KPN Investor Day: Consumer wireless
Strengthen - Simplify - Grow

Marco Visser

London, 10 May 2011
Mobile Netherlands - profile
Entering a new era

**Profitable growth**
- Cash = king

**Line in the sand**
- kpn
- Relaunch Hi
- SMS war
- iMode/UMTS

**Value play**
- Implement initiatives to sustain share in competitive and changing market
- Best-in-class EBITDA margin (~50%)
- Stable revenue share (~47%)
- Increase distribution grip
- Consolidation

**2000**
- Short term cash flow maximization
- EBITDA ++
- -/- 6% market share
- iMode/UMTS

**2004**
- Telfort acquisition
- Relaunch Hi
- SMS war
- Increase share of indirect distribution

**2007**
- Best-in-class EBITDA margin (~50%)
- Stable revenue share (~47%)
- Increase distribution grip
- Consolidation

**2011**
- Customer centricity Value maximization

**2015**
- Customer Lifecycle Management

Value play
**Customer behavior**

Traditional mobile voice and SMS are increasingly being substituted by data communication. The table below illustrates how attitude and communication behaviors are changing:

<table>
<thead>
<tr>
<th>Topic</th>
<th># of recipients</th>
<th>Cost</th>
<th>Time required</th>
<th>Emotion</th>
<th>Urgency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>Group</td>
<td>Important</td>
<td>Little</td>
<td>Little</td>
<td>Low</td>
</tr>
<tr>
<td>Business</td>
<td>1-on-1</td>
<td>Less relevant</td>
<td>Much</td>
<td>A lot</td>
<td>High</td>
</tr>
</tbody>
</table>

**Example: WhatsApp**

- Accelerating penetration of advanced smartphones
- Popularity of social media
- Availability of easy to use ‘apps’ for instant messaging and mobile VoIP
- Proliferation of (free) WIFI hotspots
Customer behavior (cont’d)
Example of mobile bill of high value customer, before new initiatives

<table>
<thead>
<tr>
<th>January 2010</th>
<th>January 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Handset</strong></td>
<td><strong>Handset</strong></td>
</tr>
<tr>
<td>Nokia N95 8Gb</td>
<td>Samsung galaxy S</td>
</tr>
<tr>
<td><strong>Usage</strong></td>
<td><strong>Usage</strong></td>
</tr>
<tr>
<td>200 minutes</td>
<td>175 minutes</td>
</tr>
<tr>
<td>200 SMS</td>
<td>160 SMS</td>
</tr>
<tr>
<td>37 Mb data</td>
<td>204 Mb data</td>
</tr>
<tr>
<td><strong>Subscription</strong></td>
<td><strong>Subscription</strong></td>
</tr>
<tr>
<td>• Hi 30 (225 credits)</td>
<td>• Hi 30 (225 credits)</td>
</tr>
<tr>
<td>• Data bundle</td>
<td>• Data bundle</td>
</tr>
<tr>
<td>• Out of bundle</td>
<td>• Out of bundle</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td><strong>Cost</strong></td>
</tr>
<tr>
<td>€ 30.00</td>
<td>€ 30.00</td>
</tr>
<tr>
<td>€ 9.95</td>
<td>€ 9.95</td>
</tr>
<tr>
<td>€ 22.50</td>
<td>€ 9.00</td>
</tr>
<tr>
<td><strong>Total bill</strong></td>
<td><strong>Total bill</strong></td>
</tr>
<tr>
<td>€ 62.45</td>
<td>€ 48.95</td>
</tr>
</tbody>
</table>

1 Example of high value postpaid Hi customer that renewed contract to advanced smartphone in past months
2 One voice minute is one credit; one SMS is 0.5 credits
Current trends amongst early adopters
Use of applications lead to accelerating decline in SMS & out of bundle revenues

(Advanced) smartphone penetration

Penetration of WhatsApp

Penetration of ‘flat fee’ data packages

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
## Managing changing customer behavior

### Short and long term measures

<table>
<thead>
<tr>
<th>Currently</th>
<th>Summer 2011</th>
<th>Medium-term</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stabilize ARPU traditional voice/SMS services</strong></td>
<td><strong>Introduce new data monetization models, increase data pricing</strong></td>
<td><strong>Build options for application monetization</strong></td>
</tr>
<tr>
<td>• Actively upsell customers to unlimited SMS bundle</td>
<td>• Offer integrated voice / SMS / data propositions</td>
<td>• Investigate opportunities in application landscape i.e.</td>
</tr>
<tr>
<td>• Actively upsell out of bundle customers to higher bundles</td>
<td>• Reduce Mb’s in lower envelop bundles</td>
<td>– Rich VoIP functionalities</td>
</tr>
<tr>
<td>• Offer personal flat fee voice bundles to our top high value customers</td>
<td>• Introduce specific pricing for mVoIP</td>
<td>– Cloud services</td>
</tr>
<tr>
<td>• Offer ‘suspend’ propositions to current out of contract customers</td>
<td>• Ensure transparent propositions and provide customers clear choices</td>
<td>– KPN app store</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– App store billing</td>
</tr>
</tbody>
</table>
Dutch mobile market outlook
Size of mobile market is expected to remain relatively stable

Revenue cannibalization from IP substitution
- Mobile VoIP
- SMS-replacing apps

Opportunities from mobile data
- Tiered data pricing
- Multiple simcards for various devices
- New services
  - Music
  - Payment
  - 3G TV

Potential new entrants
- Potential new entrant going for market share

Continued regulatory pressure
- MTA voice
- MTA SMS
- Data roaming

Dutch mobile market service revenues\(^1\)

1 Management estimate
### 2015 strategic objectives

Adjusting value strategy to sustain market share in changing market

<table>
<thead>
<tr>
<th>Strategic initiatives</th>
<th>Key 2015 objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Future proof portfolio</strong></td>
<td><strong>Successful migration to data</strong></td>
</tr>
<tr>
<td>- From volume based bundles to integrated data and voice bundles</td>
<td></td>
</tr>
<tr>
<td>- Application based and quality based differentiation</td>
<td></td>
</tr>
<tr>
<td>- Multi-device propositions</td>
<td>Voice</td>
</tr>
<tr>
<td></td>
<td>SMS</td>
</tr>
<tr>
<td></td>
<td>Data</td>
</tr>
<tr>
<td></td>
<td>VAS$^1$</td>
</tr>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td><strong>Optimize distribution</strong></td>
<td>Sustain mobile NL market share$^2$</td>
</tr>
<tr>
<td>- Expand footprint KPN stores</td>
<td>47%</td>
</tr>
<tr>
<td>- Introduce XXL experience stores</td>
<td>&gt;45%</td>
</tr>
<tr>
<td><strong>Develop growth opportunities</strong></td>
<td>2010</td>
</tr>
<tr>
<td>- Fixed-Mobile convergence</td>
<td>2015</td>
</tr>
<tr>
<td>- SoHo/SME</td>
<td></td>
</tr>
<tr>
<td>- Data cards</td>
<td></td>
</tr>
<tr>
<td>- Regionalization/ big cities</td>
<td></td>
</tr>
<tr>
<td><strong>Improve quality</strong></td>
<td></td>
</tr>
<tr>
<td>- Best-in-class service experience</td>
<td></td>
</tr>
<tr>
<td>- Best-in-class network</td>
<td></td>
</tr>
</tbody>
</table>

1. Value Added Services, e.g. apps
2. Service revenue market share
**Future proof portfolio**
Successful migration to data centric bundles

**First steps**
- Integrated bundles
  - Data bundles no longer sold separately
- MB differentiated per bundle
- Speed differentiation
- mVoIP tariffs
- USP per brand

**Future steps**
- Application based packaging
  - Music, video, internet, social media
- Multi-device propositions around mobile data

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1 Value Added Services, e.g. apps
### Distribution optimization

Improve brand and distribution effectiveness

<table>
<thead>
<tr>
<th>Expand own distribution footprint</th>
<th>Leverage niche channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Expand footprint</td>
<td>• Specific KPN brands targeting specific customer groups, e.g. online, cultural</td>
</tr>
<tr>
<td>– KPN stores from 213 to ~300</td>
<td></td>
</tr>
<tr>
<td>• New format</td>
<td></td>
</tr>
<tr>
<td>– Introduce new KPN XXL experience stores</td>
<td>• Cover remaining part of the market through wholesale partners, with complementary distribution</td>
</tr>
<tr>
<td>• Focus on underperforming areas</td>
<td></td>
</tr>
<tr>
<td>– Grow market share in big cities</td>
<td></td>
</tr>
</tbody>
</table>

![Store images](image-url)
### Growth opportunities

Leverage capabilities on specific segments and adopt regionalization approach

<table>
<thead>
<tr>
<th>Fixed - Mobile convergence</th>
</tr>
</thead>
<tbody>
<tr>
<td>- KPN as first-mover</td>
</tr>
<tr>
<td>- Converged fixed and mobile portfolio</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regionalization/ big cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Regional sales communication</td>
</tr>
<tr>
<td>- Regional offers</td>
</tr>
<tr>
<td>- Proven success in Belgium and Germany</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SME/ SoHo</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Extend multi-brand approach</td>
</tr>
<tr>
<td>- Increase direct distribution footprint and online</td>
</tr>
<tr>
<td>- Tailor propositions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Data cards</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Extend portfolio</td>
</tr>
<tr>
<td>- Realize strategic partnerships</td>
</tr>
</tbody>
</table>
4 Quality and costs
Realize best-in-class customer service

Best-in-class service experience

- Best in class CRM and billing
- Accelerated self service
- Reduced service calls
- Improved NPS scores
- Lower churn

Best-in-class network

1. Highest download throughput
2. Lowest percentage of dropped calls
3. Frontrunner on LTE/ HSPA
4. Sufficient spectrum to serve customer base and safeguard growth
Concluding remarks
Sustain share in competitive and changing market

OTT / OEM\(^1\) players

Value strategy

New entrants

Different playing field

Different players

Future proof portfolio

Optimize distribution

Develop growth opportunities

Improve quality

1 OTT = Over-the-top; OEM = Original Equipment Manufacturer
KPN Investor Day: Consumer wireline
Strengthen - Simplify - Grow

Joost Farwerck

London, 10 May 2011
**Key messages**

**Consumer wireline**

- Clear strategic initiatives targeting > 45% broadband market share by 2015
- Focusing on increasing number of RGUs
- Improving TV and broadband propositions to differentiate from the market
- Focus on first class customer service and delivery processes
- Expanding the addressable market
  - VDSL upgrades including nationwide bonding
  - Rolling out Fiber-to-the-Home in attractive areas
  - IPTV and Fiber-to-the-Home via all brands
- Targeted commercial investments via regional approach
Consumer wireline - profile
Managing the market for value

**Broadband customer base and market share**
- Stable base
- Declining market share
- Cable key competition

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>k</td>
<td>2.402</td>
<td>2.536</td>
<td>2.575</td>
<td>2.576</td>
</tr>
</tbody>
</table>

**Broadband, Traditional voice & TV ARPU**
- Stable to rising ARPUs
- Slightly increasing # of RGUs per connection
  - Dec 2009: 1.75
  - Dec 2010: 1.81

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td>29</td>
<td>30</td>
<td>31</td>
<td>32</td>
</tr>
</tbody>
</table>

**TV customer base and market share**
- Growing TV share
- IPTV key component in triple-play
- Digitenne\(^1\) subscriber base: ~ 900k
- IPTV subscriber base: ~ 360k as per Q1 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>k</td>
<td>7%</td>
<td>11%</td>
<td>12%</td>
<td>15%</td>
</tr>
</tbody>
</table>

1. Digitenne used as primary TV connection
Market context

Moving to triple-play, new TV features increasing need for bandwidth

**Dutch broadband market evolving towards triple-play**

- Dutch broadband penetration at 88%
- Continued increase in triple-play penetration
  - Line loss expected to continue
  - RGUs per connection to increase
- TV is key differentiator
- New features push demand for bandwidth: e.g., Multi-screen, Uploading, HDTV

**Promising technical developments enable VDSL bandwidth increase**

- New copper upgrades enable short and medium-term bandwidth increase
- ~ 90% of Dutch market connected with double copper pair, of which ~ 60% fully prepared, therefore pair bonding on VDSL widely possible
- Fiber is superior technology in the long run
## 2015 strategic objectives

Win broadband market share through successful triple and quadruple-play

### Strategic initiatives

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
</table>
| 1 | • Improve & differentiate proposition on copper and fiber  
  • Converged Fixed-Mobile offering |
| 2 | Step up customer service and provide in-home integration services |
| 3 | Expand addressable market with nationwide VDSL upgrades and FttH roll-out in promising areas |
| 4 | Targeted commercial investments following a regional approach |

### Key 2015 objective

<table>
<thead>
<tr>
<th>Broadband market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010: 41%</td>
</tr>
<tr>
<td>2015: &gt; 45%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RGUs per connection</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010: 1.8</td>
</tr>
<tr>
<td>2015: ~2.4</td>
</tr>
</tbody>
</table>
Customer proposition improvement
Improve and differentiate propositions

<table>
<thead>
<tr>
<th>Vision</th>
<th>Short term proposition improvements</th>
<th>Superior offers with FttH</th>
</tr>
</thead>
<tbody>
<tr>
<td>A great user experience...</td>
<td>Enhanced and more flexible interface</td>
<td>0.5-1 Gbps</td>
</tr>
<tr>
<td>...with access to all content...</td>
<td>Improved quality</td>
<td>Best HD quality</td>
</tr>
</tbody>
</table>
| ...across all screens...                  | • Faster zapping  
|                                            | • Improved image quality                                                 |                          |
| ...shared with all your friends           | Content                                                                 |                          |
|                                            | • More channels  
|                                            | • OTT content via TV                                                    |                          |
|                                            | High-end TV                                                            |                          |
|                                            | • HD packages  
|                                            | • 3D experiments                                                        |                          |
|                                            | Additional features                                                    |                          |
|                                            | • Gaming  
|                                            | • Music                                                                |                          |
|                                            | TV on other devices                                                    |                          |
|                                            | • TV on second screen                                                  |                          |
|                                            | • WebTV on PCs and tablets                                              |                          |
|                                            | • Introduce quadruple play                                              |                          |
|                                            | Functionalities                                                        |                          |
|                                            | • Uniform interface                                                    |                          |
|                                            | Integration with social media                                          |                          |
|                                            | • Apps for smartphones with EPG (linked to social media)               |                          |
|                                            | • Recommendation functionality                                         |                          |
|                                            | • Social networks functionality on TV                                   |                          |
Converged Fixed-Mobile offering
Benefit from quadruple-play offering

KPN uniquely positioned for quadruple-play in NL

- Customer benefits from quadruple-play proposition:
  - Convergence between devices
  - Demand for extra functionality
  - Benefit from bundled prices
  - Single provider convenience

- KPN best positioned to capture benefits from this trend
  - Nation wide fixed network and best mobile network in the Netherlands
  - 360° customers view
  - Benefit from churn reduction on both mobile and fixed

Taking initiative to increase Fixed-Mobile convergence

- Device convergence on TV/BB roadmap, such as:
  - TV on PCs and tablets
  - TV on mobile
  - Improved usability of receiving KPN TV on fixed and mobile

- Develop bundles
  - Reduce churn of mobile and fixed customers
  - Avoid margin erosion
## Customer service optimization

Quality improvements in customer service and efficiency

### Improvements on customer process
- Improved delivery time broadband / TV
- Proactive quality monitoring
- ‘First time right’ and ‘zero waste’ on key processes

### First class service points
- Nationwide first class service points by improving website and call centers
- Local XXL-stores as service points
- @Home: In-house integration services formula

### One KPN customer unit
- 1 customer process
- 1 program to improve

### Enablers
- Culture of customer centricity in frontline and back-office
- Online self-care environment
- Process redesign to reduce waste
- Performance management
### Addressable market expansion

**VDSSL upgrades and fiber roll-out expanding coverage**

<table>
<thead>
<tr>
<th>Actions to expand the addressable market</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Upgrades of copper network</td>
</tr>
<tr>
<td>- Acceleration VDSL outer rings ongoing</td>
</tr>
<tr>
<td>- Pair bonding, full launch Q4 2011</td>
</tr>
<tr>
<td>- Vectoring, H2 2012</td>
</tr>
<tr>
<td>- Phantoming R&amp;D ongoing, earliest launch 2013</td>
</tr>
<tr>
<td>• In full preparation with Alcatel-Lucent and ZTE</td>
</tr>
<tr>
<td>• Selectively targeted fiber roll-out in promising areas through Reggefiber JV</td>
</tr>
<tr>
<td>- Securing regional strength and long-term position</td>
</tr>
<tr>
<td>• Ongoing gradually roll-out leads to &gt;20% FttH coverage in 2013</td>
</tr>
</tbody>
</table>

### Increasing coverage with high guaranteed speeds

- Guaranteed minimum speeds
- **2011:** ~ 40% of Dutch households covered with >40Mbps
- **2012:** ~ 70% of Dutch households covered with >40Mbps

- **2010:**
  - 34% ~ 1 Gbps (Fiber)
  - 11% >40 Mbps
  - 16% >20 Mbps
  - 95% < 20 Mbps

- **2011:**
  - 65% ~ 1 Gbps (Fiber)
  - 40% >40 Mbps
  - 86% >20 Mbps
  - 87% < 20 Mbps

- **2012:**
  - 71% ~ 1 Gbps (Fiber)
  - 76% >40 Mbps
  - 87% >20 Mbps
  - 95% < 20 Mbps

- **2013:**
  - 21% ~ 1 Gbps (Fiber)
  - 76% >40 Mbps
  - 87% >20 Mbps
  - 95% < 20 Mbps
Positive results in KPN FttH areas

Fiber areas show promising uptake in market share and ARPU

### Broadband market share

- **Fiber area**
  - Dec 2009: 42%
  - Dec 2010: 44%
  - Increase: +3%
- **National**
  - Dec 2009: 41%
  - Dec 2010: 41%
  - Decrease: -1%

1 = KPN national average  
2 = KPN FttH area

### TV market share

- **Fiber area**
  - Dec 2009: 12%
  - Dec 2010: 17%
  - Increase: +10%
- **National**
  - Dec 2009: 15%
  - Dec 2010: 27%
  - Increase: +2%

1 = KPN national average  
2 = KPN FttH area

Good developments in KPN FttH areas

- Broadband and TV show promising market share uptakes
- 40% of broadband gross adds are new customers
- Significant ARPU increase thanks to increased upsell

1 Based on all KPN FttH areas that were rolled out at Dec 09
### Maximize value through regional approach

Commercial approach differentiated on regional characteristics and likelihood of success

<table>
<thead>
<tr>
<th>Expand offering across all brands</th>
<th>Focus on churn reduction and gross adds increase per area</th>
<th>Grow FttH in attractive area’s</th>
</tr>
</thead>
</table>
| • Offer IPTV and FttH to Telfort and XS4ALL customers this year  
• Expanding addressable market | • Cross-sell TV  
• Create more traffic to shops by hardware promotions  
• Expanding distribution footprint | • Expand roll-out via aggregated demand  
• Focus on most promising areas  
• Dual-play offering  
• Proactive migration in KPN FttH areas |

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1. [1 English translation: Lelystad wants fiber](#)
Concluding remarks

- Clear strategic initiatives targeting > 45% broadband market share by 2015
- Focusing on increasing number of RGUs
- Improving TV and broadband propositions to differentiate from the market
- Focus on first class customer service and delivery processes
- Expanding the addressable market
  - VDSL upgrades including nationwide bonding
  - Rolling out Fiber-to-the-Home in attractive areas
  - IPTV and Fiber-to-the-Home via all brands
- Targeted commercial investments via regional approach
KPN Investor Day: Germany
Strengthen - Simplify - Grow

Thorsten Dirks

London, 10 May 2011
Key messages
Germany

• Winning challenger strategy for data

• Strong growth potential

• All building blocks in place
Challenger strategy
Strong performance in competitive German market

Proven track record with 2010 ramp-up year for growth in mobile data

\[ \% = \text{E-Plus service revenue market share} \]

Proven track record
- Focused on mass market needs
- Low-cost to serve
- Multi-brands & segments
- Wholesale partnerships
- Innovative propositions

2010: Ramp-up year
- Acquired valuable spectrum
- Disruptive vendor partnerships
- Accelerated data network roll-out
- Positioned BASE brand for data
- First regional data attacks

Voice + SMS

<table>
<thead>
<tr>
<th>2006</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>-13%</td>
<td>~16%</td>
</tr>
</tbody>
</table>

Market outperformance

<table>
<thead>
<tr>
<th></th>
<th>E-Plus</th>
<th>Competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>+4.4</td>
<td>-5.0</td>
</tr>
<tr>
<td>2008</td>
<td>+6.7</td>
<td>-1.9</td>
</tr>
<tr>
<td>2009</td>
<td>+0.5</td>
<td>-2.5</td>
</tr>
<tr>
<td>Q1 2010</td>
<td>+1.4</td>
<td>-0.7</td>
</tr>
<tr>
<td>Q2 2010</td>
<td>+3.2</td>
<td>+2.0</td>
</tr>
<tr>
<td>Q3 2010</td>
<td>+3.8</td>
<td>+4.0</td>
</tr>
<tr>
<td>Q4 2010</td>
<td>+2.7</td>
<td>+4.0</td>
</tr>
<tr>
<td>Q1 2011</td>
<td>+1.0</td>
<td>-1.0</td>
</tr>
</tbody>
</table>

Figures including MTA reductions as of 12/2010

1 Management estimate
Market context

Overall market size stable due to strong growth in mobile data

- **Overall service revenue market size stable**

- **Voice market** will further decline due to MTA impact and competitive pricing pressure

- **Substitution of voice/SMS** through „over-IP“ still negligible but expected to increase 2012+

- **Data uptake**, driven by both smartphones and dongles; major opportunity for E-Plus

---

1 Management estimate
# 2015 strategic objectives

Grow mobile Challenger strategy with data

## Strategic initiatives

| Network | • Mobile broadband network for mass market  
|         | • Quality on eye-level with competition  
|         | • Clear cost leadership  
| Commercial | • Innovative value for money data propositions  
|         | • Upgrade customer base  
|         | • Capture market growth  
| Brand | • Further strengthen lead brand BASE  
|         | • Continue multi-brand / segment strategy  
|         | • Expand wholesale partnerships for voice/data  
| Distribution | • Regionalized go-to-market approach  
|         | • Further strengthen captive channels  

## Key 2015 objective

<table>
<thead>
<tr>
<th>Service revenue</th>
<th>market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>Data</td>
<td>5%</td>
</tr>
<tr>
<td>Voice, SMS</td>
<td>&gt;20%</td>
</tr>
<tr>
<td>2015</td>
<td></td>
</tr>
<tr>
<td>Data</td>
<td>&gt;20%</td>
</tr>
<tr>
<td>Voice, SMS</td>
<td></td>
</tr>
</tbody>
</table>
Mobile data strategy - Network
Quality on eye-level with competition - at lowest cost to serve

Building blocks

• Mobile data network for mass market user
  – Quality on eye-level with competition
  – Lowest cost to serve

• Cost leadership
  – Disruptive vendor deals and focus on HSPA+
  – Regional prioritized roll-out, build-to-demand
  – Off-load indoor data traffic through customer Wifi

• Future proof approach
  – Instant (soft-) upgrade from HSPA+ to LTE anytime
  – Ability to use existing 900 MHz spectrum for data

• Accelerated roll-out based on multiple partnerships
  – EOY 2011: >75% of own base covered (up to 21 Mbps)
  – EOY 2012: >80% of total pop covered (up to 42 Mbps)

Facts

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile broadband roll-out: no. of site upgrades/day</td>
<td>2</td>
<td>9</td>
<td>12</td>
<td>&gt;15</td>
</tr>
</tbody>
</table>

1 FDD/TDD spectrum
Mobile data strategy - Commercial
Strong growth potential - value for money data propositions

Building blocks

• **Strong growth potential**
  – Upgrade customer base
  – Capture market growth

• **Winning smartphone proposition**
  – Internet inside / private label
  – Optimized SAC through lease model

• **Additional growth from embedded-SIM / dongle business**
  – Wholesale deals for „embedded SIMs“
  – Leveraging our network capacity advantage

Facts

<table>
<thead>
<tr>
<th></th>
<th>Voice</th>
<th>Data</th>
<th>2010</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market share 2010 (%)</td>
<td>18</td>
<td>5</td>
<td>3.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Data market (€ bn)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smartphone take-rate</td>
<td></td>
<td></td>
<td>+200%</td>
<td></td>
</tr>
<tr>
<td>Pure data service revenues</td>
<td></td>
<td></td>
<td>+60%</td>
<td></td>
</tr>
</tbody>
</table>

Q1 2011 YoY growth rates
Brand / distribution strategy
Further strengthen key elements of Challenger model

Building blocks

• Further strengthen BASE brand
  – Continue to push brand awareness
  – Further increase Net Promoter Score

• Expand multi-brand/segment approach
  – Expand into new segments
  – Leverage full wholesale partner pipeline to address new segments in voice & data

• Further exploit regionalization potential
  – Increase captive channel share in growth regions
  – Regional go-to-market and network yield management approach for data

Facts

Net promoter score Q1 2011
BASE most popular brand

BASE
+10
0 - +/- 30
Industry scores

BASE brand awareness
Strong upside in further pushing awareness

2010 2011 2012
20% 34% >60%

Captive channel share
Post-paid transactions through own channels

2010 2011 2012
61% 70% >75%
Concluding remarks
Germany

• Winning challenger strategy for data

• Strong growth potential

• All building blocks in place