

Q1 results 2010

Solid first quarter, focus on EBITDA, free cash flow and market shares

Highlights

- Continued EBITDA growth of Dutch Telco business
- Revenue growth and solid profitability at Mobile International
- MTA proposals published for the Netherlands and Belgium
- KPN obtained 2x10MHz of 2.6GHz spectrum in the Netherlands
- Continued focus on shareholder returns, EUR 1bn share buyback started
- 2010 and 2011 outlook confirmed

Group financials *	Q1 2010	Q1 2009	Δ y-on-y
<i>(In millions of euro, unless indicated otherwise)</i>			
Revenues and other income	3,277	3,396	-3.5%
- Of which revenues	3,271	3,388	-3.5%
EBITDA	1,323	1,234	7.2%
EBITDA margin	40.4%	36.3%	
Operating profit (EBIT)	793	632	25%
Profit for the period (net result)	449	317	42%
Earnings per share (in EUR)	0.28	0.19	47%
Cash flow from operating activities	229	59	> 100%
Capital expenditures (PP&E and software)	-335	-456	27%
Proceeds from real estate	7	14	-50%
Tax recapture at E-Plus	327	327	0%
Free cash flow	228	-56	n.m.

* All non-IFRS items are defined in the safe harbour section at the end of the condensed financial report

"KPN's performance in the first quarter of 2010 was solid and confirms our outlook for 2010 and 2011. In the first quarter we continued to feel topline pressure as a result of the economic conditions in the business markets and regulation. However, despite this headwind, our Dutch Telco business maintained its record of good performance with all segments contributing to solid EBITDA growth, due to continued focus on customer value and costs. The service revenue trend in Germany is improving with a continued strong EBITDA margin. We remain committed to our industry-leading shareholder returns and started a EUR 1bn share buyback program for 2010 in February this year."

Ad Scheepbouwer, CEO KPN

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Group review

Revenues and other income <i>(In millions of euro)</i>	Q1 2010	Q1 2009	Δ y-on-y
KPN Group	3,277	3,396	-3.5%
- The Netherlands ¹	2,292	2,413	-5.0%
- Mobile International	999	981	1.8%

EBITDA <i>(In millions of euro)</i>	Q1 2010	Q1 2009	Δ y-on-y
KPN Group	1,323	1,234	7.2%
- The Netherlands ¹	954	878	8.7%
- Mobile International	384	368	4.3%

Declining revenues in the Netherlands, higher revenues in Mobile International

KPN Group revenues and other income were down 3.5% y-on-y in Q1 2010 including a EUR 28m (-0.9%) effect from disposals (including SNT Belgium & the Netherlands divested in Q4 2009 and parts of Getronics divested in Q1 2009). The decrease was mainly seen in the Netherlands where there was a decline across all Segments, with the majority attributable to Getronics (EUR 68m, including EUR 17m disposals) and circa EUR 50m regulatory impact in the Dutch Telco business (~ 2.5%). Revenues and other income at Mobile International increased by 1.8% y-on-y in Q1 2010, including a negative impact from regulation of approximately EUR 28m (~ 3%).

Continued EBITDA growth resulting from focus on customer value and costs

The focus on EBITDA, cash flow and market shares continued in Q1 2010, resulting in EBITDA growth of EUR 89m, or 7.2% y-on-y. The Netherlands achieved a EUR 76m EBITDA increase, attributable to the Dutch Telco business (EUR 34m) and Getronics (EUR 44m) with the benefits of the reorganization and the absence of restructuring costs. In Q1 2010, Dutch Telco showed continuing EBITDA growth of 3.9% y-on-y as a result of the focus on customer value and costs whilst absorbing regulatory pressure on tariffs (2.9%). Mobile International EBITDA was up 4.3% y-on-y in Q1 2010, driven by growth in Belgium and improved EBITDA in Rest of World with flat EBITDA in Germany.

Free cash flow impacted by tax prepayment and normal seasonality

KPN's cash flow has a seasonal pattern and the Q1 2010 free cash flow amounted to EUR 228m, up EUR 284m y-on-y (Q1 2009: -56m). The increase was explained by higher EBITDA (EUR 89m) and lower Capex (EUR 121m) mainly as a consequence of a change to Capex phasing in Germany compared to 2009 and Capex efficiency in the Group, through centralization of Capex budgets and lower equipment pricing. Furthermore, in Q1 2010 the change in working capital was less negative compared to last year (EUR -198m versus EUR -364m respectively) as there was no reversal of non-structural improvements from prior quarter. These positive impacts on free cash flow in Q1 2010 were partly offset by higher interest payments (EUR 101m) due to a EUR 1.5bn bond issue in February 2009.

Furthermore, KPN's surplus cash position allowed for a prepayment of KPN's expected 2010 Dutch corporate income tax liability in February (EUR 549m) which otherwise would have been evenly spread over the course of twelve months. This resulted in a EUR 6m discount from the Dutch tax authorities. The net payment of EUR 543m includes EUR 327m relating to the E-Plus tax recapture. The EUR 327m is the same amount as in 2009, however this should not be considered indicative for the EBITDA to be achieved by E-Plus in 2010.

Net debt to EBITDA² slightly increased to 2.2x

Net debt at the end of Q1 2010 amounted to EUR 11.4bn compared to EUR 11.1bn at the end of Q4 2009, mainly due to the EUR 543m net tax prepayment. This translates into a slightly higher net debt to EBITDA ratio of 2.2x (Q4 2009: 2.1x), comfortably within KPN's target financial framework of 2.0-2.5x. KPN has a solid liquidity position and is committed to maintaining its prudent financing policy by covering refinancing obligations well ahead.

¹ The Netherlands includes Dutch Telco business, iBasis, Getronics and Other gains and losses including eliminations

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

KPN's credit ratings remained unchanged at BBB+ with a stable outlook (Standard & Poor's) and Baa2 with a stable outlook (Moody's).

EUR 1bn share repurchase program 2010 started in February

In February 2010, KPN commenced its EUR 1bn share repurchase program for 2010, which will run until the end of 2010. Under this program, KPN repurchased 8.9 million shares at an average price of EUR 11.60, for a total amount of EUR 103m (~10%) in Q1 2010, of which EUR 101m was settled in cash in the quarter. The EUR 101m of share repurchases in Q1 2010 is relatively low compared to Q1 2009 (EUR 315m) mainly as a result of a later start of the program in 2010 compared to 2009. To date, 25% of the share repurchase program has been completed.

FTE reductions ongoing

In Q1 2010 the total number of FTEs of KPN Group amounted to 32,203 FTEs, which is 945 FTEs lower compared to Q4 2009. Getronics reduced 293 FTEs in Q1, mainly related to the reduction program of 2009. The reduction in Mobile International (201 FTEs) relates to the closing of the sale of B2B³ to Mobistar in Belgium and reorganisation of SMS Michel in Germany. In the Netherlands (excluding Getronics and acquisitions) there was a reduction of 451 FTEs, bringing the total reduction in the Netherlands to 8,512 FTEs since 2005. A number of outsourcing decisions will be taken in Q2 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.

Continued Opex reductions in Dutch Telco business in fixed and variable costs

KPN has significantly reduced its cost base in the Dutch Telco business since the start of its 'Back to Growth' strategy in 2008. Opex reductions of some EUR 350m in the past two years are reflected in both fixed and variable costs and are set to continue into 2010.

Reductions in fixed costs will be maintained in case of revenue growth and comprise of lower IT spend due to simplification, lower equipment pricing and more efficient use of suppliers, as well as minimizing floor space by vacating buildings. Another part of the cost reductions has come from lower personnel costs due to FTE reductions as a result of simplification of the organization, fewer brands and improved quality of service ('First-time-right'). The variable personnel cost, relating to hired staff, have decreased due to fewer FTEs as well as lower tariffs. The decline in SAC/SRC and traffic related costs (lower MTA and roaming tariffs) were another important contributor of lower Opex.

KPN sees potential to further reduce Opex, both fixed and variable, through continued focus on simplification and efficiency improvements, more efficient SAC/SRC spend and further price reductions from suppliers.

³ Refers to the fixed Belgian B2B and Carrier business, including the fiber network

Financial and operating review by Segment

The Netherlands

The table below illustrates the performance of the Netherlands.

Revenues and other income <i>(In millions of euro)</i>	Q1 2010	Q1 2009	Δ y-on-y
- Consumer	969	1,031	-6.0%
- Business	634	634	0%
- Wholesale & Operations (national, excl. book gains)	704	735	-4.2%
- Other (incl. eliminations)	-549	-576	4.7%
Dutch Telco business	1,758	1,824	-3.6%
- iBasis	193	199	-3.0%
- Getronics	474	542	-13%
- Other gains/losses, eliminations	-133	-152	13%
<i>of which Real estate</i>	2	7	-71%
The Netherlands	2,292	2,413	-5.0%

EBITDA <i>(In millions of euro)</i>	Q1 2010	Q1 2009	Δ y-on-y
- Consumer	261	244	7.0%
- Business	223	196	14%
- Wholesale & Operations (national, excl. book gains)	427	445	-4.0%
- Other	6	-2	n.m.
Dutch Telco business	917	883	3.9%
<i>EBITDA margin</i>	<i>52.2%</i>	<i>48.4%</i>	
- iBasis	8	7	14%
- Getronics	29	-15	n.m.
- Other gains/losses	-	3	> -100%
<i>of which Real estate</i>	-	3	> -100%
The Netherlands	954	878	8.7%
<i>EBITDA margin</i>	<i>41.6%</i>	<i>36.4%</i>	

Continued EBITDA growth despite lower revenues at Dutch Telco business

Whilst revenues continued to be impacted by the decline in traditional business, regulatory pressure (EUR 50m) and the economic downturn in the business market, the Dutch Telco business achieved a solid EBITDA performance in Q1 2010. This was the result of selective price increases and cost reductions across all Segments while market shares overall were maintained. These cost reductions were the result of FTE reductions and efficiency improvements through simplification and 'First-time-right' programs resulting in an improvement in quality of service. This led to an EBITDA growth of 3.9% y-on-y, or EUR 34m, in Q1 2010 and an EBITDA margin of 52.2% compared to 48.4% in Q1 2009.

Solid EBITDA growth despite lower revenues in Consumer Segment

Revenues and other income declined by 6.0% y-on-y in Q1 2010 as the continued decrease of voice wireline could not be compensated by wireless. Through careful management of SAC/SRC (down 16.7% y-on-y), selective price increases and continued cost focus, EBITDA increased 7.0% y-on-y in Q1 2010.

Wireless service revenues were down 6.7% y-on-y, including circa 5% regulatory pressure and an impact from migrating a number of debitel customers to the Business Segment and other operators (~EUR 10m or 2.2%). KPN's wireless customer base declined by 444k in Q1 2010, largely explained by a change in the prepaid disconnection policy at the Hi brand (~280k). KPN continued its focus on value maximization by aligning SAC/SRC with pricing, whilst keeping a close eye on market shares. KPN maintained its above fair share in smartphones, leading to strong

data revenue growth (excluding SMS/MMS) of about 50% y-on-y in Q1 2010. ARPU remained stable at EUR 23 and non-voice revenues as a percentage of ARPU increased to 33%.

As from Q1 2010, fiber customers have been included in all relevant market share definitions and net line loss. The outflow of traditional lines to cable and alternative operators was stable compared to previous quarters. Net line loss remained at a relatively low level of 35k in Q1 2010, as a result of continued success of retention offers and the uptake in IPTV and fiber customers. Broadband market growth in the Netherlands under the new definition is supported by fiber roll-out and KPN had an estimated 42% market share at the end of Q1 2010, including circa 31k fiber customers.

KPN's VDSL upgrade is nearing completion, enabling the scale-up of IPTV. KPN has increased broadband speeds for its broadband customers to facilitate retention. The enhanced IPTV coverage to 80% and HDTV coverage reaching 70% will improve KPN's ability to further develop its IPTV offer.

Flat revenues and continued EBITDA growth, including a one-off, in Business Segment

The Business Segment continued to experience topline pressure from the economic downturn. Whilst revenues and other income were flat in Q1 2010, this included a one-off gain of EUR 19m (full-year net effect is EUR 9m) due to a release of deferred connection fees, included in wireline revenues. This gain was related to the shortened estimated customer lifetime of Voice & Internet customers leading to a release of deferred connection fees. The continued efficiency improvements and cost focus, resulting in FTE reductions, led to an improved EBITDA margin of 35.2% in Q1 2010, or an underlying EBITDA margin of about 33.2% when excluding the one-off item.

Traditional services showed a stable rate of decline in line with previous quarters. The migration from traditional to new services slowed down in Q1 2010. Business DSL continued to grow, however the number of VPN connections showed a slight decline due to customer rationalisation. This resulted in a stable market share in a competitive environment.

Wireless services showed a satisfactory performance with service revenues flat y-on-y in Q1 2010 as a result of higher wireless voice traffic volumes and mobile data revenues. Service revenues included regulatory pressure of about 4.5% (EUR 11m) but received a EUR 4m tailwind from debitel customers that were migrated from the Consumer Segment. KPN was able to maintain its market share. Wireless data revenues continued to grow driven by the successful 'Dongel' campaign. Competition intensified in the smartphone segment. Currently 47% of customers use data services. Non-voice revenues as a percentage of ARPU increased slightly to 29%.

Lower cost base in Wholesale & Operations Segment

Revenues and other income declined 4.2% y-on-y in Q1 2010, mainly as a result of the ongoing decline of traditional business in the Consumer and Business Segments and regulation (~EUR 16m). The EBITDA margin remained stable at 60.7%, driven by FTE reductions and ongoing efficiency improvements.

Through the Reggefiber joint-venture, further progress was made with the Fiber-to-the-Home roll-out. At the end of Q1 2010 the total number of homes passed reached 524k, of which 402k have been converted into homes connected. The frost period in January and February slowed down progress, but this is expected to have no lasting impact on the planned roll-out. Reggefiber expects to secure external financing in Q2 2010. In the meantime both KPN and Reggeborgh have provided additional temporary financing in Q4 2009 and Q1 2010 of EUR 107m in total (KPN: EUR 44m or 41%).

First signs of turnaround by new management at iBasis

New management focuses on balancing revenue and profitability growth, which resulted in a substantial minute and revenue growth improvement in Q1 2010 compared to Q4 2009. Revenues and other income declined 3.0 % y-on-y in Q1 2010 compared to 30% y-on-y in Q4 2009. Total minutes were up 7.8% y-on-y and 10% compared to Q4 2009, resulting in a slight market share gain. The increase was mainly driven by a significant growth in wholesale minutes exceeding a decline in retail minutes. Revenues per minute were down 7.9% y-on-y, impacted by pricing pressure, currency effects and traffic mix. The EBITDA margin increased y-on-y to 4.1% in Q1 2010 (Q1 2009: 3.5%).

Continued impact of the economic downturn at Getronics

Revenues and other income were down 13% y-on-y in Q1 2010 due to the continued impact of the economic downturn and disposals (EUR 17m). Excluding disposals, revenues were down 9.7% y-on-y. Although Getronics' order funnel was solid, the trend of postponing investments and project work continued, leading to further revenue pressure. Revenues in the Netherlands declined by 13% in Q1 2010, while revenues from international operations stabilized y-on-y corrected for a positive foreign exchange impact of EUR 4m. In Q1 2010, EBITDA improved EUR 44m compared to Q1 2009 mainly as a result of reorganization benefits and the absence of restructuring and

reorganization costs (EUR 9m), as well as EUR 8m of pension costs Q1 2009. Taking seasonality into account, the EBITDA margin was satisfactory at 6.1% compared to 6.9% in Q4 2009 and Getronics is on track to reach the target of 8% EBITDA margin in 2010. Getronics continues to look into optimization opportunities in order to further improve quality and service at lower cost and is currently studying further offshoring opportunities.

Mobile International

Revenues and other income <i>(In millions of euro)</i>	Q1 2010	Q1 2009	Δ y-on-y
- Germany	768	774	-0.8%
- Belgium	202	191	5.8%
- Rest of World (incl. eliminations)	29	16	81%
Mobile International	999	981	1.8%

EBITDA <i>(In millions of euro)</i>	Q1 2010	Q1 2009	Δ y-on-y
- Germany	321	322	-0.3%
- Belgium	67	62	8.1%
- Rest of World	-4	-16	75%
Mobile International	384	368	4.3%
<i>EBITDA margin</i>	38.4%	37.5%	

Solid profitability and resilient service revenue growth of 2.8% at Mobile International

Revenues and other income were up 1.8% y-on-y in Q1 2010, absorbing the impact from MTA and roaming tariff cuts of about EUR 28m (~3%). The 2.8% y-on-y service revenue growth was the result of a strong wireless performance in Belgium and Rest of World combined with slightly lower service revenues in Germany. Under the 'Challenger' strategy, the regional focus and simplified tariff structures have been paying off in Belgium, whilst in Germany commercial activities that will drive future service revenue growth were implemented and are ramping up. EBITDA of Mobile International was up 4.3% y-on-y, resulting in an increased EBITDA margin of 38.4% compared to 37.5% in Q1 2009. Capex decreased to EUR 88m in Q1 2010 due to phasing within the year of the network roll-out. Capex for the full year will be in line with 2009, however, back-end loaded with accelerated roll-out in H2. Furthermore, KPN is benefiting from improved purchase conditions from suppliers.

Service revenue trend improving with strong EBITDA margin in Germany

Revenues and other income declined 0.8% y-on-y in Q1 2010. Service revenues decreased by 0.7% y-on-y, which is an improving trend compared to Q4 2009 (down 1.3% y-on-y). Service revenues were negatively impacted by MTA and roaming tariff reductions (~3.5%) as well as continued bundle optimization and competitive actions. E-Plus' performance is expected to be in line with the market and therefore service revenue market share is expected to have remained stable y-on-y at 15.4% in Q1 2010. In Q1 2010, E-Plus has been gradually increasing its commercial efforts to drive future service revenue growth. Marketing spend increased by more than 50% y-on-y due to the relaunch of 'Mein BASE' in February 2010, but this was offset by declining distribution costs due to a good uptake in captive channels at the end of Q1 2010. As a result, the EBITDA margin remained strong at 41.8%.

E-Plus gained 303k net adds mainly by growth in BASE and wholesale brands, whilst postpaid showed a small decline. Further progress was made with the regionalization strategy and with the relaunch of BASE, commissioning was re-engineered as to incentivize customer lifetime value. With this progress and based on the experience gained through the successful implementation of the 'Challenger' strategy in Belgium, E-Plus is confident it can achieve service revenue growth as from Q2 2010.

In 2010, E-Plus will step up investments benefiting from improved terms from current and new suppliers. Investments are focused on wireless data growth and optimized by choosing future-ready solutions. In H1 2010, the investments will concentrate on HSPA upgrades within the existing UMTS network, providing increased speeds to its customer base. In H2 2010, the focus will be on speeding up the roll-out of network upgrades.

Continued service revenue growth in Belgium

Revenues and other income were up 5.8% y-on-y in Q1 2010, including the fixed Belgian B2B and Carrier business, including the fiber network, which was divested on 31 March 2010. Wireless service revenues of BASE were up 9.7% in Q1 2010, driven by the BASE brand winning high value customers and by the regional focus. In Q1 2010 there was no MTA impact. As a result of the strong service revenue growth, BASE is expected to have continued its market outperformance in Q1 2010 and the estimated service revenue market share increased by more than 1% y-on-y to circa 18%. EBITDA was up 8.1% y-on-y in Q1 2010, resulting in an improved EBITDA margin of 33.2%.

Q1 2010 showed continued growth in postpaid net adds as a result of the simplified BASE portfolio, which compares favourably with competitor offerings. The regional focus and further strengthening of distribution and partnerships resulted in strong uptake in the Walloon area. Prepaid net adds in Q1 2010 were negatively impacted by a one-off churn at prepaid wholesale customers (~208k) in the cultural segment.

Continuing revenue growth in Rest of World

Total revenues and other income including eliminations increased 81% y-on-y in Q1 2010. External revenues excluding intercompany revenues increased 37% y-on-y, coming from growth in Spain, France and at Ortel. Focus in 2010 is on further stimulating growth.

Growth in Spain was largely driven by Simyo with the increased focus on postpaid continuing to drive topline growth. KPN France continued to grow through accelerated growth of Simyo following a recent marketing campaign and through Ay Yildiz, targeting Turkish communities. Both KPN Spain and France continue to focus on improving terms and conditions from their network operator.

On 15 March 2010, Ortel France was launched, targeting cultural segments in the French market, representing an addressable market of more than eight million people. In Belgium, Ortel continues to strengthen its market leadership in the cultural segment through targeted promotions. In the Netherlands and Germany the focus is on strengthening and improving the quality of the distribution network to further drive growth at low cost.

Outlook and risk management

Risk management

KPN's risk categories and risk factors which could have a material impact on its financial position and results are extensively described in KPN's 2009 Annual Report. Those risk categories and factors are deemed incorporated and repeated in this report by this reference and KPN believes that these risks similarly apply for Q1 of 2010. With respect to regulatory risk, reference is made to note [11] regulatory developments of the consolidated interim financial statements of Q1 2010.

Outlook

With Q1 2010, KPN has entered into the final year of the 'Back to Growth' guidance period, which started in early 2008. With two years of good performance, despite the economic conditions impacting the business markets, KPN is on track strategically, remains soundly financed and is confident that it can deliver on the objectives set for 2010. The outlook for revenues, EBITDA and cash flow for 2010 is therefore confirmed. KPN remains committed to industry-leading shareholder returns and confirms the EUR 0.80 dividend per share objective for 2010.

For 2011, KPN expects to further grow 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	Outlook 2010	Outlook 2011
Revenues and other income	In line with 2009 (EUR 13.5bn)	-
EBITDA	> EUR 5.5bn	Growing EBITDA
Capex	< EUR 2bn	-
Free cash flow	> EUR 2.4bn	Growing free cash flow
Dividend per share	EUR 0.80	At least EUR 0.85

Condensed Consolidated Interim Financial Statements for the first quarter ending 31 March 2010 and 2009

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Unaudited Consolidated Statement of Income

<i>(In millions of euro, unless indicated otherwise)</i>	For the three months ended 31 March	
	2010	2009
Revenues	3,271	3,388
Other income	6	8
Revenues and other income [1]	3,277	3,396
Own work capitalized	-24	-21
Cost of materials	205	209
Work contracted out and other expenses	1,116	1,231
Employee benefits	506	546
Depreciation, amortization and impairments	530	602
Other operating expenses	151	197
Total operating expenses	2,484	2,764
Operating result [2]	793	632
Finance income [3]	3	9
Finance costs [3]	-193	-193
Other financial results [3]	-2	9
Share of the profit/losses of associates and joint ventures	-10	1
Profit before income tax	591	458
Income taxes [4]	-142	-141
Profit for the period	449	317
Profit attributable to:		
Owners of the parent	448	317
Minority interest	1	0
Earnings per ordinary share on a fully diluted basis (in EUR)	0.28	0.19
Earnings per ordinary share on a non-diluted basis (in EUR)	0.28	0.19
Weighted average number of shares on a non-diluted basis	1,600,477,661	1,674,552,595
Weighted average number of shares on a fully diluted basis	1,604,609,047	1,679,203,009

Unaudited Consolidated Statement of Comprehensive Income

(In millions of euro, unless indicated otherwise)

For the three months ended 31
March

	2010	2009
Profit for the period	449	317
Other comprehensive income:		
Cash flow hedges:		
Gains or (losses) arising during the period	-20	-48
Tax	5	12
	-15	-36
Currency translation adjustments:		
Gains or (losses) arising during the period	7	-7
Tax	-	-
	7	-7
Fair value adjustment available for sale financial assets: Gains or (losses) arising during the period	-2	-2
Other comprehensive income for the period, net of taxes	-10	-45
Total comprehensive income for the year, net of tax	439	272
Total comprehensive income attributable to:		
Owners of the parent	438	275
Minority interest	1	-3

Consolidated Statement of Financial Position

ASSETS (In millions of euro)	As at	
	31 March 2010 (unaudited)	31 December 2009
NON-CURRENT ASSETS		
Goodwill	5,765	5,769
Licences	2,776	2,853
Software	766	783
Other intangibles	409	427
Total Intangible assets	9,716	9,832
Land and buildings	909	920
Plant and equipment	5,559	5,627
Other tangible non current assets	163	177
Assets under construction	819	799
Total property, plant and equipment	7,450	7,523
Investments in associates and joint ventures	261	267
Available-for-sale financial assets	52	51
Derivative financial instruments	8	8
Deferred income tax assets	2,078	2,135
Other financial non-current assets	223	231
Total non-current assets	19,788	20,047
CURRENT ASSETS		
Inventories	109	93
Trade and other receivables	2,200	1,895
Current income tax receivables [4]	410	9
Available-for-sale financial assets	2	2
Cash	2,365	2,690
Total current assets	5,086	4,689
Non-current assets and disposal groups held for sale [5]	14	115
TOTAL ASSETS	24,888	24,851

LIABILITIES <i>(In millions of euro)</i>	As at	
	31 March 2010 (unaudited)	31 December 2009
GROUP EQUITY		
Share capital	388	391
Share premium	8,672	8,799
Other reserves	-335	-370
Retained earnings	-4,546	-4,982
Equity attributable to owners of the parent	4,179	3,838
Minority interests	4	3
Total group equity	4,183	3,841
NON-CURRENT LIABILITIES		
Borrowings [6]	12,582	12,502
Derivative financial instruments	370	511
Deferred income tax liabilities	1,195	1,275
Provisions for retirement benefit obligations [7]	689	717
Provisions for other liabilities and charges	399	414
Other payables and deferred income	303	337
Total non-current liabilities	15,538	15,756
CURRENT LIABILITIES		
Trade and other payables	3,941	3,990
Borrowings [6]	933	869
Derivative financial instruments (current liabilities)	0	51
Current income tax liabilities	106	100
Provisions (current portion)	187	211
Total current liabilities	5,167	5,221
Liabilities directly associated with non-current assets and disposal groups classified as held for sale [5]	-	33
TOTAL EQUITY AND LIABILITIES	24,888	24,851

Unaudited Consolidated Statement of Cash Flows

<i>(In millions of euro)</i>	For the three months ended 31 March	
	2010	2009
Profit before income tax	591	458
Finance costs – net	192	175
Share of the profit/losses of associated and joint ventures	10	-1
<i>Adjustments for :</i>		
Depreciation, Amortization and impairments	530	602
Share-based compensation	6	6
Other income	-5	-5
Changes in provisions (excluding deferred taxes)	-84	-42
Inventories	-9	-3
Trade receivables	-32	76
Prepayments and accrued income	-182	-212
Other current assets	-21	25
Trade payables	75	-175
Accruals and deferred income	16	-65
Current liabilities (excluding short-term financing)	-45	-10
Change in working capital	-198	-364
Received dividends from associates and joint ventures	0	0
Taxes received (paid)	-554	-612
Interest paid	-259	-158
Net cash flow generated from operations	229	59
Acquisition of subsidiaries, associates and joint ventures	-48	-80
Disposal of subsidiaries, associates and joint ventures	63	42
Investments in intangible assets (excluding software)	-44	-1
Disposal of intangibles	0	0
Investments in property, plant & equipment and software	-335	-456
Disposal in property, plant & equipment and software	15	5
Disposals of real estate	7	14
Other changes and disposals	-23	3
Net cash flow used in investing activities	-365	-473
Share repurchase	-101	-315
Share repurchases for option plans	0	0
Dividends paid	0	0
Exercised options	6	6
Proceeds from borrowings	0	1,500
Repayments from borrowings and settlement of derivatives	-101	-24
Other changes in interest-bearing current liabilities	0	-5
Net cash flow used in financing activities	-196	1,162
Changes in cash	-332	748
Net Cash at beginning of period	2,652	771
Changes in cash	-332	748
Exchange rate difference	3	1
Net Cash at end of period	2,323	1,520
Bank overdrafts	42	435
Cash at end of period	2,365	1,955

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 parent	Minority interests	Total Group equity
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)	-	-	-	-	2	2	-	2
Exercise of options	-	-	-	6	-	6	-	6
Shares repurchased	-	-	-	-315	-	-315	-	-315
Total comprehensive income for the period	-	-	-	-42	317	275	-3	272
Balance as of 31 March 2009	1,714,362,792	411	9,650	-579	-5,784	3,698	26	3,724
Balance as of 1 January 2010	1,628,855,322	391	8,799	-370	-4,982	3,838	3	3,841
Share based compensation (net of tax)	-	-	-	-	-	-	-	-
Exercise of options	-	-	-	6	-	6	-	6
Shares repurchased	-	-	-	-103	-	-103	-	-103
Shares cancelled	-10,711,653	-2	-127	129	-	-	-	-
Total comprehensive income for the period	-	-	-	-10	448	438	1	439
Balance as of 31 March 2010	1,618,143,669	389	8,672	-348	-4,534	4,179	4	4,183

Notes to the Condensed Consolidated Interim Financial Statements

Company profile

KPN is the leading telecommunications and ICT 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 KPN Belgium Group. 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 international wholesale through iBasis.

Accounting policies

Basis of presentation

These Condensed Consolidated Interim 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 2009 Annual Report. These condensed consolidated financial statements have not been audited or reviewed and are based on IFRS as adopted by the European Union.

As of 1 January 2010, IFRS 3 (revised) 'Business Combinations' became effective and has been applied by KPN. IFRS 3 (revised) requires:

- Goodwill to be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. The requirement to measure every asset and liability at fair value at each step in acquisitions for the purposes of calculating a portion of goodwill has been removed;
- Acquisition-related costs are generally recognised as expenses (rather than included in goodwill);
- Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognized in accordance with other IFRS standards;
- An increase in the deferred tax asset after the one year window for carry forward losses which stem from the period prior to the acquisition does no longer lead to an impairment of goodwill.

In accordance with the transition provisions of the standard, KPN will apply IFRS 3 (revised) prospectively to all business combinations as from 1 January, 2010.

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 2009 Annual Report, including the determination of deferred tax assets for carry forward losses 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 'Capital and Financial Risk Management' to the Consolidated Financial Statements contained in the 2009 Annual Report 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 Q1 2010 results in a new reporting format. The main changes that have taken place are that iBasis and book gains on real estate are both no longer part of Wholesale & Operations. iBasis will be reported as a separate segment according to IFRS 8 and book gains on real estate is included in 'Other gains/losses and eliminations' in the Netherlands. The transfer pricing has not been changed.

The new reporting format will only have an impact on segment information, not on Group numbers.

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 2009 Annual Report. For operating profit reference is made to note [2] and for other segment information reference is made to note [9] in these Condensed Consolidated Interim Financial Statements.

Revenues and Other income	For the three months ended 31 March 2010				For the three months ended 31 March 2009			
	External revenues	Other income	Inter segment revenues	Total revenues and Other income	External revenues	Other income	Inter segment revenues	Total revenues and Other income
Germany	749		19	768	755		19	774
Belgium	189		13	202	177		14	191
Rest of World	52		1	53	38		4	42
Eliminations			-24	-24			-26	-26
Mobile International	990		9	999	970		11	981
Consumer	928		41	969	977		54	1,031
Business	579		55	634	562		72	634
W&O (national, excl. Real estate)	159	2	543	704	174		561	735
Other (incl. eliminations)			-549	-549	1		-577	-576
Dutch Telco business	1,666	2	90	1,758	1,714		110	1,824
iBasis	156		37	193	160		39	199
Getronics	434		40	474	505		37	542
Other gains/losses, eliminations		3	-136	-133		8	-160	-152
The Netherlands	2,256	5	31	2,292	2,379	8	26	2,413
Other activities	25	1		26	39		1	40
Eliminations			-40	-40			-38	-38
KPN Total	3,271	6	0	3,277	3,388	8	0	3,396

KPN total revenues were down 3.5%. This decline was mainly caused by the Netherlands where a decline can be seen across all segments, with the majority attributable to Getronics (EUR 68m). Revenues at Mobile International showed an increase of 1.8% which was attributable to growth in Belgium and Rest of World, compensating for the decline in Germany.

Other income in Wholesale & Operations is related to a gain on the sale of the outsourcing of facility services. Furthermore, other income of EUR 3m in Q1 2010 within Segment 'Other gains/losses, eliminations in the Netherlands' includes a book gain from the sale of real estate of EUR 2m. For more detailed information on revenues, reference is made to the Management Report.

[2] Operating profit

Operating profit, DAI and EBITDA	For the three months ended 31 March 2010			For the three months ended 31 March 2009		
	Operating Profit	Depreciation, Amortization & Impairments (DA&I)	EBITDA	Operating profit	Depreciation, Amortization & Impairments (DA&I)	EBITDA
Germany	167	154	321	153	169	322
Belgium	38	29	67	27	35	62
Rest of World	-7	3	-4	-17	1	-16
Mobile International	198	186	384	163	205	368
Consumer	206	55	261	166	78	244
Business	200	23	223	177	19	196
W&O (national, excl. Real estate)	214	213	427	218	227	445
Other	-3	9	6	-11	9	-2
Dutch Telco business	617	300	917	550	333	883
iBasis	1	7	8	-10	17	7
Getronics	-7	36	29	-59	44	-15
Other gains/losses	1	-1		2	1	3
The Netherlands	612	342	954	483	395	878
Other activities	-17	2	-15	-14	2	-12
KPN Total	793	530	1,323	632	602	1,234

Total EBITDA for KPN Group was up 7.2% y-on-y, driven by cost reductions in all segments, especially Getronics. In Q1 2010, Dutch Telco EBITDA increased 3.9% y-on-y driven by Consumer and Business Segment and partly offset by a decline at Wholesale & Operations. Getronics EBITDA increased EUR 44m compared to Q1 2009 mainly as a result of reorganization benefits and the absence of restructuring and reorganization costs (EUR 9m), as well as EUR 8m of pension costs Q1 2009. Operating profit for KPN Group increased EUR 161m y-on-y.

Depreciation, amortization and impairments decreased EUR 72m y-on-y as a result of three effects. Firstly, the lifetime of mobile masts was changed from 14 to 20 years as of 1 January 2010, with an impact of EUR 20m y-on-y in Q1 2010, secondly Q1 2009 included an impairment result of EUR 24m and lastly the asset base declined compared to former years.

[3] Finance costs, income and other financial results

Finance costs remained stable y-o-y, while finance income decreased by EUR 6m. In the finance costs, the increase in interest costs of EUR 16m was offset by a EUR 10m decrease in floating interest and a EUR 6m gain resulting from the tax prepayment. Also see note [6] Borrowings.

[4] Income taxes

The effective tax rate in Q1 2010 was 23.8% compared to 30.9% in Q1 2009, resulting from a new methodology implemented as per 31 December 2009 for the valuation of the deferred tax asset (DTA) at E-Plus. For a more detailed explanation of the new DTA valuation methodology at E-Plus, reference is made to the tax paper published on KPN's website on 26 January 2010.

In Q1 2010 KPN settled the preliminary Dutch corporate income tax assessment for 2010 of EUR 549m by a net prepayment of EUR 543m to the Dutch tax authorities. KPN has benefitted from a EUR 6m discount based on the

applicable Dutch tax legislation for such a 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. The EUR 327m is the same amount as in 2009, however this should not be considered indicative for the EBITDA to be achieved by E-Plus in 2010.

In Q1 2009 KPN settled the preliminary Dutch corporate income tax assessment for 2009 by a prepayment of EUR 598m, benefitting from a EUR 10m discount. An amount of EUR 327m of that prepayment was attributable to the E-Plus tax recapture.

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

At the end of Q1 2010 KPN closed the transaction with Mobistar regarding the sale of its fixed Belgian B2B and Carrier business, including the fiber network. This business was classified as held for sale at 31 December 2009. The remaining part in assets held for sale relates to the program of KPN to sell its real estate portfolio.

[6] Borrowings

In Q1 2010, KPN had no bond issues or redemptions. At the end of Q1 2010, KPN had an average interest rate of 5.4% and an average maturity profile of 6.9 years.

[7] Provisions for retirement benefit obligations

As at 31 March 2010, the KPN pension funds under statutory coverage measurements ended with an average coverage ratio of 109% (31 December 2009: 111%). The coverage ratio was negatively impacted by some 4% due to updated mortality tables used as from 2010. No additional payments are made in Q1 2010.

[8] Share Repurchases

On 26 January 2010, KPN announced its EUR 1bn share repurchase program for 2010. This programme commenced in February 2010. Under this program, until 31 March 2010, KPN repurchased 8.9 million shares at an average price of EUR 11.60, for a total amount of EUR 103m.

Cancellation of shares

On 23 March 2010, KPN concluded the cancellation of 10,711,653 ordinary shares that were repurchased as part of the EUR 1bn share repurchase program of 2009. Following this cancellation, KPN has 1,618,143,669 ordinary shares outstanding.

[9] Other Segment information

Assets, liabilities and Capex	As at 31 March 2010		As at 31 December 2009		For the three months 31 March	
	Total Assets	Total liabilities	Total assets	Total liabilities	2010 Capex	2009 Capex
Germany	10,551	29,249	10,342	29,180	74	142
Belgium	1,743	281	1,877	330	13	18
Rest of World (incl. eliminations)	128	103	144	146	1	1
Mobile International	12,422	29,633	12,363	29,656	88	161
Consumer	2,573	2,260	3,203	3,084	72	53
Business	1,392	1,199	2,956	2,963	17	36
W&O (national, excl. Real estate)	6,437	6,280	9,444	9,494	132	178
Other (incl. eliminations)	-795	-790	-493	-492	1	7
Dutch Telco business	9,607	8,949	15,110	15,049	222	274
iBasis	482	363	429	311	2	2
Getronics	2,694	1,822	2,765	1,889	22	15
Other gains/losses (incl. eliminations)	-548	-481	-513	-448	0	0
The Netherlands	12,235	10,653	17,791	16,801	246	291
Other activities (incl. eliminations)	231	-19,581	-5,303	-25,447	1	4
KPN Total	24,888	20,705	24,851	21,010	335	456

Capex decreased by EUR 121m, mainly visible in Germany, Business and Wholesale & Operations. Capex in Germany in Q1 2010 was lower than in Q1 2009 due to a changed phasing compared to 2009.

The intercompany positions on the balance sheet of the segments are eliminated through Segment Other.

[10] Off-balance sheet commitments

The off-balance sheet commitments on 31 March 2010, amounting to EUR 3.9bn, are in line with December 2009. The purchasing commitments increased EUR 0.2bn and the rental and lease commitments decreased EUR 0.2bn.

[11] Regulatory Developments

The Netherlands: 2.6GHz frequency auction

On 26 April 2010, the spectrum auction in the 2.6GHz band in the Netherlands finished. KPN obtained 2x10MHz of spectrum for a total consideration of EUR 0.9m. Next to Vodafone and T-Mobile, Tele2 and a combination of cable operators UPC/Ziggo have also obtained spectrum. Since only five parties took part in the auction not all available spectrum has been auctioned and therefore the price paid was limited. KPN was not happy with the structure of the auction and expects the government to come with a clear and consistent spectrum policy for future auctions.

The Netherlands: MTA glide path draft decision

On 26 April 2010, Dutch regulator OPTA has published its proposed glide path for MTA until September 2012. In accordance with trends seen in other countries, OPTA proposes to significantly lower MTA with symmetric tariffs. The impact on EBITDA and revenues in the Netherlands will be limited in 2010.

The Netherlands: annulment of leased lines market analysis of OPTA

On 13 April 2010, the Trade & Industry Appeals Tribunal ('College van Beroep voor het bedrijfsleven') annulled OPTA's decision on the leased lines market. The Court found that OPTA had not sufficiently investigated the market to support the market definitions that OPTA had based its decisions on. The Court mandated OPTA to reinvestigate the market within a period of six months and publish a new decision. Until a new decision has been made, KPN is not designated as having significant market power on the leased lines market.

Belgium: Update on MTA regulation

On 1 February 2010, the BIPT proposed its regulation of MTA until January 2013. The BIPT wants to implement a so called 'Pure Bulric' approach. It will uphold asymmetry between Proximus, Mobistar and BASE, albeit at a much lower asymmetry that KPN Group Belgium deems appropriate.

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 2G license beyond July 2013.

However, on 15 March 2010 a law was adopted which lists the financial conditions of a fourth UMTS license, the 4G licenses and the renewal of the 2G licenses of the mobile operators. The main elements of this legislation include:

- The payable renewal of the existing 2G licenses of the existing mobile operators until 2021 in return for an additional license
- The auction in September 2010 to a fourth UMTS operator of spectrum in the 2.1GHz-band until March 2021 at a minimum license fee of EUR 20,833 per MHz and per month (or EUR 32,000 per MHz and per month in case the fourth UMTS operator only acquires 5MHz duplex)
- The auction in Q4 2010 of 2.6GHz spectrum (4G) at a minimum license fee of EUR 2,778 per MHz and per month.

KPN Group Belgium disagrees with imposing an additional license fee for its 2G license insofar KPN Group Belgium considers that its 2G license should be tacitly renewed until July 2018 at no additional license fee.

Other legislation is also in the pipeline which further provides details regarding the fourth UMTS license, the 4G licenses as well as the renewal of the 2G licenses. The following elements of this draft legislation are in particular relevant:

- After the auction of the fourth UMTS operator, this operator has a first and exclusive right to obtain additional 2.1GHz spectrum and also has the possibility to obtain spectrum in the 900MHz/1800MHz-band;
- A frequency refarming of the 900/1800MHz-band is scheduled for November 2015. Spectrum will be equally divided amongst existing operators: Belgacom Mobile, Mobistar and KPN Group Belgium are scheduled to receive 10MHz in the 900MHz band and 20MHz in the 1800MHz band.

As regards the auction of the 4G spectrum, both newcomers and existing mobile operators can participate to the auction. Operators can obtain a maximum of 20MHz duplex in the 2.6GHz band.

Germany: Spectrum auction

The auction started on 12 April 2010 and is ongoing.

[12] 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 2009 Annual Report, including major shareholders. On 22 February 2010, BlackRock, Inc. notified the AFM that they held 5.13% in KPN's ordinary share capital.

In the three months ended 31 March 2010, there have been no changes in the type of related party transactions as described in the Annual Report 2009 that could have a material effect on the financial position or performance of KPN. Nor have related party transactions taken place in the first three months of 2010 that have materially affected the financial position or the performance of KPN.

[13] Subsequent events

EUR 0.46 final dividend for FY 2009, up 15%

At the Annual General Meeting of Shareholders, held on 13 April 2010, a final dividend for 2009 of EUR 0.46 per share has been approved. An interim dividend of EUR 0.23 per share had already been paid in August 2009. The final net dividend of EUR 623m was paid on 23 April 2010, while dividend taxes will be paid in May 2010.

Share repurchase after 31 March 2010

As part of the share repurchase program for 2010, KPN repurchased 12.5 million shares at an average price of EUR 11.38, for a total amount of EUR 142.1m between 1 April and 26 April 2010.

Safe harbour

Non-GAAP measures and management estimates

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

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

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

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

Forward-looking statements

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

These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside KPN's control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the Annual Report 2009.