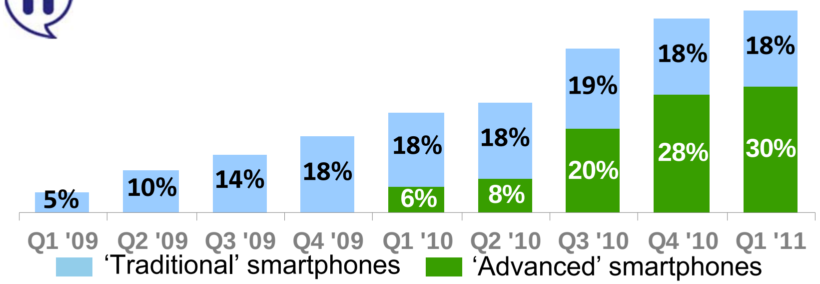
New services

- Mobile apps
- mVoIP
- Social media
- Cloud services
- Over-the-top video

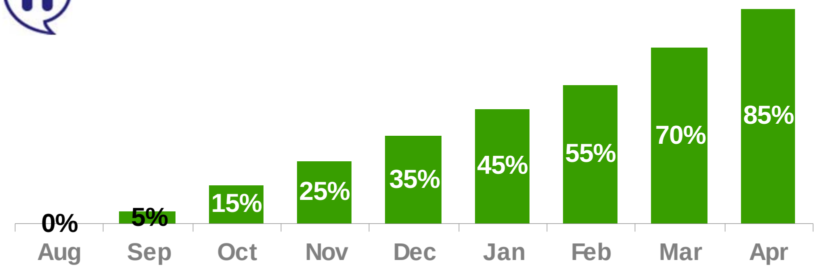
Current trends amongst early adopters

Use of applications lead to accelerating decline in SMS & out of bundle revenues

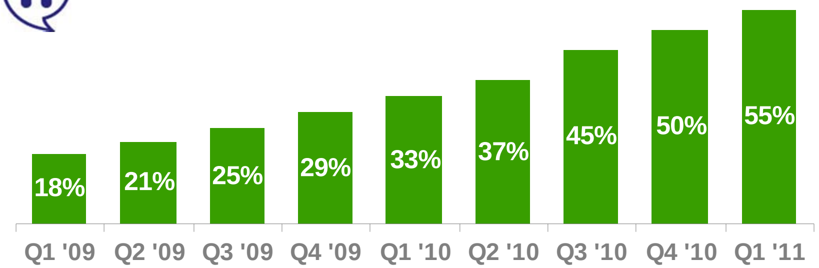
(Advanced) smartphone penetration[1]



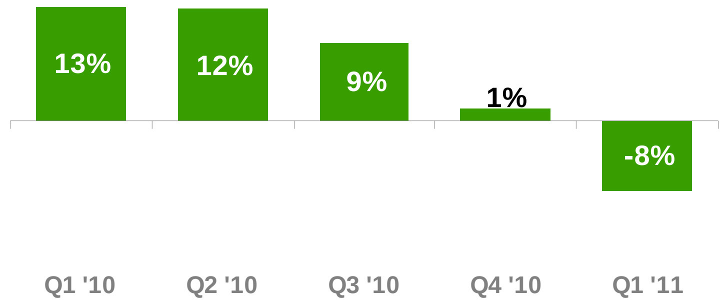
Penetration of WhatsApp[2]



Penetration of 'flat fee' data packages[1]



Growth in outgoing SMS per customer
y-on-y



Use of applications leads to lower out of bundle revenues

- Declining SMS traffic
- Making space for voice minutes within combined voice & SMS bundles

1 Based on postpaid customers of Hi brand (youth), considered early adopters
2 Based on Android phones only, KPN management estimate; postpaid customers of Hi brand (youth), considered early adopters

2015 strategic challenges

Input from customers, employees and shareholders

Stakeholder input

- High-quality service experience
- Value for money

- Customer centricity
- Investment in the future
- Group-wide collaboration

- Sustainable shareholder remuneration
- Strategic challenges in core markets
- Cost reduction potential

2015 strategic challenges

- Dutch market positions
- Continued profitable growth of Challenger model in Germany and Belgium
- Further cost reduction potential
- Portfolio streamlining for value
- Step up in simplification, quality, and reputation

2015 strategic objectives

Strengthen - Simplify - Grow

Consumer wireline

- >45% broadband market share[1]
- RGUs[2] per connection up from 1.8 to ~2.4

Consumer wireless

- Successful migration of voice to data
- Sustained mobile NL market share[1] of >45%

Business market Getronics

- Further step-by-step integration of Business and Getronics
- Leading business & ICT player in Benelux

Cost leadership

- Reduction of 4,000-5,000 FTE
- Capex efficiency & procurement; annual savings ~€ 100m as of 2012

Germany

- >20% market share[1]
- 35%-40% EBITDA margin

Belgium, RoW, iBasis

- Belgium: 20%-25% market share[1], 35%-40% EBITDA margin
- RoW: Accelerate Ortel growth
- iBasis: Continued value creation

Simplification and quality

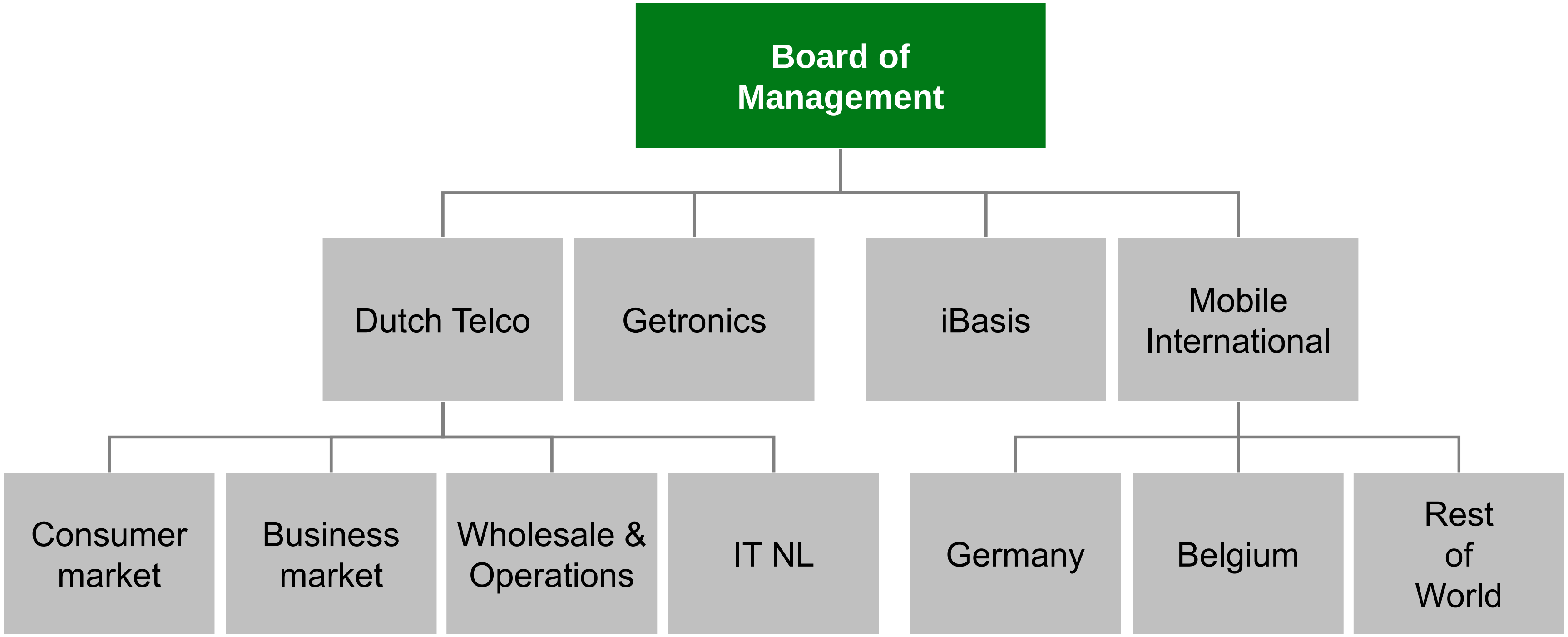
- First time right end-to-end service chains to 85-95%
- Large step-up in NPS[3]
- Top 10 Dutch reputation ranking

Financial framework

- Dividend outlook
  - ’11 - ≥€ 0.85
  - ’12 - € 0.90
  - ’13 - € 0.95
- Sustainable prudent financial framework

1 Broadband market share based on subscribers. Mobile NL, Germany and Belgium market share based on service revenue
2 RGU = Revenue Generating Unit
3 NPS = Net Promoter Score

Operational structure



Dutch Telco to report to Eelco Blok

Thorsten Dirks CEO of Mobile International and CEO of E-Plus

Consumer wireline and Consumer wireless

	Strategic initiatives	Key 2015 objectives
Consumer wireline	• Customer-centric value proposition differentiated from competitors • Hybrid FttH-VDSL network strategy • Long-term fiber ambition (Reggefiber JV) • Line-loss at stable levels, focus on RGUs • Regionalized approach	• **>45% broadband market share** • **RGUs per connection up from 1.8 to ~2.4**
Consumer wireless	• Data centric propositions • Converged Fixed-Mobile offering • Distribution footprint expansion • Focus on underpenetrated areas • Growth in value-added services (e.g. apps)	• **Successful migration voice to data** • **Sustained mobile NL market share of >45%**

Business market and Getronics

Strategic initiatives

Business market, Getronics

- Getronics rebranding to KPN in 2011
- SME/SoHo challenger brand
- Focus on the Netherlands & Belgium
- Cloud services, video-conferencing
- Targeted verticals (health, financial services)
- Fixed-Mobile convergence
- Improved distribution management and quality of service
- Continued investments in fixed-, mobile-, and datacenter infrastructure

Key 2015 objectives

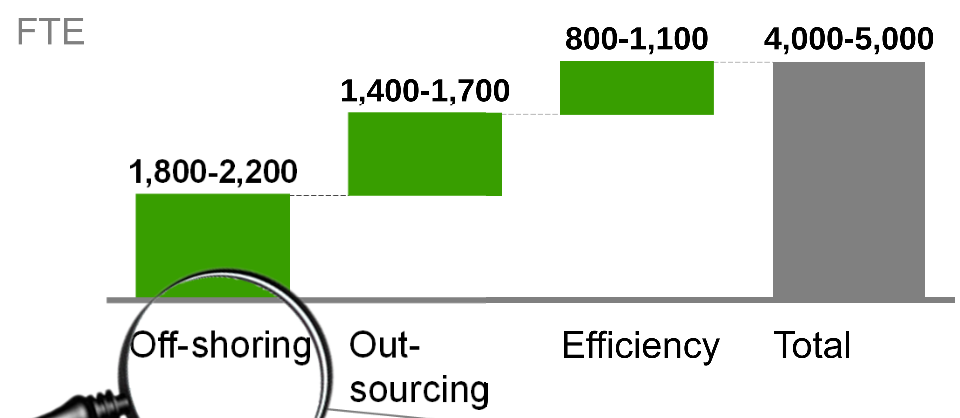
- **Further step-by-step integration of Business and Getronics**
- **Leading business & ICT player in Benelux**

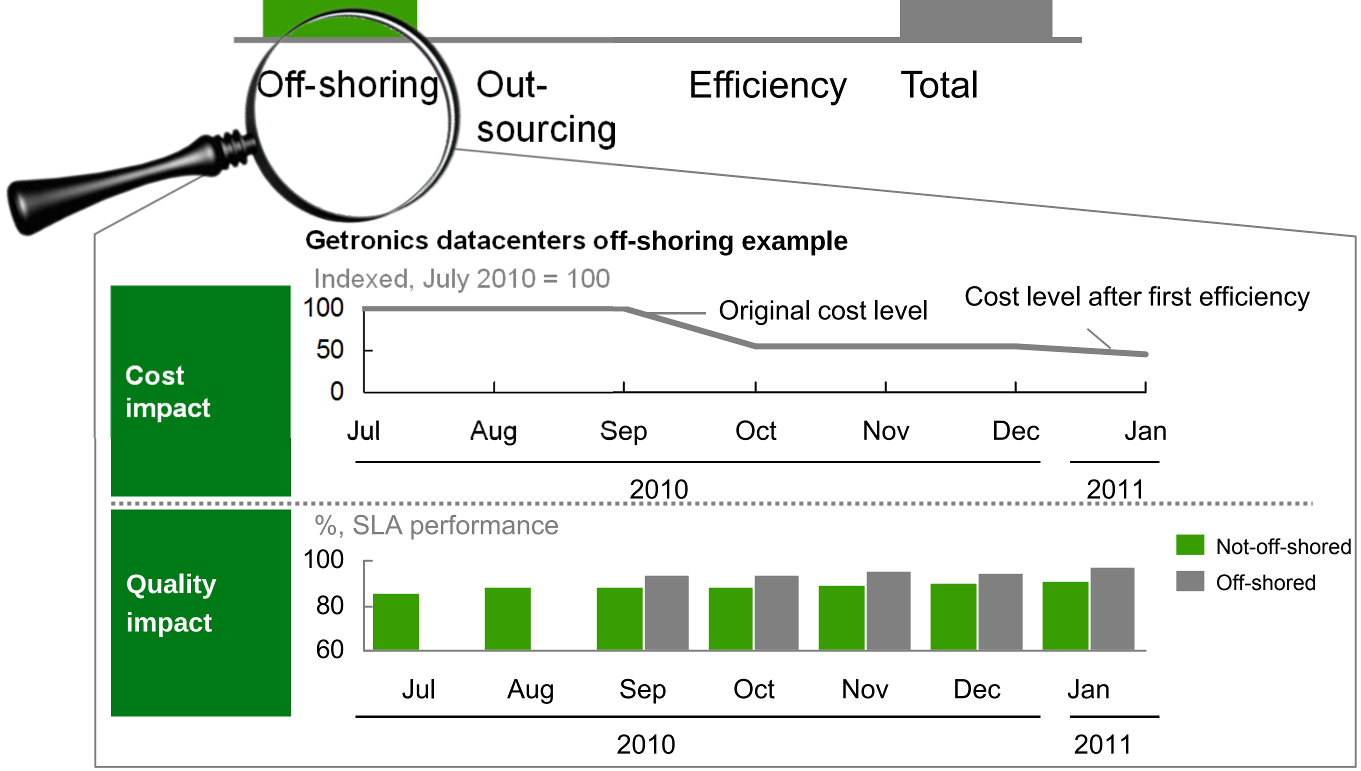
Germany, Belgium, Rest of World, iBasis

	Strategic initiatives	Key 2015 objectives
Germany 	• Grow challenger model through data • Private label smartphone offering • HSPA+ network and LTE pilots • Sufficient spectrum for data • Further exploit regionalization approach	• **>20% market share with 35%-40% EBITDA margin**
Belgium, RoW, iBasis 	• Belgium: Growing challenger model through data • RoW: Accelerate Ortel growth and assess options KPN France & Spain • iBasis: Scale in wholesale voice and build VAS capabilities; long-term value creation	• **Belgium: 20-25% market share with 35%-40% EBITDA margin** • **RoW: Accelerate Ortel growth** • **iBasis: Continued value creation**

FTE reduction program

Entering a next phase in cost optimization





- **Scope for off-shoring & outsourcing**
  - Dutch Telco: back office, network and IT
  - Getronics: back office
- **Cost advantage**
  - ~20-30% for outsourcing
  - ~30-50% for off-shoring depending on activity
- **Reorganization costs;** EBITDA and FCF impact of ~€ 250-300m spread over the years

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Simplification and quality	**Baptiest Coopmans**
Finance	Carla Smits-Nusteling, CFO
Concluding remarks	Eelco Blok, CEO

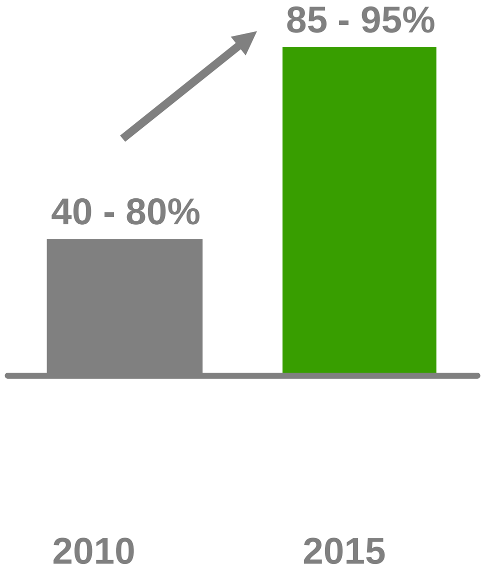
Simplification and quality management

Driving customer satisfaction and reputation in the Netherlands

Key 2015 objectives

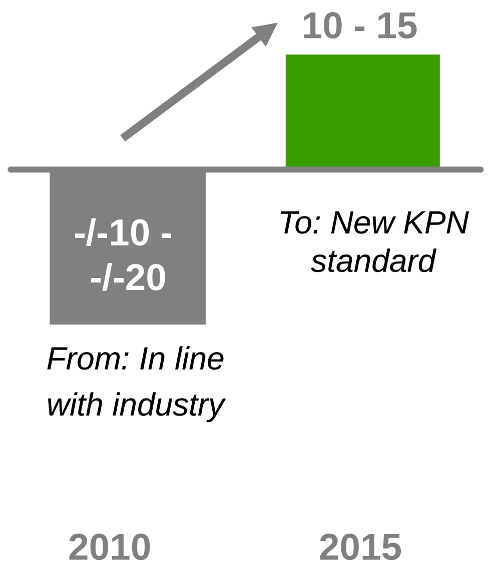
‘First time right’

End-to-end service chain



Net Promoter Score

Rising above industry level



Reputation ranking NL[1]

2010			2015
1	Philips	77	Company 1
2	Rabobank	76	Company 2
3	KLM	73	Company 3
4	Friesland	72	Company 4
5	Heineken	72	Company 5
6	Unilever	71	
7	AkzoNobel	70	kpn >70
8	TNT	69	
9	Ahold	69	
10	CZ	69	
11	Randstad	65	Company 11
12	DSM	65	Company 12
13	R.Elsevier		Company 13
14	V.Wessels		Company 14
15	BAM		Company 15
16	**kpn**	**63**	Company 16

1 Scores compiled by RepTrak. Scores between 0-100; based on multi-dimensions, e.g., innovation, performance, leadership

Simplification and quality management (cont'd)

Driving customer satisfaction and reputation in the Netherlands

KPN brand

1. One purpose and clear customer promises across segments
2. Simplification of customer communication
3. One centrally led program to engage with stakeholders (Public Affairs, Public Relations, Corporate Social Responsibility)

Quality program

1. Visual and daily top leadership commitment for quality
2. Product portfolio rationalization and simplification
3. Redesign of service and delivery processes
4. End-to-end quality reviews per service chain

"Here to help"

Simplification and quality management (cont'd)

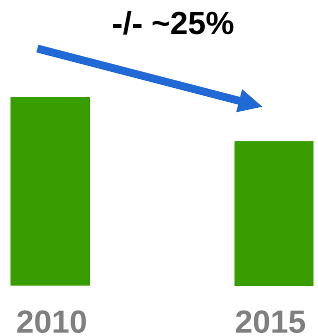
Driving customer satisfaction and reputation in the Netherlands

Clear examples of value creation for customer and organization

Call center re-design
- Easy routing
- Multi-skilled agents

Delivery process
- Decreased delivery times from ~3 weeks to ~1 week

Customer calls



- Higher quality means less customer calls
- Better call centers means less repeat calls

Online self-care
- Shift focus website from sales to service

Simplified bills
- Improve transparency of tariffs
- Easy understandable bills

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Finance	**Carla Smits-Nusteling, CFO**
Concluding remarks	Eelco Blok, CEO

Detail on Q1 ’11 results announcement

Strengthening Dutch Telco

Outlook adjustment	2011
Previous EBITDA outlook	**>€ 5.5bn**
Negative trends Dutch Telco	**~€ 100m**
– of which Consumer	*~50%*
– of which Business	*~50%*
Additional 2011 Opex investments	**~€ 100m**
– of which commercial	*~67%*
– of which operational	*~33%*
EBITDA outlook[1]	**>€ 5.3bn**
Additional 2011 Capex investments	**~€ 100m**

Negative trends Dutch Telco

- **Consumer wireless**
  - Substitution voice, SMS by data
  - Competition in lower value segment
- **Business**
  - Pricing pressure
  - Continued rationalization

Additional 2011 investments to strengthen Dutch Telco

- **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

1 Excluding 2011 part of reorganization costs

Finance optimization

Further optimizations driving free cash flow

Annual savings as of 2012

Capex efficiency & procurement savings

- Savings from network equipment
- Further optimization of Group purchasing
- Capex efficiency by integrated technology roadmap

~€ 100m

Tax benefits[1]

- Strong improvement of Dutch tax position
- Cash contribution resulting from innovation tax facilities
- Reinvest proceeds in the Dutch business

~€ 100m

Treasury optimization

- Optimizing fixed/floating interest portfolio
- Extend credit facility to reduce required excess cash
- Widen debt investor base

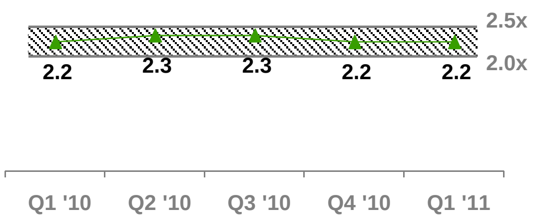
~€ 50m

1 As announced at Q1 '11 results

Strategy 2015 - financing principles

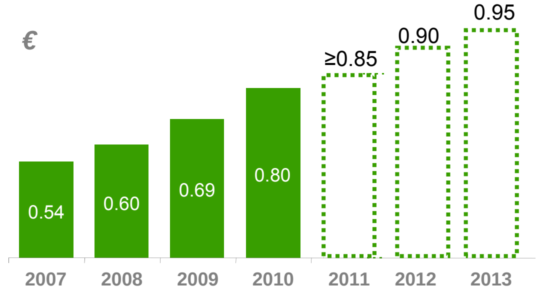
Strong commitment to prudent financing and sustainable shareholder remuneration

Prudent financing policy



- Net debt / EBITDA ratio between 2.0x and 2.5x[1]

Growing dividend per share



- Dividend per share increase of € 5 cents per annum

Share repurchases

- Surplus cash for share repurchases
- Total shareholder remuneration not to exceed net income

Financing

- Redemptions financed well ahead, € 1.5bn of credit lines
- Optimizing interest profile

Credit rating

- Committed to minimum credit rating of BBB and Baa2 respectively

Selective M&A

- Clear focus on value creation, right asset at right price as the key criterion

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

Outlook

	Reported 2010	Outlook 2011
EBITDA	€ 5.5bn	>€ 5.3bn[1]
Capex	€ 1.8bn	<€ 2bn
Free cash flow[2]	€ 2.4bn	Growth[3]
Dividend per share	€ 0.80	≥€ 0.85

- **€ 1bn share repurchase program for 2011 continued**
- **Outlook 2012:**
  - Free cash flow[2]: ~€ 2.4bn
  - DPS: € 0.90
- **Outlook 2013:**
  - DPS: € 0.95

1 Excluding 2011 part of reorganization costs
2 Free cash flow defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture at E-Plus
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Q&A