

Good 2009 full-year results

Focus on EBITDA, free cash flow and market shares continues to deliver

Highlights

- Full-year guidance met on EBITDA and free cash flow, revenues slightly below guidance
- Impact of economic downturn mitigated by cost reductions
- Strong profitability growth of Dutch Telco business, continued market outperformance at Mobile International
- Outlook 2010 confirmed, EUR 1bn share repurchase program for 2010
- Dividend per share of at least EUR 0.85 for 2011

Group financials *	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
<i>(In millions of euro, unless indicated otherwise)</i>						
Revenues and other income (reported)	3,371	3,718	-9.3%	13,509	14,602	-7.5%
Getronics revenues and other income (disposed)	-	97	n.m.	22	623	n.m.
Revenues and other income (existing)	3,371	3,621	-6.9%	13,487	13,979	-3.5%
- Of which revenues (existing)	3,348	3,518	-4.8%	13,429	13,804	-2.7%
EBITDA (reported)	1,307	1,281	2.0%	5,192	5,058	2.6%
Getronics EBITDA (disposed)	-	17	n.m.	-	45	n.m.
EBITDA (existing)	1,307	1,264	3.4%	5,192	5,013	3.6%
<i>EBITDA margin (existing)</i>	38.8%	34.9%		38.5%	35.9%	
Operating profit (EBIT)	724	592	22%	2,850	2,597	9.7%
Profit for the period (net result)**	1,093	297	>100%	2,175	1,337	63%
Earnings per share (in EUR)	0.67	0.18	>100%	1.33	0.77	73%
Cash flow from operating activities	1,423	1,329	7.1%	3,776	4,030	-6.3%
Capital expenditures (PP&E and software)	-565	-613	-7.8%	-1,767	-1,925	-8.2%
Proceeds from real estate	62	140	-56%	94	180	-48%
Tax recapture at E-Plus	16	128	-88%	343	313	9.6%
Free cash flow	936	984	-4.9%	2,446	2,598	-5.9%

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

** Profit for the period impacted by increase in deferred tax asset in Germany of EUR 705m. Reference is made to note [4] income taxes in the condensed consolidated financial statements.

"We are pleased with KPN's performance in 2009. Despite the generally difficult economic environment, we have continued to invest in our business. While revenues declined, our focus on EBITDA, free cash flow and market shares continued to pay off. Our Dutch Telco business maintained positive momentum starting in 2008 and generated strong EBITDA growth in 2009. Mobile International again outperformed competition and we expect it will continue to do so in 2010. In the first two years of our 'Back to Growth' strategy, KPN has shown strong cash flow generation and we are confirming our outlook for 2010. Our commitment to industry-leading shareholder returns is reflected in the announcement today of a new EUR 1 bn buyback program for 2010. We believe our current strategy is the right one, not only for this year, but also for next year, and will lead to growth in EBITDA, FCF and dividend per share for 2011."

Ad Scheepbouwer, CEO KPN

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KPN Group

Financial review

Revenues and other income <i>(In millions of euro)</i>	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
KPN Group (reported)	3,371	3,718	-9.3%	13,509	14,602	-7.5%
- Getronics (disposed)	-	97	<i>n.m.</i>	22	623	<i>n.m.</i>
KPN Group (existing)	3,371	3,621	-6.9%	13,487	13,979	-3.5%
The Netherlands (reported)	2,349	2,677	-12%	9,445	10,539	-10%
- Getronics (disposed)	-	97	<i>n.m.</i>	22	623	<i>n.m.</i>
The Netherlands (existing)	2,349	2,580	-9.0%	9,423	9,916	-5.0%
Mobile International	1,029	1,045	-1.5%	4,078	4,064	0.3%

EBITDA <i>(In millions of euro)</i>	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
KPN Group (reported)	1,307	1,281	2.0%	5,192	5,058	2.6%
- Getronics (disposed)	-	17	<i>n.m.</i>	-	45	<i>n.m.</i>
KPN Group (existing)	1,307	1,264	3.4%	5,192	5,013	3.6%
The Netherlands (reported)	939	918	2.3%	3,687	3,674	0.4%
- Getronics (disposed)	-	17	<i>n.m.</i>	-	45	<i>n.m.</i>
The Netherlands (existing)	939	901	4.2%	3,687	3,629	1.6%
Mobile International	387	382	1.3%	1,553	1,473	5.4%

Revenue trends

KPN Group revenues and other income for existing operations (excluding disposed operations at Getronics) were down 6.9% y-on-y in Q4 2009 and down 3.5% y-on-y for the full-year 2009. This full-year decline was largely the result of lower revenues and other income at iBasis (EUR 193m), Getronics' existing business (EUR 110m), the impact of regulatory tariff cuts for MTA and roaming and new Wholesale Price Cap (WPC) regulation (approximately EUR 290m) and the lower book gains on real estate disposals of EUR 76m. Within existing operations in the Netherlands, revenues and other income declined by 9.0% y-on-y in Q4 2009, or by 5.0% y-on-y for the full-year 2009, mainly from Getronics, iBasis and regulation. Revenues and other income at Mobile International decreased by 1.5% y-on-y in Q4 2009, with stable full-year 2009 revenues (FY 2009: 0.3%), including a negative impact from regulation of approximately EUR 100m. Within Mobile International, growth in revenues and other income in Belgium and Rest of World were offset by a revenue decrease in Germany.

EBITDA trends

Starting mid 2008 and continuing through 2009, KPN has taken pre-emptive and corrective actions to mitigate the impact of the economic downturn. The focus on EBITDA, free cash flow and market shares continued to deliver during 2009. EBITDA for existing operations went up by 3.4% y-on-y in Q4 2009 and by 3.6% for FY 2009. In Q4 2009, the Netherlands showed a strong EBITDA increase of 4.2% for its existing business, supporting a full-year increase of 1.6%. Substantial cost savings in all Segments contributed to the EBITDA increase and more than compensated for lower book gains on real estate disposals. EBITDA at Mobile International was up 1.3% in Q4 2009 and up 5.4% for FY 2009, mainly driven by Germany and a smaller contribution from Belgium.

EUR 2.4bn free cash flow in FY 2009

Full-year free cash flow amounted to EUR 2,446m (FY 2008: EUR 2,598m), in line with the outlook of ~EUR 2.4bn for 2009. During 2009, KPN received tax refunds of ~EUR 109m relating to prior years. Furthermore, KPN benefitted from the temporary tax facility to pay VAT on a quarterly instead of a monthly basis (working capital effect of ~EUR 160m). These fiscal benefits compensated for lower proceeds from sale of real estate (2009: EUR 94m, 2008: EUR 180m) and EUR 88m additional pension contributions during 2009. Furthermore, KPN reported lower Capex (EUR 158m less

than 2008). For a large part this is due to less Capex at Getronics (EUR 49m) and absence of handset lease Capex in Germany (EUR 64m), further supported by an increased focus on Return on Capital Employed (ROCE) of network investments. The improvement in working capital decreased compared to 2008 as a result of a decrease in operating expenses and Capex, and was partly offset by structural improvements. During 2009, KPN fully compensated the reversal of the non-structural working capital improvement in Q4 2008 (EUR 150m).

Net debt to EBITDA¹ lower at 2.1x

Net debt at the end of Q4 2009 amounted to EUR 11.1bn compared to EUR 11.7bn at the end of Q3 2009. This translates into a lower net debt to EBITDA ratio of 2.1x (Q3 2009: 2.3x), which is at the lower end of KPN's self-imposed financial framework of 2.0-2.5x. KPN's credit ratings remained unchanged at BBB+ with a stable outlook (Standard & Poor's) and Baa2 with a stable outlook (Moody's).

FTE reductions ongoing

In 2009, KPN reduced the total number of own staff by 3,554 FTE, of which approximately 850 FTEs were related to the sale of SNT the Netherlands and SNT Belgium and 1,953 FTEs were related to Getronics, as a result of restructuring and divestments.

The reduction in the Netherlands (excluding Getronics and acquisitions) amounted to 1,402 FTEs in 2009, bringing the total reduction since 2005 to 8,061 FTEs (6,659 FTEs per 31 December 2008). A number of outsourcing decisions will be taken in H1 2010 as part of the previously announced reduction plans. With that, KPN is on track to reach the objective of a cumulative FTE reduction in the Netherlands of 10,000 between 2005 and 2010. As at 31 December 2009, KPN's own workforce in the Netherlands amounted to 20,755 FTEs and 33,148 FTEs for KPN Group.

In addition to the reduction in own staff, KPN reduced the number of external staff in the Netherlands by over 2,400 FTEs in 2009, of which ~500 FTEs at Getronics.

Operating review

The Netherlands

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

Revenues and other income <i>(In millions of euro)</i>	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
- Consumer	1,004	1,041	-3.6%	4,095	4,128	-0.8%
- Business	624	646	-3.4%	2,491	2,546	-2.2%
- Wholesale & Operations (national, excl. book gains)	714	755	-5.4%	2,879	3,036	-5.2%
- Other (including intercompany)	-560	-610	8.2%	-2,251	-2,387	5.7%
Dutch Telco business	1,782	1,832	-2.7%	7,214	7,323	-1.5%
- iBasis	163	232	-30%	719	912	-21%
- Getronics (existing)	537	587	-8.5%	2,075	2,185	-5.0%
- Other gains & losses, eliminations	-133	-71	-87%	-585	-504	-16%
The Netherlands (existing)	2,349	2,580	-9.0%	9,423	9,916	-5.0%

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

EBITDA (In millions of euro)	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
- Consumer	241	194	24%	1,030	882	17%
- Business	195	174	12%	794	713	11%
- Wholesale & Operations (national, excl. book gains)	432	435	-0.7%	1,742	1,789	-2.6%
- Other	8	4	100%	10	24	-58%
Dutch Telco business	876	807	8.6%	3,576	3,408	4.9%
- iBasis	7	7	0%	22	27	-19%
- Getronics (existing)	37	-1	n.m.	62	76	-18%
- Other gains & losses, eliminations	19	88	-78%	27	118	-77%
The Netherlands (existing)	939	901	4.2%	3,687	3,629	1.6%

Strong performance Dutch Telco business with growing EBITDA

The 'Dutch Telco business' (defined as the Netherlands excluding Getronics, iBasis and book gains on real estate) delivered a strong performance during 2009, as a result of the focus on profitability and market shares, despite the impact of the economic downturn and regulatory pressure. The impact on revenues from regulation in 2009 comprised EUR 124m from additional MTA tariff reductions, around EUR 30m from roaming tariff reductions and EUR 34m from new Wholesale Price Cap (WPC) regulation. The negative impacts from regulation and the economic downturn were compensated for by cost reductions and selective price increases. These cost reductions were the result of FTE reductions and efficiency improvements through simplification and 'First-time-right' programs (e.g. fewer calls to call centers), whilst improving quality of service. As a result, EBITDA increased by 8.6%, or EUR 69m y-on-y in Q4 2009 and 4.9%, or EUR 168m, for the full-year.

2009 was a good year for the **Consumer** Segment. Declining revenues were more than compensated for by cost reductions and selective price increases, resulting in a 24% y-on-y EBITDA increase in Q4 2009 and a full-year EBITDA growth of 17%. Revenues from voice wireline services continued to decline, but this was partly compensated for by growth in wireless services. Retail wireless service revenues grew 7.1% y-on-y in Q4 2009, including the contribution from Debitel. Net line loss remained relatively low at 50k per quarter and the number of TV customers nearly reached one million. In December 2009, KPN announced its commitment to a regional fiber roll-out. KPN will deploy a mix of infrastructures going forward with fiber, copper and wireless. The combined technology approach with VDSL and fiber offers KPN the optimal balance between investments and returns.

The revenue decline in the **Business** Segment in 2009 was mainly the result of the continued impact of the economic downturn and further regulatory tariff cuts. Full-year wireless service revenues were up 1.6%, with the decline in voice revenues compensated for by growth in data revenues. In Q4 2009 the rate of decline in traditional services was stable compared to previous quarters. Traffic volumes in both wireline and especially wireless recovered compared to Q3 2009. Continued cost reductions, efficiency improvements and SAC/SRC management resulted in 12% EBITDA growth y-on-y in Q4 2009, slightly higher than the full-year growth of 11%. While the economic downturn continued to impact performance in Q4 2009, there are at present no signs of further deterioration.

Wholesale & Operations (national, excluding book gains) showed a 5.4% y-on-y decline in revenues and other income, leading to a full-year decline of 5.2%. The decrease in revenues and other income was the result of the ongoing decline of traditional business in the Consumer and Business segment. Revenues and EBITDA were also impacted by the new WPC regulation (EUR 34m impact on revenues and EUR 21m on EBITDA). EBITDA margins further improved to 60.5% in Q4 2009, driven by ongoing efficiency improvements, procurement and cost containment initiatives, especially in network and operations.

Focus on margins at iBasis

Revenues and other income in Q4 2009 were down 30% y-on-y, leading to a full-year decrease of 21%. Total minutes were down 12% as a result of iBasis' strong focus on profitability and margins. The EBITDA margin in Q4 2009 was 4.3% including a reversal of all costs related to the tender offer in Q3 2009.

On 21 December 2009, KPN successfully completed the tender offer for the outstanding shares in iBasis not already owned by KPN. The final offer amounted to USD 3.00 per share in cash, or approximately USD 93m in total. Upon

launching the final offer, KPN and iBasis agreed to withdraw all impending legal proceedings. Following completion, KPN appointed a new management team consisting of both KPN and iBasis executives, which will help guide and support iBasis with its growth strategy in international wholesale at attractive margins.

Getronics on track to reach target EBITDA margin of 8%

Full-year revenues and other income decreased 5.0% y-on-y, which was mainly caused by the economic downturn. Revenues in Q4 2009 were down 8.5% y-on-y, a small improvement compared to Q3 2009. Full-year revenues in the Netherlands were down 1.0% y-on-y, but Getronics was able to maintain its market position. Revenues from international operations were down 14% y-on-y in Q4 2009. While the economic downturn continued to impact performance in Q4 2009, there are at present no signs of further deterioration. The EBITDA margin further increased to 6.9% in Q4 2009, driven by substantial cost savings. Full-year EBITDA amounted to EUR 62m, but included some EUR 44m of restructuring charges. Without these restructuring charges, the underlying EBITDA was EUR 106m. The full impact of FTE reductions and other savings is expected to come through in 2010, leading to a further EBITDA uplift. As a result, Getronics is on track to reach the target of 8% EBITDA margin in 2010.

Mobile International

Revenues and other income (In millions of euro)	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
- Germany	791	815	-2.9%	3,181	3,218	-1.1%
- Belgium	207	198	4.5%	802	773	3.8%
- Rest of World (incl. intercompany revenues)	31	32	-3.1%	95	73	30%
Mobile International	1,029	1,045	-1.5%	4,078	4,064	0.3%

EBITDA (In millions of euro)	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
- Germany	331	317	4.4%	1,333	1,245	7.1%
- Belgium	64	68	-5.9%	259	251	3.2%
- Rest of World	-8	-3	>-100%	-39	-23	-70%
Mobile International	387	382	1.3%	1,553	1,473	5.4%

Challenger strategy delivering continued market outperformance and profitability

As in the previous quarter, the economic downturn did not have a material impact on Mobile International. Full-year revenues and other income were stable at +0.3% y-on-y, including a negative impact from MTA and roaming of about EUR 100m. Wireless service revenues were up 2.3% in 2009, which was the combined result of flat service revenues in Germany and growth in Belgium and Rest of World. Both in Germany and in Belgium, KPN expects to have again outperformed the market in Q4. In Belgium, the ongoing implementation of the Challenger strategy continued to pay off, leading to 7.5% y-on-y wireless service revenue growth in Q4 2009 (FY 2009: 6.1%). Based on the successful execution in Belgium, KPN has made further progress in Q4 2009 with the implementation of similar initiatives in Germany, in order to re-ignite service revenue growth. Profitability at Mobile International remained solid with a 5.4% y-on-y EBITDA growth in 2009 and an EBITDA margin improving to 38.1% (FY 2008: 36.2%).

Furthermore, within Mobile International there is a strong focus on Return on Capital Employed (ROCE) and a close cooperation exists for leveraging assets (networks and IT) across markets.

Full-year revenues and other income in **Germany** were down 1.1% and service revenues were stable with 0.5% y-on-y growth, including a negative MTA and roaming impact of approximately 2.6%. Since Q2 2009, service revenues continued to be impacted by bundle optimization and competitive intensity. Despite these challenges, E-Plus is expected to have continued to outperform the market in 2009, resulting in a service revenue share of 15.5% in Q4 2009. EBITDA margin grew to 41.9% in 2009 compared to 38.7% in 2008.

During 2009, E-Plus has continued to undertake initiatives to further implement and execute the Challenger strategy. These initiatives focus on expanding the addressable market by moving into geographical regions and market segments that are currently underrepresented ('regionalization'). As a result of the ramp up of these initiatives and the announced relaunch of the BASE proposition, starting as from February 2010, KPN expects service revenues growth to return into positive territory in Q2 2010 and this service revenue growth is expected to continue in H2.

In **Belgium**, revenues and other income grew 4.5% y-on-y in Q4 2009 (FY 2009: 3.8%), driven by BASE's strong increase in service revenues of 7.5% y-on-y. Growth in Belgium picked up to high single-digit in the last two quarters of the year due to meticulous execution of the Challenger strategy. EBITDA was down 5.9% y-on-y in Q4 2009, as a result of several one-off items. EBITDA for the full-year 2009 was up 3.2%, driven by the efficient Challenger business model.

Revenues in **Rest of World** continued to grow, driven by KPN's MVNO operations in Spain and France, offering value-for-money propositions through own brands and wholesale partners. Ortel's performance continued to gradually improve following actions taken in Q2 2009, although the cultural segment remains competitive.

Outlook

Performance versus outlook 2009

As indicated above, KPN's operations in the consumer markets in the Netherlands and abroad have not seen a significant impact from the economic downturn, but the impact has clearly been visible in the business markets. Across the Group, KPN has been able to mitigate revenue pressure by cost reductions, without compromising on quality of service.

There are several key contributors to the cost reductions. One is FTE reductions as a result of simplification of the organization, reducing the number of brands, delivery processes and networks, and improving the quality of service. By implementing 'First-time-right' programs across the Group, the number of complaints has been reduced significantly, and with that, incoming calls to call centers and related costs. Another is purchasing costs, which have been lowered significantly as a result of more efficient use of suppliers and tariff reductions. Furthermore, SAC/SRC spend represents a big cost bucket for KPN, which has been carefully managed down without jeopardizing market shares. The last big portion of costs is traffic related costs from lower MTA and roaming tariffs.

Next to cost reductions, KPN has been able to lower Capex by EUR 158m in 2009. For a large part this is the result of less Capex at Getronics (EUR 49m) and absence of handset lease Capex in Germany (EUR 64m), further supported by an increased focus on Return on Capital Employed (ROCE) of network investments. In the Dutch Telco business, Capex remained stable despite additional investments in the core network, the mobile network and IT. This is the result of lower equipment prices being offset by the volume effect ('more value for money'). Going forward, increased investment efficiency is expected as a result of a Centralized Capex Board in the Netherlands as well as close cooperation at Mobile International for leveraging assets (networks and IT) across markets.

Against this backdrop, KPN was able to achieve solid 2009 results clearly reflecting the stated focus on EBITDA, cash flow and market shares rather than revenues. As presented in the table below, the full-year results met the EBITDA, Capex and free cash flow guidance, while revenues and other income came in slightly below guidance mainly due to iBasis, Getronics and impact of regulation.

Guidance metrics	Outlook 2009	Reported 2009
Revenues and other income (existing)	EUR 13.6 - 13.8bn	EUR 13.5bn
EBITDA	Meaningful step towards 2010	EUR 5.2bn
Capex	EUR 1.8 - 1.9bn	EUR 1.8bn
Free cash flow	~ EUR 2.4bn	> EUR 2.4bn
Dividend per share	Meaningful step towards 2010	EUR 0.69

The proposed dividend per share for 2009 is EUR 0.69, subject to AGM approval. This provides a meaningful step towards the EUR 0.80 dividend per share guided for 2010.

Outlook 2010

During the first two years of the 'Back to Growth' strategy, solid progress was made towards the outlined strategic objectives. EBITDA inflection was reached in the Netherlands, leveraging KPN's strong positions in its home markets. Getronics has been integrated with part of KPN's Business Segment and has delivered robust profitability despite the economic downturn. Mobile International continued to outperform its markets. In summary, KPN is on track strategically, remains soundly financed, has delivered a solid performance in 2008 and 2009 through substantial cost reductions in its core business without compromising on quality of service and overall 'health' of the business.

Whilst the macro economic downturn indicators still point to a 'sustained adjustment' scenario, improving trends are visible compared to expectations six months ago, with early signs of recovery in the Euro zone, the US and Japan. In the Business Segment and at Getronics there are at present no signs of further deterioration.

Based on achievements to date and against the current economic background, KPN is confirming its 2010 outlook and is confident it can deliver on the strategic objectives for 2010 as outlined in the table below. The expected EBITDA increase of over EUR 300m in 2010 is expected to come from across the Group and will be supported by continued improvements in cost. KPN expects about one third of the EBITDA increase in 2010 to materialize in the first half of the year, while the remainder is expected for the second half of 2010.

KPN remains committed to deliver industry-leading shareholder returns and confirms the EUR 0.80 dividend per share target for 2010 and today announced a EUR 1 bn share buyback program for 2010.

Outlook 2011

The strategic direction and ambitions that were outlined in the 'Back to Growth' strategy will be continued in 2011. KPN will maintain its prudent financing policy whereby redemptions are financed well in advance. KPN remains committed to the minimum credit rating of BBB (S&P) and Baa2 (Moody's) and to the self-imposed net debt to EBITDA range of 2.0 to 2.5x. This policy includes a selective approach on M&A with a clear focus on value creation. Furthermore, KPN will maintain its shareholder remuneration policy with commitment to a growing dividend per share and using surplus cash for share repurchases.

For 2011, KPN expects a growing EBITDA, free cash flow and dividend per share. Over the full-year 2011, KPN is targeting a dividend per share of at least EUR 0.85.

Guidance metrics	2009	Outlook 2010	Outlook 2011
Revenues and other income (existing)	EUR 13.5bn	In line with 2009	
EBITDA	EUR 5.2bn	> EUR 5.5bn	Growing EBITDA
Capex	EUR 1.8bn	< EUR 2bn	
Free cash flow	> EUR 2.4bn	> EUR 2.4bn	Growing FCF
Dividend per share	EUR 0.69	EUR 0.80	At least EUR 0.85

Financial review per segment

The following table summarizes key figures per business segment. Within Wholesale & Operations, the results of iBasis have been consolidated, as well as book gains on real estate disposals (both of which are managed by the Wholesale & Operations unit). Consequently, the results shown below for 'Wholesale & Operations' are not identical to those shown on page 3 and 4 for 'Wholesale & Operations national' which do not include iBasis or real estate disposals.

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- Business	624	646	-3.4%	2,491	2,546	-2.2%
- Getronics (existing)	537	587	-8.5%	2,075	2,185	-5.0%
- Wholesale & Operations	857	1,034	-17%	3,459	3,870	-11%
- Other (incl. intercompany revenues)	-673	-728	-7.6%	-2,697	-2,813	-4.1%
The Netherlands (existing)	2,349	2,580	-9.0%	9,423	9,916	-5.0%
- Getronics (disposed)	-	97	<i>n.m.</i>	22	623	<i>n.m.</i>
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- Business	195	174	12%	794	713	11%
- Getronics (existing)	37	-1	<i>n.m.</i>	62	76	-18%
- Wholesale & Operations	456	529	-14%	1,790	1,934	-7.4%
- Other	10	5	100%	11	24	-54%
The Netherlands (existing)	939	901	4.2%	3,687	3,629	1.6%
- Getronics (disposed)	-	17	<i>n.m.</i>	-	45	<i>n.m.</i>
The Netherlands (reported)	939	918	2.3%	3,687	3,674	0.4%
- Germany	331	317	4.4%	1,333	1,245	7.1%
- Belgium	64	68	-5.9%	259	251	3.2%
- Rest of World	-8	-3	>-100%	-39	-23	-70%
Mobile International	387	382	1.3%	1,553	1,473	5.4%

Consumer

- Strong increase in EBITDA, up 24% y-on-y despite declining revenues
- Solid performance in wireless services
- Wireline services stable, nearly one million TV customers

Financial highlights (Amounts in EUR millions)	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
Revenues and other income	1,004	1,041	-3.6%	4,095	4,128	-0.8%
- Voice wireline	168	196	-14%	702	823	-15%
- Wireless services ²	468	449	4.2%	1,934	1,773	9.1%
- Internet wireline	259	258	0.4%	1,042	1,010	3.2%
- Mobile Wholesale NL ²	50	82	-39%	201	327	-39%
EBITDA	241	194	24%	1,030	882	17%
EBITDA margin	24.0%	18.6%		25.2%	21.4%	

Strong increase in EBITDA, up 24% y-on-y despite declining revenues

Revenues and other income decreased by 3.6% in Q4 2009 as the continued decline of voice wireline could not fully be compensated for by growth in wireless, which was impacted by regulation and the migration of Tele2 to the T-Mobile network. However, EBITDA was particularly strong, up 24% y-on-y in Q4 2009, leading to a solid EBITDA margin of 24.0%. Full-year EBITDA growth of 17% was supported by careful management of SAC/SRC (down 4.0% y-on-y in FY 2009), selective price increases and continued focus on cost savings obtained from simplification initiatives and 'First-time-right' programs.

Solid performance in wireless services

Whilst total wireless service revenues (retail plus wholesale) declined by 1.0% y-on-y in Q4 2009, retail wireless service revenues increased by 7.1% in Q4 2009 y-on-y (including the Debitel acquisition). The wireless customer base declined by 216k in Q4 2009, mainly due to additional churn from Debitel and negative impact from the elimination of prepaid handset subsidies. With its continued focus on customer value, KPN has put more emphasis on selling high value contracts and smartphone packages. This resulted in an increase in blended SAC/SRC in Q4 due to mix effects, but helped to stabilize ARPU at EUR 23 in Q4 2009, despite the regulatory impact. Data revenue growth (excluding SMS) continued to be strong at ~50% y-on-y. Non-voice revenues as a percentage of ARPU increased to 31%.

Wireline services stable, nearly one million TV customers

In a mature and competitive broadband market, KPN managed to stabilize net line loss at 50k in the quarter. In Q4 2009, KPN's ISP brand "Het Net" was phased out with a slightly negative effect on churn and broadband market share (Q4 2009: 43%). TV customer growth was stimulated by scaling-up IPTV. Combined with continued customer growth at Digitenne, KPN's TV customer base has nearly one million subscribers.

Fiber strategy going forward

In December 2009, KPN announced its commitment to a regional fiber roll-out. KPN will deploy a mix of infrastructures going forward with fiber, copper (VDSL-CO) and wireless. KPN is targetting 1.1 - 1.3 million homes passed with Fiber-to-the-Home by 2012 and 600-800k active customers on FttH and FttC combined. The combined technology approach with VDSL and fiber offers KPN the optimal balance between investments and returns.

Operating highlights	Q4 2009	Q3 2009	Δ q-on-q	Operating highlights	Q4 2009	Q4 2008	Δ y-on-y
VoIP subscribers (k)	1,199	1,167	2.7%	Wireless service rev. (EUR m) ³	503	508	-1.0%
Net line loss (k)	50	55	-9.1%	SAC/SRC (EUR) ³	183	150	22%
TV customers (k)	970	924	5.0%				
Wireless customers (k) ²	8,643	8,683	-0.5%				

² As from Q1 2009, Debitel is included in Wireless services and no longer included in Mobile Wholesale NL

³ Wireless customers and Wireless services includes Mobile Wholesale NL, SAC/SRC excludes Mobile Wholesale NL

Business

- Revenues down 3.4% y-on-y in Q4 2009, EBITDA up 12% y-on-y
- Wireless services stable despite regulation and economic downturn
- Resilient performance in wireline services, traffic volumes recovering

Financial highlights (Amounts in EUR millions)	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
Revenues and other income	624	646	-3.4%	2,491	2,546	-2.2%
- Voice & Internet wireline	251	268	-6.3%	1,026	1,076	-4.6%
- Data network services	110	116	-5.2%	439	430	2.1%
- Wireless services	223	223	0%	872	894	-2.5%
EBITDA	195	174	12%	794	713	11%
EBITDA margin	31.3%	26.9%		31.9%	28.0%	

Revenues down 3.4% y-on-y in Q4 2009, EBITDA up 12% y-on-y

Revenues and other income for the Business Segment in Q4 2009 declined by EUR 22m, or 3.4% y-on-y. For the full-year 2009 revenues and other income were down 2.2% y-on-y. The higher revenue decline in Q4 2009 was mainly caused by the continued impact of the economic downturn and regulatory tariff cuts in wireless services. EBITDA in Q4 2009 was up 12% or EUR 21m to EUR 195m, mainly as a result of cost reductions to mitigate the impact of the economic downturn and selective price increases in wireline voice services. These actions included the acceleration of the cost saving plans of the 'Back to Growth' strategy, which consist of efficiency improvements and continued cost focus, resulting in FTE reductions. In the Business Segment there are at present no signs of further deterioration. EBITDA margin improved by 4.4%-points to 31.3% in Q4 2009, compared to 26.9% in Q4 2008. For the full-year 2009, EBITDA was up 11% y-on-y.

Wireless services stable despite regulation and economic downturn

Wireless revenues were stable y-on-y in Q4 2009, with the decline in voice revenues being compensated for by growth in data. Service revenues were up 1.2% y-on-y in Q4 2009, despite the negative impact of the economic downturn, MTA tariff cuts and roaming regulation. Service revenues y-on-y improved compared to Q3 (-1.7% y-on-y), driven by the introduction of new bundles tailored to customer needs and a recovery in traffic volumes. To meet growing demand in data, KPN started to upgrade its network to HSPA 14.4, offering the highest wireless bandwidth available in the Netherlands. All product areas of wireless data (Mobile Internet Card, Blackberry, PDA and machine-to-machine) continue to show strong growth. Non-voice revenues as a percentage of ARPU increased to 27%. Furthermore, KPN is carefully managing SAC/SRC, while maintaining its competitive position.

Resilient performance in wireline services, traffic volumes recovering

In Q4 2009, wireline revenues declined by EUR 17m, or 6.3% y-on-y. Traffic volumes recovered from Q3, which was impacted by the combined effect of the holiday season and the economic downturn. The migration from traditional services to new services continued, with solid growth in Business DSL and upselling unmanaged to managed VPN connections. The decline in the number of VPN connections in Q4 2009 was caused by a one-off rationalization of the installed base for technically inactive VPN connections. The underlying trend however remains unchanged.

Operating highlights	Q4 2009	Q3 2009	Δ q-on-q
Access lines voice (k)	1,469	1,501	-2.1%
VPN (managed) (k)	47.7	54.7	-13%
Leased lines (k)	23.3	24.3	-4.1%
Wireless customers (k)	1,662	1,636	1.6%

Operating highlights	Q4 2009	Q4 2008	Δ y-on-y
Service revenues (EUR m)	247	244	1.2%
SAC/SRC (EUR)	272	284	-4.2

Wholesale & Operations

- Revenue decline largely compensated for by ongoing cost reductions
- Proceeds from real estate disposals of EUR 94m in 2009
- iBasis now fully owned by KPN following successful completion of tender offer

Financial highlights (Amounts in EUR millions)	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
Revenues and other income	857	1,034	-17%	3,459	3,870	-11%
- W&O national	736	848	-13%	2,918	3,160	-7.7%
- iBasis (international wholesale)	163	232	-30%	719	912	-21%
EBITDA	456	529	-14%	1,790	1,934	-7.4%
EBITDA margin	53.2%	51.2%		51.7%	50.0%	

Revenue decline largely compensated for by ongoing cost reductions

Revenues and other income from W&O National declined by 13% y-on-y or EUR 112m in Q4 2009. This was mainly the result of the ongoing decline of traditional business in the Consumer and Business segments and due to lower book gains on real estate disposals of EUR 72m compared to Q4 2008. Revenues and other income for the full-year 2009 declined by 7.7% y-on-y or EUR 242m, of which EUR 76m is related to lower book gains on real estate. EBITDA in Q4 2009 declined by 14% or EUR 73m, of which EUR 72m was related to lower book gains on real estate. Lower revenues were compensated by cost reductions, mainly driven by FTE reductions, procurement initiatives and ongoing efficiency improvements, especially in network and operations.

Proceeds from real estate disposals of EUR 94m in 2009

In 2009, KPN sold part of its real estate portfolio for a total amount of EUR 94m (2008: EUR 180m), which was in line with the previously guided range of EUR 50-100m. In Q4 2009, EUR 62m of proceeds were realized compared to EUR 140m in Q4 2008. The book gains (including mobile towers), recorded in other income, for the full-year 2009 amounted to EUR 56m (2008: EUR 132m). Book gains in Q4 2009 amounted to EUR 22m (Q4 2008: EUR 94m).

As real estate markets remain challenging, going forward KPN will maintain its view not to sell real estate at distressed prices and if needed to await market recovery in order to maximize value from the disposal process.

iBasis now fully owned by KPN following successful completion of tender offer

In Q4 2009, revenues at iBasis were down 30% y-on-y, driven by the focus on profitability. Total minutes were down 12% y-on-y in Q4 2009, an improving trend compared to Q3. The EBITDA margin in Q4 2009 was 4.3% including a reversal of the costs related to the tender offer in Q3 2009.

On 21 December 2009, KPN successfully completed its tender offer for the outstanding shares it did not already own. The final offer amounted to USD 3.00 per share in cash, or approximately USD 93m in total. Upon launching the final offer, KPN and iBasis agreed to withdraw all impending legal proceedings. Following completion, KPN appointed a new management team comprising both KPN and iBasis executives, which will help guide and support iBasis with its growth strategy in international wholesale.

Operating highlights	Q4 2009	Q3 2009	Δ q-on-q	Operating highlights	Q4 2009	Q3 2009	Δ q-on-q
Access lines retail voice (k)	3,460	3,578	-3.3%	Unbundling, estimates (m)	1.1	1.1	0%
MDF access lines (k)	3,743	3,751	-0.2%	- Shared unbundled lines (m)	0.2	0.2	0%
- of which line sharing (k)	1,374	1,434	-4.2%	- Fully unbundled lines (m)	0.9	0.9	0%

Getronics

- Continued pressure on revenues, strong improvement in EBITDA
- New contract wins in Q4, supported by Getronics Workspace Alliance
- Ongoing impact of economic downturn, but market position maintained

Financial highlights (Amounts in EUR millions)	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
Revenues and other income (existing)	537	587	-8.5%	2,075	2,185	-5.0%
- Global Services	301	304	-1.0%	1,124	1,055	6.5%
- ICT Services	252	261	-3.4%	918	976	-5.9%
- International	101	118	-14%	390	467	-16%
Revenues and other income (disposed)	-	97	n.m.	22	623	n.m.
EBITDA (existing)	37	-1	n.m.	62	76	-18%
EBITDA margin	6.9%	-0.2%		3.0%	3.5%	

Continued pressure on revenues, strong improvement in EBITDA

Revenues and other income were down 8.5% y-on-y in Q4 2009, a slight improvement compared to the previous quarter (Q3 2009: -9.2% y-on-y). The decline was mainly driven by the economic downturn. The Netherlands showed a revenue decline of 6.7% y-on-y in Q4 2009, whereas international businesses showed a 14% y-on-y decline of which approximately 3% related to negative currency effects.

Revenue pressure was compensated for by substantial cost reductions leading to an EBITDA margin of 6.9%, which represented a small improvement compared to Q3 2009 but included EUR 14m of restructuring charges and several positive one-offs. The cost reductions were mainly the result of workforce reductions of over 1,900 FTEs during 2009. Full-year EBITDA amounted to EUR 62m including EUR 44m restructuring charges. Excluding these items, EBITDA was EUR 106m. KPN expects the full impact of FTE reductions and other savings to come through in 2010, which is expected to lead to a further uplift in EBITDA. As a result, Getronics is on track to reach the target of 8% EBITDA margin in 2010.

Several new contract wins in Q4, supported by Getronics Workspace Alliance

During Q4, Getronics renewed a number of significant contracts with various government institutions in the Netherlands. The Getronics Workspace Alliance is recognized as the global sourcing alternative for global LAN & Desktop services and is getting traction. Proof of good acceptance by its customers of this new partner model is the number of international clients that renewed their contracts with Getronics or one of the GWA members. Since its launch nine months ago, the renewal order intake at the GWA members increased and the alliance won new business representing over 50,000 new workspaces in Europe, the Americas and Asia.

Ongoing impact of economic downturn, but market position maintained

The economic downturn continued to impact the business in Q4 2009 as clients postponed investments and project work. The impact was mostly apparent in the consulting and international businesses, while other segments were also impacted. However, there are at present no signs of further deterioration and despite the revenue decline, Getronics was able to maintain its market position.

Operating highlights	Q4 2009	Q3 2009	Δ q-on-q	Operating highlights	Q4 2009	Q3 2009	Δ q-on-q
Serviced voice workspaces (m)	0.6	0.6	0%	Housing capacity in m ² (k)	25.0	25.0	0%
Serviced IT workspaces (m)	1.8	1.7	5.9%	Hosted servers (k)	12.0	11.7	2.6%

Germany

- Service revenues down 1.3% in Q4 2009, with 41.8% EBITDA margin
- Selective commercial activity in Q4 2009, 275k net adds, preparing for next growth phase
- Value-driven investment approach in spectrum auctions, ZTE partnership

Financial highlights (Amounts in EUR millions)	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
Revenues and other income	791	815	-2.9%	3,181	3,218	-1.1%
EBITDA	331	317	4.4%	1,333	1,245	7.1%
EBITDA margin	41.8%	38.9%		41.9%	38.7%	

Service revenues down 1.3% in Q4 2009, with 41.8% EBITDA margin

Revenues and other income in Q4 2009 amounted to EUR 791m, which was a 2.9% y-on-y decline, due to lower handset revenues and lower income at SMS Michel. In Q4 2009 service revenues were down 1.3% y-on-y, negatively impacted by MTA and roaming tariff reductions (~3%). As in the last two quarters, service revenues continued to be impacted by bundle optimization and competitive intensity. Despite these challenges, E-Plus is expected to have continued its y-on-y market outperformance resulting in a further improvement in service revenue market share to 15.5% in Q4. In the fourth quarter, E-Plus has been selective in its commercial activities resulting in an increase in EBITDA by 4.4%-points y-on-y in Q4 2009 and leading to an EBITDA margin of 41.8% (Q4 2008: 38.9%).

Selective commercial activity in Q4 2009, 275k net adds, preparing for next growth phase

As E-Plus has been selective in its commercial activity in the fourth quarter, traditionally impacted by strong competitive spending, net adds were 275k. This was mainly driven by ongoing growth in wholesale brands. Postpaid net adds were negative with 32k driven by the E-Plus brand and in wholesale, where a negative one-off was recorded of some 40k, which could not be fully offset by continued growth in new brands. The total customer base at the end of Q4 was 19 million, up 6.8% y-on-y.

During Q4, E-Plus further implemented its regionalization initiatives to expand the addressable market by moving into geographical regions and market segments that are currently underrepresented. A new taskforce with local sales and network focus has been established. As from February 2010, the BASE brand and portfolio will be repositioned and become the main acquisition brand in Germany. As a result of the ramp up of these initiatives and the BASE relaunch, Service revenue growth is expected to return into positive territory in Q2 2010 and this service revenue growth is expected to continue in H2.

Value-driven investment approach in spectrum auctions, ZTE partnership

E-Plus will continue its successful challenger strategy, servicing customer needs that are driven by demand and with a focus on Return on Capital Employed (ROCE). Now consumer demand for 'light' data is taking off, E-Plus will tap growing smartphone data demand with national EDGE coverage complemented with UMTS, whilst focusing on bundles with attractive margins. There is significant untapped potential from 'heavy' data users (laptop data-cards), although the business case for 'light data' is more profitable due to lower required network investments. E-Plus' recent strategic partnership with ZTE for further expansion and upgrades of the mobile network to 21.6 Mbps will drive higher ROCE and enable an accelerated roll-out with HSPA-enabled equipment.

E-Plus is keen to obtain spectrum at the auctions which are due in Q2 2010, but it remains strongly committed to a value-driven approach. The large availability of spectrum on multiple bands means that either low frequencies with relatively limited network deployment or higher frequencies with a more comprehensive network deployment can be obtained. The investment decision is therefore dependent on multiple criteria, including price, spectrum availability, required network investments and expected market demand. As a consequence, E-Plus' approach is not centered around 800 MHz frequencies, as spectrum over 1 GHz is also very suitable for high speed data networks, supported by the ZTE partnership. On 20 January 2010, KPN filed its application to the German regulator.

Operating highlights	Q4 2009	Q3 2009	Δ q-on-q	Operating highlights	Q4 2009	Q4 2008	Δ y-on-y
Wireless customers (k)	18,987	18,712	1.5%	Service revenues	751	761	-1.3%
Net adds (k)	275	477	-42%	ARPU blended (EUR)	13	15	-13%
Total traffic (minutes in m)	8,266	7,888	4.8%	SAC/SRC blended (EUR)	46	49	-6.1%

Belgium

- Strong service revenue growth, up 7.5% in Q4 2009
- Simplified tariff structure and regional focus delivering results
- Focus on consumer and SME/SoHo following announced sale of B2B activities and fixed fiber network

Financial highlights (Amounts in EUR millions)	Q4 2009	Q4 2008	Δ y-on-y	FY 2009	FY 2008	Δ YTD
Revenues and other income	207	198	4.5%	802	773	3.8%
EBITDA	64	68	-5.9%	259	251	3.2%
EBITDA margin	30.9%	34.3%		32.3%	32.5%	

Strong service revenue growth, up 7.5% in Q4 2009

The execution of the Challenger strategy has resulted in another quarter of high single digit service revenue growth (7.5% y-on-y). Key drivers behind the higher service revenue growth are a continued uptake in customers and higher traffic related revenues. As in Q3 2009, the fourth quarter was not impacted by MTA tariff reductions. BASE is expected to have continued its market outperformance with an increased service revenue market share of ~18% in Q4 2009.

EBITDA in Belgium was down 5.9% y-on-y in Q4, due to several negative one-offs, resulting in a margin of 30.9%.

Simplified tariff structure and regional focus delivering results

In Q4 2009, BASE added some 18k customers to its client base, bringing the total number to 3.6 million. The prepaid customer base was impacted negatively by a one-off churn in wholesale customers (~176k) in the cultural segment. The uptake in postpaid customers (32k) follows the relaunch of the BASE brand, combined with strengthened distribution and partnerships with regional focus. Another important driver of customer growth is the simplified and transparent BASE portfolio. The introduction of handset subsidies in the Belgian market has had no material impact in 2009.

Focus on consumer and SME/SoHo following announced sale of B2B activities and fixed fiber network

In November 2009, KPN Mobile International entered into an agreement with Mobistar for the sale of its Belgian B2B and Carrier services, including its fixed fiber network. Through this agreement KPN has established a solid wholesale partnership with Mobistar that will allow KPN to focus on delivering mobile and fixed services to residential, SoHo and SME customers. The transaction is expected to close in the first quarter of 2010, subject to, amongst others, approval from the relevant competition authorities.

Operating highlights ⁴	Q4 2009	Q3 2009	Δ q-on-q	Operating highlights ⁴	Q4 2009	Q4 2008	Δ y-on-y
Wireless customers (k)	3,578	3,560	0.5%	Service revenues	171	159	7.5%
Net adds (k)	18	73	-75%	ARPU blended (EUR)	16	16	0%
Total traffic (minutes in m)	1,358	1,194	14%	SAC/SRC blended (EUR)	21	20	5.0%

⁴ Refers to BASE only

Rest of World

MVNOs in Spain and France on track

Despite challenging market conditions, both in terms of economic environment and competitive landscape, within two years, KPN Spain has firmly established itself as the fastest growing MVNO in that country. Following the step-up in run rate since Q2 2009, the number of customers has grown to more than 350k, driven by its own value-for-money brands and wholesale partners targeting specific segments such as online, no-frills and cultural. Due to larger scale and a more mature organization, higher efficiencies regarding network access cost, acquisition economics, customer care and portfolio optimization are being achieved. KPN Spain is on track to become cash flow positive in 2010.

In France, KPN continues to grow with its own international Simyo brand: more than 100k customers have been registered within one year despite an unfavorable competitive and economic environment. Following the success of the Ay Yıldız brand in Germany and Belgium, the brand was launched in the French market in October 2009. The differentiated proposition offers attractive rates for calling Turkey, while distribution and communication are specifically targeted at the Turkish community. KPN France expects to launch more (international) partners to target underserved segments through offering value-for-money propositions versus current relatively high and non-transparent market pricing. KPN France is expected to become cash flow positive in 2011.

Ortel performance gradually improving

Market conditions in the cultural segment within KPN's footprint remain tough due to competitors' ongoing price promotions targeted at gaining market share. Most notable is the recent launch of Lebara in Germany. In Q2 2009, Ortel decided to focus less on customer acquisition and more on the quality of its distribution network and selective promotion to drive usage. Following this shift in strategy, Ortel's performance is gradually improving and customer activity rates are increasing. In Belgium, Ortel is the undisputed market leader in the cultural segment and continues to grow through targeted promotions. In the Netherlands, market share is being regained through strengthening its distribution network. In Germany, significant untapped potential remains and the management is focusing on increasing customer activity through less aggressive acquisition.

On 22 January 2010, KPN announced the acquisition of the remaining shares in Ortel it did not already own, representing a minority stake of 35%.

Condensed Consolidated Financial Statements for the twelve months ended 31 December 2009 and 2008

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Unaudited Consolidated Statement of Income

<i>(In millions of euro, unless indicated otherwise)</i>	For the three months ended 31 December		For the twelve months ended 31 December	
	2009	2008	2009	2008
Revenues	3,348	3,615	13,451	14,427
Other income	23	103	58	175
Revenues and other income [1]	3,371	3,718	13,509	14,602
Own work capitalised	-28	-25	-98	-102
Cost of materials	213	293	852	1,037
Work contracted out and other expenses	1,136	1,338	4,686	5,265
Employee benefits	526	562	2,115	2,222
Depreciation, amortization and impairments	583	689	2,342	2,461
Other operating expenses	217	269	762	1,122
Total operating expenses	2,647	3,126	10,659	12,005
Operating profit [2]	724	592	2,850	2,597
Finance income [3]	6	11	34	50
Finance costs [3]	-202	-187	-796	-719
Other financial results [3]	-44	-12	-46	-35
Share of the profit of associates and joint ventures, net of tax	-	-	-6	-6
Profit before income tax	484	404	2,036	1,887
Income taxes [4]	609	-107	139	-550
Profit for the period	1,093	297	2,175	1,337
Profit attributable to:				
Owners of the parent	1,092	295	2,178	1,332
Minority interest	1	2	-3	5
Earnings per share on a non-diluted basis (in EUR)	0.67	0.18	1.33	0.77
Earnings per share on a fully-diluted basis (in EUR)	0.68	0.17	1.33	0.76
Weighted average number of shares on a non-diluted basis			1,638,558,191	1,739,181,536
Weighted average number of shares on a fully-diluted basis			1,643,178,385	1,745,114,096

Unaudited Consolidated Statement of Comprehensive Income

<i>(In millions of euro, unless indicated otherwise)</i>	For the three months ended 31 December		For the twelve months ended 31 December	
	2009	2008	2009	2008
Profit for the period	1,093	297	2,175	1,337
Other comprehensive income:				
Cash flow hedges:	-8	-10	-120	3
Gains or (losses) arising during the period	1	2	30	-1
Tax				
	-7	-8	-90	2
Currency translation adjustments:				
Gains or (losses) arising during the period	4	1	-	19
Tax	-	-	-	2
	4	1	-	21
Fair value adjustment available for sale financial assets: Gains or (losses) arising during the period	-5	6	-1	1
Other	-5	-	-5	-
Other comprehensive income for the period, net of taxes	-13	-1	-96	24
Total comprehensive income for the year, net of tax	1,080	296	2,079	1,361
Total comprehensive income attributable to:				
Owners of the parent	1,078	296	2,082	1,356
Minority interest	2	-	-3	5

Consolidated Statement of Financial Position

ASSETS (In millions of euro)	As at	
	31 December 2009 (unaudited)	31 December 2008
NON-CURRENT ASSETS		
Goodwill	5,769	5,659
Licenses	2,853	3,156
Software ⁵	783	676
Other intangibles	427	569
Total intangible assets	9,832	10,060
Land and buildings	920	921
Plant and equipment	5,627	5,811
Other tangible non-current assets	177	197
Assets under construction	799	807
Total property, plant & equipment	7,523	7,736
Investments in associates and joint ventures [5]	267	135
Available-for-sale financial assets	51	52
Derivative financial instruments	8	133
Deferred tax assets	2,135	1,733
Trade and other receivables	231	210
Total non-current assets	20,047	20,059
CURRENT ASSETS		
Inventories	93	137
Trade and other receivables	1,895	2,295
Income tax receivables	9	102
Available-for-sale financial assets	2	2
Cash	2,690	1,199
Total current assets	4,689	3,735
Non-current assets and disposal groups held for sale [6]	115	119
TOTAL ASSETS	24,851	23,913

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

LIABILITIES <i>(In millions of euro)</i>	As at	
	31 December 2009 (unaudited)	31 December 2008
GROUP EQUITY		
Share capital	391	411
Share premium	8,799	9,650
Other reserves	-375	-228
Retained earnings	-4,977	-6,103
Equity attributable to owners of the parent	3,838	3,730
Minority interest	3	29
Total group equity	3,841	3,759
NON-CURRENT LIABILITIES		
Borrowings [7]	12,502	10,876
Derivative financial instruments	511	192
Deferred tax liabilities	1,275	1,624
Provisions for retirement benefit obligations [8]	717	892
Provisions for other liabilities and charges	414	427
Other payables and deferred income	337	346
Total non-current liabilities	15,756	14,357
CURRENT LIABILITIES		
Trade and other payables	3,990	4,280
Borrowings [7]	869	1,165
Derivative financial instruments	51	2
Income tax payables	100	128
Provisions for other liabilities and charges	211	186
Total current liabilities	5,221	5,761
Liabilities directly associated with non-current assets and disposal groups classified as held for sale [6]	33	36
TOTAL EQUITY AND LIABILITIES	24,851	23,913

Unaudited Consolidated Statement of Cash Flows

<i>(In millions of euro)</i>	For the twelve months ended 31 December	
	2009	2008
Profit before income tax	2,036	1,887
Finance costs – net	808	704
Share of the profit of associates and joint ventures	6	6
<i>Adjustments for:</i>		
Depreciation, amortization and impairments	2,342	2,461
Share-based compensation	33	22
Other income	-54	-141
Changes in provisions (excluding deferred taxes)	-290	-208
Inventories	42	11
Trade receivables	259	119
Prepayments and accrued income	29	48
Other current assets	89	18
Trade payables	-327	536
Accruals and deferred income	-209	-208
Current liabilities (excluding short-term financing)	127	-106
<i>Change in working capital:</i>	<i>10</i>	<i>418</i>
Received dividends from associates and joint ventures	3	-
Taxes paid	-506	-522
Interest paid	-612	-597
Net cash flow provided by operating activities	3,776	4,030
Acquisition of subsidiaries, associates and joint ventures	-180	-296
Disposal of subsidiaries, associates and joint ventures	28	341
Investments in intangible assets (excluding software)	-13	-29
Disposal of intangibles	10	5
Investments in property, plant & equipment and software [11]	-1,767	-1,925
Disposal of property, plant & equipment and software	113	197
Other changes and disposals	-20	8
Net cash flow used in investing activities	-1,829	-1,699
Share repurchases [9]	-898	-1,103
Share repurchases for option plans	-62	-68
Dividends paid [10]	-1,039	-981
Exercised options	22	24
Proceeds from borrowings [7]	3,172	1,771
Repayments of borrowings [7]	-1,249	-1,057
Other changes	-13	-6
Net cash flow used in financing activities	-67	-1,420
Changes in cash	1,880	911
Net Cash at beginning of period	771	-138
Changes in cash	1,880	911
Exchange rate differences	1	-2
Net Cash at end of period	2,652	771
Bank overdrafts	38	428
Cash at end of period	2,690	1,199

Unaudited Consolidated Statement of Changes in Group Equity

Amounts in millions of euro, except number of shares	Number of subscribed shares	Share capital	Share premium	Other reserves	Retained earnings	Equity attribu- table to owners of the parents	Minority interests	Total Group equity
Balance as of 1 January 2008	1,843,482,213	443	11,120	-608	-6,465	4,490	28	4,518
Share based compensation (net of tax)	-	-	-	-	8	8	-	8
Exercise of options	-	-	-	24	-	24	-	24
Shares repurchased	-	-	-	-1,170	-	-1,170	-	-1,170
Purchased from minority interests	-	-	-	-	-	-	-4	-4
Dividends paid	-	-	-	-	-981	-981	-	-981
Shares cancelled	-129,119,421	-32	-1,470	1,502	-	-	-	-
Other	-	-	-	-	3	3	-	3
Total comprehensive income for the period	-	-	-	24	1,332	1,356	5	1,361
Balance as of 31 December 2008	1,714,362,792	411	9,650	-228	-6,103	3,730	29	3,759
Balance as of 1 January 2009	1,714,362,792	411	9,650	-228	-6,103	3,730	29	3,759
Share based compensation (net of tax)	-	-	-	16	-13	3	-	3
Exercise of options	-	-	-	22	-	22	-	22
Shares repurchased	-	-	-	-960	-	-960	-	-960
Dividends paid	-	-	-	-	-1,039	-1,039	-3	-1,042
Shares cancelled	-85,507,470	-20	-851	871	-	-	-	-
Purchased from minority interests	-	-	-	-	-	-	-20	-20
Total comprehensive income for the period	-	-	-	-96	2,178	2,082	-3	2,079
Balance as of 31 December 2009	1,628,855,322	391	8,799	-375	-4,977	3,838	3	3,841

Notes to the Condensed Consolidated Financial Statements

Company profile

KPN is the leading telecommunications and ICT service provider in the Netherlands, offering wireline and wireless telephony, internet and TV to consumers and end-to-end telecom and ICT services to business customers. KPN's subsidiary Getronics operates a global ICT services company with a market leading position in the Benelux, offering end-to-end solutions in infrastructure and network-related IT. In Germany and Belgium, KPN pursues a Challenger strategy in its wireless operations and holds number three market positions through E-Plus and BASE. In Spain and France, KPN offers wireless services as an MVNO through its own brands and through partner brands. KPN provides wholesale network services to third parties and operates an efficient IP-based infrastructure with global scale in international wholesale through iBasis.

Accounting policies

Basis of presentation

These condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. As permitted by IAS 34, the condensed consolidated financial statements do not include all of the information required for full annual financial statements. In addition, the notes to these consolidated financial statements are presented in a condensed format. The applied accounting principles are in line with those as described in KPN's Annual Report 2008. These condensed consolidated financial statements have not been audited or reviewed and are based on IFRS as adopted by the European Union. KPN's Annual Report 2009 is expected to be available by the end of February 2010.

As of 1 January 2009, IAS 1 (revised) 'Presentation of Financial Statements' became effective and has been applied by KPN. IAS 1 (revised) uses the terms "statement of income" (previously "income statement"), "statement of financial position" (previously "balance sheet") and "statement of cash flows" (previously "cash flow statement") and introduces a "statement of comprehensive income." IAS 1 (revised) also requires the presentation of a statement of financial position at the beginning of the first comparative period presented if an entity has changed its accounting policies retrospectively or made retrospective restatements.

As of 1 January 2009 IAS 23 (revised) 'Borrowings Costs' became effective and has been applied by KPN. In accordance with IAS 23 (revised), as of 1 January 2009 borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. In the twelve months ended 31 December 2009, IAS 23 (revised) did not have a material impact.

Critical accounting estimates and judgements

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

[1] Revenues and other income

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

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

The reportable segments are based on KPN's internal structure and internal reporting to the CEO. For a description of the activities of these segments, reference is made to the Annual Report 2008. For operating profit reference is made to note [2] and for other segment information reference is made to note [11] in these Condensed Consolidated Financial Statements.

Revenues and Other income	For the twelve months ended 31 December 2009				For the twelve months ended 31 December 2008			
	External revenues	Other income	Inter-segment revenues	Total revenues and Other income	External revenues	Other income	Inter-segment revenues	Total revenues and Other income
Consumer	3,890	1	204	4,095	3,906	-	222	4,128
Business	2,219	-	272	2,491	2,260	-	286	2,546
Getronics	1,948	-	149	2,097	2,675	7	126	2,808
Wholesale & Operations	1,214	55	2,190	3,459	1,439	140	2,291	3,870
Other (incl. intercompany)	1	-	-2,698	-2,697	1	-	-2,814	-2,813
The Netherlands	9,272	56	117	9,445	10,281	147	111	10,539
Germany	3,098	1	82	3,181	3,146	7	65	3,218
Belgium	744	-	58	802	730	-	43	773
Rest of World (incl. intercompany)	195	-	-100	95	118	1	-46	73
Mobile International	4,037	1	40	4,078	3,994	8	62	4,064
Other activities	142	1	-	143	152	20	1	173
Eliminations	-	-	-157	-157	-	-	-174	-174
KPN Total	13,451	58	-	13,509	14,427	175	-	14,602

In the twelve months ended 31 December 2009, KPN Group revenues and other income were down 7.5%. The 10% lower revenues and other income in the Netherlands were attributable to Getronics and Wholesale & Operations. Within Getronics this was partly due to the sale of those parts of the portfolio which did not fit its current strategy. Mobile International's revenues and other income remained stable (+0.3%), which was attributable to growth within Belgium and Rest of World, compensating for the decline at Germany.

The other income at Wholesale & Operations was mainly from book gains on real estate and sale of towers. Furthermore, other income of EUR 20m in the first half of 2008 within Segment Other activities mainly consisted of the release of a provision regarding the sale of a subsidiary in 2002. For more detailed information on revenues, reference is made to the Management Report.

[2] Operating profit

Operating profit, DAI and EBITDA	For the twelve months ended 31 December 2009			For the twelve months ended 31 December 2008		
	Operating profit	Depreciation, Amortization & Impairments (DAI)	EBITDA	Operating profit	Depreciation, Amortization & Impairments (DAI)	EBITDA
Consumer	742	288	1,030	587	295	882
Business	713	81	794	638	75	713
Getronics	-90	152	62	-74	195	121
Wholesale & Operations	862	928	1,790	880	1,054	1,934
Other	-32	43	11	-9	33	24
The Netherlands	2,195	1,492	3,687	2,022	1,652	3,674
Germany	645	688	1,333	577	668	1,245
Belgium	124	135	259	124	127	251
Rest of World	-52	13	-39	-27	4	-23
Mobile International	717	836	1,553	674	799	1,473
Other activities	-62	14	-48	-99	10	-89
KPN Total	2,850	2,342	5,192	2,597	2,461	5,058

In the twelve months ended 31 December 2009, EBITDA for KPN Group was up 2.6%. Within the Netherlands EBITDA growth was driven by the Consumer Segment and Business Segment. EBITDA declined at both Getronics and Wholesale & Operations. Getronics' EBITDA drop was partly due to the sale of part of its portfolio, as well as higher restructuring costs. Mobile International's EBITDA increase of 5.4% was mainly attributable to Germany.

For KPN Group, depreciation, amortization and impairments were slightly lower than in 2008. In 2009, impairment losses on goodwill were recorded at Getronics (EUR 13m), iBasis (EUR 10m), Belgium (EUR 2m) and SNT (EUR 5m).

[3] Finance costs, income and other financial results

Finance costs rose EUR 77m y-on-y while finance income decreased by EUR 17m. The main reasons for the increased finance costs were a one-off premium of EUR 27m related to the tender of bonds outstanding and the absolute increase in borrowings resulting in -EUR 74m extra finance costs, partly offset by lower floating interest of EUR 23m. Reference is made to note [7] Borrowings. In Q4 2009, in line with the joint venture Reggefiber option agreement to acquire 100% of the shares over time, KPN has recorded EUR 44m as other financial results (expense). This amount represents the value change of the option, which is based on the business plan of Reggefiber. Other financial results y-on-y mainly includes higher foreign currency gains (EUR 14m) and an additional gain adjustment on the fair value hedges (EUR 7m) in 2009.

[4] Income taxes

Per 31 December 2009, the determination of deferred tax assets for available loss carry forwards and tax deductible items at E-Plus was reassessed. The reassessment resulted in an increase of the deferred tax asset and an income tax gain in Q4 2009 of EUR 705m reflecting the increased likelihood to utilize loss carry forwards of E-Plus in the future. The deferred tax asset at E-Plus after the reassessment amounted to EUR 1.7bn at 31 December 2009. For more information reference is made to a separate tax paper, available on www.kpn.com/ir.

Excluding this tax gain and goodwill impairments which are non-deductible, the effective tax rate was around 27% in both 2009 and 2008. The effective tax rate for the Group is higher than the statutory tax rate in the Netherlands of 25.5% mainly because of higher tax rates in Germany.

KPN settled the preliminary Dutch corporate income tax assessment for 2009 of EUR 608m by a prepayment of EUR 598m to the Dutch tax authorities in Q1 2009. KPN benefited from a EUR 10m discount based on the applicable Dutch tax legislation for this prepayment. The discount has been recorded as a reduction of interest paid in the Consolidated Statement of Cash Flows. An amount of EUR 327m of the prepayment was attributable to the E-Plus tax recapture. In Q4 2009, an amount of EUR 33m Dutch corporate income tax was received relating to 2009 due to a reassessment of taxable income. Furthermore, in Q2 2009 an amount of EUR 60m and in Q4 2009 an amount of EUR 49m Dutch corporate income tax were received related to prior years. Also in Q4 2009, KPN made additional E-Plus tax recapture payments of EUR 16m.

[5] Investments in associates and joint ventures

In Q1 2009 KPN contributed EUR 74m equity to match the 41% share in the Reggefiber investment over 2008. This equity contribution completed the incorporation of Reggefiber. In Q4 KPN finalized the purchase price allocation for its stake in Reggefiber. After completion of the purchase price allocation, the investment in Reggefiber as at 31 December 2009 amounted to EUR 237m, which included EUR 94m of goodwill.

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

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

KPN is selling part of its real estate portfolio which becomes redundant after migration to the new All-IP infrastructure. At the end of Q4 2009, real estate with a book value of EUR 19m were classified as 'non-current assets held for sale'. In Q4 2009, KPN has entered into an agreement with Mobistar for the sale of its fixed Belgian B2B and Carrier business, including its fixed fiber network. Consequently KPN has classified this business as held for sale with a book value of EUR 63m.

During Q4 2009, KPN completed the sale of the call center company SNT the Netherlands and Belgium, which were classified as held for sale at the end of Q3 2009.

[7] Borrowings

In 2009 KPN further strengthened its liquidity profile by issuing bonds for total proceeds of EUR 3.2bn while redeeming bonds for a total of EUR 1.1bn.

On 4 February 2009 KPN issued a dual tranche Eurobond consisting of two bonds for respectively an amount of EUR 750m, with a 5 year maturity and a coupon of 6.25% and for an amount of EUR 750m, with a 10 year maturity and a coupon of 7.50%.

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

On 17 September 2009 KPN issued a Sterling bond for an amount of 850m Sterling with a 20 year maturity and a Sterling coupon of 5.75%. The Sterling bond has been swapped into EUR 971m with a Euro-equivalent coupon of 5.98%. On 30 September 2009 KPN also issued a Eurobond for an amount of EUR 700m, with a 15 year maturity and a coupon of 5.625%. All new bonds in 2009 have been issued under KPN's Global Medium Term Note program and have been listed on Euronext Amsterdam.

At the end of 2009, KPN's average interest rate was 5.4% (2008: 5.4%) with an average maturity profile of 7.1 years (2008: 6.1 years).

[8] Provisions for retirement benefit obligations

As at 31 December 2009, the KPN pension funds under statutory coverage measurements, as required by the Dutch Central Bank acting as the pension regulator, ended with an average coverage ratio of 111% (31 December 2008: 94%).

In Q4 2009, the last additional payment was made relating to the coverage ratio at the end of Q2 2009. As the minimum required coverage ratio of 105% has been reached, with effect from 2010 KPN is no longer obliged to make these additional payments, and will cease to do so.

KPN and the KPN pension funds reached an agreement in 2009 on how to return to 105% if the coverage ratio falls below 105% in the future. KPN has agreed to make additional payments to the pension funds up to a maximum of EUR 390m.

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

[9] Share Repurchases

On 19 November 2008, KPN commenced its EUR 1bn share repurchase program for 2009 which was completed on 11 December 2009. Under this program, between 1 January and 11 December 2009, KPN repurchased 86.6 million shares at an average price of EUR 10.38, for a total amount of EUR 898m. In total, from November 2008 until 11 December 2009, KPN repurchased 96.2 million shares for a total amount of EUR 1bn.

Cancellation of shares

On 28 December 2009, KPN concluded the cancellation of 42,049,583 ordinary shares that were repurchased as part of the EUR 1bn share repurchase program of 2009. Following this cancellation, KPN has 1,628,855,322 ordinary shares outstanding. The remaining 10,711,653 shares that were repurchased under the 2009 share repurchase program will be cancelled in the first quarter of 2010. KPN had already cancelled 43,457,887 shares in the second quarter of 2009 as part of the program.

[10] Dividend

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

KPN has proposed a final dividend for 2009 of EUR 0.46 resulting in a total dividend for 2009 of EUR 0.69, up 15% compared to 2008. The dividend proposal will be submitted for approval at the Annual General Meeting on 13 April 2010.

[11] Other Segment information

Assets, liabilities and Capex	As at 31 December 2009		As at 31 December 2008		Twelve months ending 31 December	
	Total assets	Total liabilities	Total assets	Total liabilities	2009	2008
					Capex	Capex
Consumer	3,203	2,990	3,099	2,985	221	221
Business	2,956	2,962	5,783	5,841	113	115
Getronics	2,765	1,889	3,357	3,165	107	156
Wholesale & Operations	9,647	9,671	11,763	11,731	713	723
Other	-780	-784	-1,605	-1,607	49	47
The Netherlands	17,791	16,728	22,397	22,115	1,203	1,262
Germany	10,342	29,180	9,973	29,934	450	514
Belgium	1,877	330	1,753	361	101	130
Rest of World	144	146	121	106	4	9
Mobile International	12,363	29,656	11,847	30,401	555	653
Other activities	-5,303	-25,374	-10,331	-32,362	9	10
KPN Total	24,851	21,010	23,913	20,154	1,767	1,925

Capex decreased by EUR 158m, mainly due to Getronics, Germany and Belgium. At Getronics Capex was down due to reductions in expenditures on Data Centers and IT. In Germany, Capex was reduced due to lower 2G network investments (mainly in Q1 2009) and due to the handset lease service.

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

[12] Off-balance sheet commitments

As a result of entering into various large new lease contracts in 2009, KPN evaluated the determination of the off-balance sheet obligations. As inconsistencies were noticed, KPN decided to only disclose committed obligations in its off-balance sheet obligations, in line with IFRS. Voluntary prolongations and cancellable periods will no longer be included. As a consequence, the comparative figures as at 31 December 2008 for the off-balance sheet obligations were adjusted, resulting into a decrease of EUR 1.1bn, leading to a revised amount of EUR 3.4bn as at 31 December 2008.

The off-balance sheet commitments as at 31 December 2009, amounting to EUR 3.9bn, were approximately EUR 0.5bn higher compared to 31 December 2008. The difference is mainly caused by an increase of the rental and lease commitments of EUR 0.2bn and an increase of the purchasing commitments of EUR 0.3bn.

[13] Regulatory Developments

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

OPTA has published a decision on the WPC for copper-based wholesale services. OPTA has instructed KPN to use cost prices that will result in decreasing tariffs for MDF access, fixed termination access, wholesale line rental, and interconnecting leased lines. KPN has indicated the effect on revenues and EBITDA in the results of wholesale revenues. KPN will appeal the decision.

The Netherlands: Auctioning 2.6 GHz frequencies and beyond

The auction of the 2.6 GHz spectrum in the Netherlands is planned for Q2 2010. The Ministry of Economic Affairs has published the rules concerning the 2.6 GHz frequencies allocation ('Regeling, aanvraag- en veilingprocedure 2,6 GHz-band'). The rules cap KPN's acquisition possibilities to 2x10 MHz and will allow for entry of new parties to the market. KPN is not against any such entry, but is sceptical about its effectiveness.

Belgium: Update on MTA regulation

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

Belgium: Damages claim against Belgacom Mobile

In 2003, KPN Group Belgium (BASE) launched a damages claim against Belgacom Mobile (Proximus), claiming that the latter had abused its dominant position by applying very low onnet-rates. In 2004, Mobistar launched a similar claim. In 2007, the Commercial Court determined Belgacom Mobile's dominant position on the retail market until the end of 2004, and ordered an expertise. In a preliminary report of 2 October 2009, the Court experts have concluded that Proximus has indeed abused its dominance and that, for the period 1999-2004, this abuse has resulted in damages of EUR 824m for KPN Group Belgium (BASE) and of EUR 357m for Mobistar. Parties can comment on this preliminary report. The delivery of a final report has been delayed until 30 April 2010.

Belgium: Joint damage claim against Belgacom Mobile

On 29 October 2009, KPN Group Belgium (BASE) launched, together with several other telecom operators who are active on the business market (a.o. Mobistar, Telenet, Colt, Verizon, BT) a damage claim against Belgacom Mobile in relation to the latter's abuse on the corporate market (as acknowledged by the Belgian Competition Council in its decision of 26 May 2009). To define the exact amount of the damages, the Court is requested to appoint an expert. It is expected that this case will only become active after the appeal against the decision of the Competition Council has been handled (foreseen for 2011).

Belgium: Fourth UMTS operator and renewal 2G licenses

Anticipating a likely annulment of its decision by the Court of Appeal, BIPT withdrew on 28 December 2009 its decision of 25 November 2008 not to automatically renew KPN Group Belgium's GSM-license beyond July 2013.

At the same time, however, on 24 December 2009 BIPT launched a consultation on new draft rules that lists some of the key conditions of a fourth UMTS license in Belgium and of the renewal of the GSM licenses of the mobile operators. The main elements of the draft legislation include:

- The payable renewal of the existing GSM-licenses until 2021 in return for an additional license fee for the 900/1800 MHz band;
- The auction in 2010 to a fourth UMTS operator of 5 MHz duplex in the 2.1 GHz-band until March 2021. After this auction, the fourth UMTS operator has a first and exclusive right to obtain additional 2.1 GHz spectrum and also has the possibility to obtain spectrum in the 900 MHz/1800 MHz-band;
- A frequency re-farming of the 900/1800 MHz-band in November 2015. Spectrum will be equally divided amongst existing operators: Belgacom Mobile, Mobistar and KPN Group Belgium are scheduled to receive 10 MHz in the 900 MHz band and 20 MHz in the 1800 MHz band.
- The auction in 2010 of 2.6 GHz-spectrum at a minimum license fee of EUR 2,778 per MHz and per month. Both newcomers and existing operators can participate to the auction. Operators can obtain a maximum of 20 MHz duplex in the 2.6 GHz band.

KPN Group Belgium disagrees with imposing an additional license fee for its GSM-license; insofar KPN Group Belgium considers that its GSM-license should be tacitly renewed until July 2018 at no additional license fee.

Germany: Spectrum re-farming and spectrum auction

On 21 October 2009, the German regulator decided that the mobile operators can apply for a re-farming of GSM frequencies. With respect to a re-distribution of GSM 900 frequencies, the regulator has taken the opinion that there would currently be no distortion of competition which is being caused by the uneven spectrum assignment so that there would be no possibility to re-distribute frequencies.

In December 2009, the regulator announced that it will analyze the status of competition and the impact of frequency policy on the German mobile market three months after the spectrum auction which is planned for Q2 2010.

On 12 October 2009, the regulator had decided on the design of the envisaged spectrum auction. The auction comprises 360 MHz of new spectrum, including 60 MHz (2 x 30 MHz) from the digital dividend in the 800MHz frequency band which shall, from a political point of view, serve to improve broadband connectivity in rural areas.

The auction design is as follows:

- The auction is open for existing operators and newcomers.
- There will generally be a spectrum cap of 2 x 20 MHz for spectrum below 1 GHz so that E-Plus and O2 can apply for 2 x 15 MHz (because they already use 2 x 5 MHz each) and newcomers can apply for 2 x 20 MHz. Despite the fact that T-Mobile and Vodafone already use 2 x 12,4 MHz in the 900 MHz frequency band, they are however entitled to bid for 2 x 10 MHz each so that each of them could in total have 2 x 22,4 MHz.
- There are no spectrum caps for frequencies in the 1800 MHz, 2 GHz and 2.6 GHz frequency bands.
- All frequencies will be offered simultaneously.

In order to ensure an efficient use of the frequencies, the successful bidders must fulfil certain coverage obligations (e.g. 50% population coverage with 800 MHz frequencies).

E-Plus, O2 and a number of other parties (in total approximately 8) filed lawsuits against the auction design.

Germany: Mobile Termination Rates

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

Some of the respective preliminary proceedings have not been successful. Others as well as the main proceedings and prior complaints to the German Constitutional Court are still pending.

[14] Related party transactions

For a description of the related parties of KPN and transactions with related parties, reference is made to Note 32 of the Annual Report 2008, including major shareholders. On 1 December 2009, Blackrock Inc. notified the AFM that they held 5.28% in KPN's ordinary share capital. On 1 January 2010, Capital Research and Management Company notified the AFM that they held 10.68% in KPN's ordinary share capital.

In the twelve months ended 31 December 2009, there have been no changes in the type of related party transactions as described in the Annual Report 2008 that could have a material effect on the financial position or performance of KPN. Nor have any related party transactions taken place in the twelve months ended 31 December 2009 that have materially affected the financial position or the performance of KPN.

[15] Subsequent events

Share repurchase program 2010

Today, KPN announced its EUR 1bn share repurchase program for FY 2010. The share repurchase program will commence shortly and will run until the end of the year.

OPTA fines

KPN has taken notice of two decisions by OPTA, fining KPN for a total of about EUR 1.3m for allegedly providing unlawful discounts or lock-in arrangements to business customers in the years 2006-2008. KPN does not agree with

OPTA's view and will appeal these decisions. Being market leader in the Netherlands, specific services of KPN have been regulated by OPTA. KPN is aware of its duties and does its utmost to comply with the rules. Difference of opinion between KPN and OPTA generally occurs when customers take both regulated and non-regulated services. KPN knows that OPTA is currently investigating similar cases of alleged discounts from the period before the Compliance Charter, which will also be appealed by KPN.

KPN acquires remaining minority stake in Ortel Mobile

On 22 January 2010, KPN announced that it has entered into an agreement to acquire the remaining minority stake of 35% in Ortel Mobile from its founders. KPN already owns 65% following the acquisition in March 2008. KPN believes that full ownership will assist Ortel Mobile in reaching its operational and strategic objectives. Furthermore it will accelerate the expansion of Ortel Mobile to new markets.

Safe harbour

Non-GAAP measures and management estimates

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

*KPN defines **EBITDA** as operating result before depreciation and impairments of PP&E and amortization and impairments of intangible assets. Note that KPN's definition of EBITDA deviates from the literal definition of earnings before interest, taxes, depreciation and amortization and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS. In the **net debt/EBITDA ratio**, KPN defines EBITDA as a 12 month rolling average excluding book gains, release of pension provisions and restructuring costs, when over EUR 20m. **Free cash flow** is defined as cash flow from operating activities plus proceeds from real estate, minus capital expenditures (Capex), being expenditures on PP&E and software, and excluding tax recapture regarding E-Plus.*

*The term **existing** indicates that only the Getronics business that was part of KPN Group as at the end of the reporting period of the 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 financial statements. The term existing and disposed refers to, and only to, businesses that were part of Getronics at the initial consolidation of Getronics within the KPN Group on 23 October 2007.*

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

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

All market share information in this 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 2008.