Interim Financial report Q3 2010, 26 October 2010

Q3 results 2010

Solid performance across the Group

Highlights

- Revenue growth y-on-y for the Group in Q3
- Continued increase in profitability at Dutch Telco
- Higher service revenue growth in Germany at very strong margin
- High speed data launch in Germany already in Q4 2010
- Outlook confirmed for 2010 and 2011

Group financials * *(In millions of euro, unless indicated otherwise)*	**Q3 2010**	**Q3 2009**	**Δ y-on-y**	**YTD 2010**	**YTD 2009**	**Δ YTD**
Revenues and other income	**3,378**	**3,331**	***1.4%***	**10,009**	**10,138**	***-1.3%***
- Of which revenues	*3,335*	*3,307*	*0.8%*	*9,954*	*10,103*	*-1.5%*
EBITDA	**1,408**	**1,329**	*5.9%*	**4,117**	**3,885**	*6.0%*
EBITDA margin	*41.7%*	*39.9%*		*41.1%*	*38.3%*	
Operating profit (EBIT)	847	752	*13%*	2,479	2,126	*17%*
Profit for the period (net result)	406	395	*2.8%*	1,320	1,082	*22%*
Earnings per share (in EUR)	**0.27**	**0.25**	***8.0%***	**0.84**	**0.66**	***27%***
Cash flow from operating activities	1,061	1,174	*-10%*	2,362	2,353	*0.4%*
Capital expenditures (PP&E and software)	-431	-360	*20%*	-1,146	-1,202	*-4.7%*
Proceeds from real estate	51	13	*>100%*	73	32	*>100%*
Tax recapture at E-Plus	–	–	–	327	327	–
Free cash flow	**681**	**827**	***-18%***	**1,616**	**1,510**	***7.0%***

* Non-IFRS terms are explained in the safe harbor section at the end of the condensed financial report

“KPN made good progress across the Group in the third quarter and I am pleased with the revenue growth for the Group. Building further on the momentum we have established with our ‘Back to Growth’ strategy, the Dutch Telco business showed continued increase in profitability. Mobile International delivered continued profitable growth, especially with Germany delivering higher service revenue growth and a strong margin. Overall we are confident of achieving our objectives for 2010 and the outlook for 2011, which will provide the platform for KPN to move forward in 2011 under the leadership of Eelco Blok.”

Ad Scheepbouwer, CEO KPN

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Group review

Revenues and other income *(In millions of euro)*	Q3 2010	Q3 2009	Δ y-on-y	YTD 2010	YTD 2009	Δ YTD
KPN Group	**3,378**	**3,331**	*1.4%*	**10,009**	**10,138**	*-1.3%*
- The Netherlands[1]	2,333	2,290	*1.9%*	6,964	7,096	*-1.9%*
- Mobile International	1,087	1,044	*4.1%*	3,124	3,049	*2.5%*

EBITDA *(In millions of euro)*	Q3 2010	Q3 2009	Δ y-on-y	YTD 2010	YTD 2009	Δ YTD
KPN Group	**1,408**	**1,329**	*5.9%*	**4,117**	**3,885**	*6.0%*
- The Netherlands[1]	965	933	*3.4%*	2,889	2,748	*5.1%*
- Mobile International	452	407	*11%*	1,258	1,166	*7.9%*

Revenue growth y-on-y for the Group in Q3

KPN Group revenues and other income were up 1.4% y-on-y in Q3 2010. Excluding the effect from disposals (SNT Belgium & Netherlands, the B2B and Carrier business in Belgium and parts of Getronics) the revenue increase was 2.0% y-on-y. The Dutch Telco business (EUR -23m) and Getronics (EUR -11m) showed lower revenues and other income, including the effect of regulation of circa EUR 27m on the Dutch Telco business as well as a EUR 37m gain from the sale of mobile towers. Getronics' revenues showed an improving trend, but economic conditions and competition remained challenging. Revenues and other income at iBasis increased by 38% y-on-y (EUR 68m), following its continuing focus on increasing traffic volumes and revenues per minute, whilst being equally focused on profitability. Revenues and other income at Mobile International increased 4.1% y-on-y in Q3 2010 as a result of revenue growth in Germany and Rest of World and including a severe negative impact from MTR reductions in Belgium of EUR 11m.
YTD total revenues and other income decreased by 0.6%, excluding the effect from disposed businesses. With that KPN is on track to achieve the full year 2010 revenue guidance of remaining in line with 2009.

Continued EBITDA growth

KPN Group EBITDA continued to grow in Q3 2010, resulting in a EUR 79m increase y-on-y. The Netherlands achieved a EUR 32m EBITDA increase (3.4%), of which EUR 31m was attributable to the Dutch Telco business. Whilst revenues in the Dutch Telco business continued to decline this quarter, EBITDA in the Dutch Telco business increased y-on-y due to continued focus on cost savings and managing for value and the net positive effect of incidentals (EUR 25m y-on-y). EBITDA at Mobile International was up 11% y-on-y in Q3 2010, or EUR 45m, with all segments contributing.
With a YTD EBITDA increase of EUR 232m for the Group, KPN is on track to reach its EUR 5.5bn target for 2010.

Net profit impacted by higher finance costs in Q3 2010

In Q3 2010, the operating profit (EBIT) increased by 13% y-on-y, whereas the net result for the period increased by 2.8% y-on-y. The difference in increase is caused by higher finance costs (EUR 129m) resulting from the bond tender in September 2010 and higher interest costs as a result of higher average borrowings. The higher finance costs were partly offset by lower income taxes due to a lower effective tax rate than last year.

EUR 681m free cash flow in Q3 2010

Free cash flow for Q3 2010 amounted to EUR 681m, which is EUR 146m below Q3 2009. This decrease is mainly attributable to a one-off VAT-benefit in Q3 2009 (~EUR 150m; quarterly payment instead of monthly). Furthermore, compared to Q3 2009, proceeds from the sale of mobile towers are higher and pension payments were lower (due to recovery payments in 2009) offset by higher interest payments. YTD free cash flow amounts to EUR 1,616m, which is EUR 106m above last year. KPN expects to generate around EUR 0.8bn free cash flow in Q4 driven by expected EBITDA growth and working capital improvement and is therefore on track to deliver more than EUR 2.4bn of free cash flow in 2010.

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

Tender and bond issue

In September 2010, KPN conducted a tender and new bond issue transaction, in which KPN repurchased parts of its 2011, 2012 and 2013 notes for the nominal amount of EUR 1.3bn. Through this transaction, the redemption profile was smoothed and KPN benefits from lower future interest costs. The tender was financed by a new EUR 1.0bn 10-year Eurobond with an attractive coupon of 3.75%, and by excess cash. The transaction extended the average maturity from 6.5 to 7.2 years as at the end of Q3 2010. KPN had an average interest rate of 5.3% at the end of Q3.
The tender resulted in an additional finance expense of EUR 97m mainly related to the tender market premium payment. Furthermore, free cash flow was impacted by the payment of accrued interest of EUR 23m.

Net debt to EBITDA[2] stable at 2.3x

At EUR 12.2bn, net debt remained broadly stable in Q3 2010, compared to EUR 12.1bn at the end of Q2 2010. This resulted in a stable net debt to EBITDA ratio of 2.3x (Q2 2010: 2.3x), which remains well within KPN's target financial framework of 2.0-2.5x. KPN has a solid financial profile and is committed to maintaining its prudent financing policy by covering refinancing obligations well in advance.
KPN's credit ratings remained unchanged at BBB+ with a stable outlook (Standard & Poor's) and Baa2 with a stable outlook (Moody's).

Continued FTE reductions

At the end of Q3 2010 the total number of FTEs of KPN Group amounted to 30,654, which is 2,494 FTEs lower than at the end of 2009. Of this total, a reduction of 467 FTEs was realized in Q3.
In the Netherlands (excluding Getronics and acquisitions) there was a reduction of 1,022 FTEs compared to year-end 2009, bringing the total reduction in the Netherlands since 2005 to 9,247 FTEs. A number of outsourcing decisions as part of the previously announced reorganization plans has been delayed. KPN expects to reach a cumulative FTE reduction in the Netherlands of around 9,500 FTEs in total between 2005 and 2010.

KPN pension funds

In Q3 2010, KPN's pension funds in the Netherlands benefited slightly from increasing interest rates. As a result, the average coverage ratio of KPN's pension funds increased to 103% (end of Q2 2010: 100.5%) using statutory coverage measurements. As long as the coverage ratio is below 105%, KPN is obliged to make additional payments, up to a maximum of EUR 360m over a five year period. In Q4 2010 an additional cash payment of EUR 11m is required. KPN expects an additional negative impact on the coverage ratio in Q4 2010, due to updated mortality tables, of ~3%, all other variables being equal.

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

Financial and operating review by Segment

The Netherlands

Revenues and other income *(In millions of euro)*	**Q3 2010**	**Q3 2009**	**Δ y-on-y**	**YTD 2010**	**YTD 2009**	**Δ YTD**
- Consumer	991	1,018	*-2.7%*	2,950	3,091	*-4.6%*
- Business	577	602	*-4.2%*	1,815	1,867	*-2.8%*
- Wholesale & Operations (national)	711	706	*0.7%*	2,119	2,165	*-2.1%*
- Other (incl. eliminations)	-532	-556	*4.3%*	-1,620	-1,691	*4.2%*
Dutch Telco business	**1,747**	**1,770**	***-1.3%***	**5,264**	**5,432**	***-3.1%***
- iBasis Group	248	180	*38%*	678	556	*22%*
- Getronics	476	487	*-2.3%*	1,428	1,560	*-8.5%*
- Other gains/losses, eliminations	-138	-147	*6.1%*	-406	-452	*10%*
of which Real estate	*–*	*7*	*-100%*	*6*	*17*	*-65%*
The Netherlands	**2,333**	**2,290**	***1.9%***	**6,964**	**7,096**	***-1.9%***

EBITDA *(In millions of euro)*	**Q3 2010**	**Q3 2009**	**Δ y-on-y**	**YTD 2010**	**YTD 2009**	**Δ YTD**
- Consumer	278	265	*4.9%*	828	789	*4.9%*
- Business	189	192	*-1.6%*	609	599	*1.7%*
- Wholesale & Operations (national)	448	431	*3.9%*	1,299	1,310	*-0.8%*
- Other	11	7	*57%*	26	2	*>100%*
Dutch Telco business	**926**	**895**	***3.5%***	**2,762**	**2,700**	***2.3%***
EBITDA margin	*53.0%*	*50.6%*		*52.5%*	*49.7%*	
- iBasis Group	8	2	*>100%*	25	15	*67%*
- Getronics	34	31	*10%*	103	25	*>100%*
- Other gains/losses	-3	5	*n.m.*	-1	8	*n.m.*
of which Real estate	*-3*	*4*	*n.m.*	*-1*	*8*	*n.m.*
The Netherlands	**965**	**933**	***3.4%***	**2,889**	**2,748**	***5.1%***
EBITDA margin	*41.4%*	*40.7%*		*41.5%*	*38.7%*	

Continued increase in profitability at Dutch Telco

Revenues and other income in Dutch Telco declined by 1.3% y-on-y in Q3 2010, due to continued pressure on traditional businesses, an approximately 1.5% effect from regulation and a challenging competitive environment especially in the business market. The revenue decline was positively impacted by an improving revenue trend at the Consumer division. Nevertheless, EBITDA increased 3.5% y-on-y due to continued focus on maximizing market value as well as customer value, cost reductions through ‘Best in Class’ benchmarking and selective price increases. Dutch Telco’s EBITDA margin increased from 50.6% in Q3 2009 to 53.0% in Q3 2010. Both revenues and other income and EBITDA in Q3 2010 included a EUR 37m book gain from the sale of mobile towers in the Wholesale & Operations Segment and EUR 11m negative incidentals in the Business Segment. Whilst managing the market for value, minor up or down movements in market share have occurred.

Improving revenue trend in Consumer Segment

Q3 2010 revenues and other income decreased 2.7% y-on-y as voice wireline remained under pressure. EBITDA increased 4.9% y-on-y reflecting the continued progress of cost reductions and managing the customer base for value despite the adverse structural trend at voice wireline. Key areas of cost control remain FTE, network, procurement, billing and IT, as well as a further simplification of products and services. EBITDA margin remained strong, reaching 28.1% this quarter against 26.0% reported in Q3 2009.

Service revenues of Consumer wireless (excluding wholesale) showed an improving trend, down 3.7% y-on-y in Q3 including a 3.3% effect of regulatory pressure. A successful sales campaign in Q3 2010 resulted in 67k high value postpaid net adds, which was achieved while keeping ARPU stable and SAC/SRC under control, thereby showing the effectiveness of the Consumer Segment’s strategy of managing the market for value. Postpaid customers increased to 3.2 million, representing 55% of the customer base (compared to 47% in Q3 2009). Mobile data remains one of the main growth drivers. At the moment ~60% of all new postpaid customers buy a smartphone leading to a penetration rate of over 40% of the postpaid base. Data revenues (excluding SMS/MMS) have grown by 45% y-on-y in Q3 2010. The prepaid customer base declined by 298k as a result of the value focus and a clean up (~130k) in the base of Hi.

Despite ongoing competition, KPN's broadband customer base is stabilizing, supported by the growing contribution of IPTV, the VDSL upgrade and Fiber-to-the-Home (FttH). KPN's TV offerings, IPTV and Digitenne, continued to gain customers. The total number of KPN TV customers grew by 23% y-on-y to more than 1.1m, resulting in a 14% market share (Q3 2009: 12%). At the end of Q3 2010, KPN had 32k FttH activated homes. Following the above results in fiber and TV, net line loss remained at a manageable level of 35k (compared to 45k in Q2 2010).
In Q2 2010 KPN announced its intention to invest in a national distribution footprint of it's three main brands, KPN, Hi and Telfort, by expanding with 52 *t for telecom* stores, bringing the total to 213 shops. This quarter 16 shops were rebranded whilst the remaining 36 shops will be rebranded in Q4 2010.

Continuing growth in profitability at Business Segment despite declining revenues

In a challenging competitive environment, Q3 2010 revenues and other income for the Business Segment were down 4.2% y-on-y, mainly as a result of decreased revenues at Voice and Internet Wireline and Data Network Services, including a negative EUR 3m one-off following a release of deferred connection fees in Q1 2010 and EUR 8m other negative one-offs. EBITDA decreased by EUR 3m or 1.6% y-on-y to EUR 189m, including these EUR 11m negative one-offs, as the revenue decline was more than offset by cost savings, mainly from the reduction of FTEs. The EBITDA margin increased to 32.8% compared to 31.9% in the same quarter last year.
Wireless services showed a stable performance in Q3, with a service revenue decline of 2.6% y-on-y, including an impact from regulation of EUR 7m or 3.0%, supported by selective price increases. Data revenues (excluding SMS/MMS) remained stable y-on-y. The number of data users as percentage of the customer base increased to 52% compared to 50% in Q2 2010. In Q3 2010, ~40k postpaid subscribers were transferred to Mobile Wholesale the Netherlands.
Revenues from traditional services showed a stable underlying declining trend in line with previous quarters, caused by a decline in traditional business, lower traffic and competition. Business DSL continued to grow. The migration from traditional to new services continued steadily. The number of VPN connections and the previous transition trend from managed to unmanaged VPN stabilized in Q3 2010.

Lower cost base at Wholesale & Operations Segment mitigating revenue pressure

Revenues and other income increased 0.7% y-on-y in Q3 2010, mainly as a result of a book gain of EUR 37m due to the sale of mobile towers (Q3 2009: EUR 17m). Underlying revenues declined 4.4% y-on-y in Q3 2010, caused by ongoing decline of traditional business and regulation (EUR 7m or 1.0% effect). Further reductions in the cost base were made which mitigated the underlying revenue decline and resulted in a stable normalized EBITDA margin of 61.0%, corrected for the effect of book gains in Q3 2010 and 2009 as well as other incidentals in Q3 2009. Besides lower traffic, the main driver of cost reductions related to FTEs and work contracted out.
In Q3 2010, KPN agreed to sell a number of mobile towers in two tranches. The first tranche was completed in Q3 2010 resulting in cash proceeds of EUR 51m and a book gain of EUR 37m. The sale of the second tranche is expected to be completed Q1 2011, with expected proceeds of EUR 46m and a book gain of EUR 32m.
Through the Reggefiber joint-venture, further progress was made in Q3 2010 with the FttH roll-out. In Q3 the number of homes passed increased by 47k to 616k (Q2 2010: 569k), of which 172k homes were activated.
In Q3 2010, Reggefiber made further progress in securing external financing for a total amount of EUR 285m, through a project finance facility with five commercial banks (50%) and the European Investment Bank, or 'EIB' (50%). The EIB has granted its approval to the project finance facility following the earlier obtained commitment from the commercial banks, subject to final documentation. Finalization of the financing is expected within the next few months.

Focus on balancing revenues and profitability at iBasis

Revenues and other income increased 38% y-on-y, including a favorable currency effect of EUR 18m (~10%). The EBITDA margin was 3.2%. In Q3 2010 iBasis delivered another strong quarter in terms of number of minutes, whilst sustaining the growth trend in the average revenue per minute. These results stem from the continued momentum of iBasis' turnaround, with more stability and focus following the full takeover by KPN in Q4 2009. Accordingly, since Q1 2010, revenues have grown to a structurally higher level. iBasis continued to outperform the market in minute growth, especially in higher value mobile termination.
iBasis will continue its focus on increasing traffic volumes and revenues, resulting in increased market shares, but is equally focused on improving its EBITDA results.

Getronics on track for targeted 8% EBITDA margin

Revenues and other income were down 2.3% y-on-y in Q3 2010, with the Netherlands showing a y-on-y revenue decline of 4.4% and International revenues showing a 9.2% y-on-y increase, including a 7% positive foreign exchange

effect. Corrected for disposals, existing revenues were down 1.9% y-on-y in Q3 2010. EBITDA was stable at EUR 34m in Q3 2010, including a EUR 3m incidental gain resulting from the sale of a small part of the business. In Q3 2010 Getronics realized an EBITDA margin of 7.1% and continues to be on track to reach the targeted EBITDA margin of 8% for the full year 2010.
Market conditions continued to remain difficult with price pressure and clients postponing investments. Although the sales funnel in Q3 showed an improvement compared to Q2, the sales order intake was relatively stable q-on-q. Overall, Getronics expects its market position to have remained stable in Q3 in a highly competitive market.

Mobile International

Revenues and other income *(In millions of euro)*	**Q3 2010**	**Q3 2009**	**Δ y-on-y**	**YTD 2010**	**YTD 2009**	**Δ YTD**
- Germany	850	819	*3.8%*	2,421	2,390	*1.3%*
- Belgium	192	200	*-4.0%*	595	595	*0.0%*
- Rest of World (incl. eliminations)	45	25	*80%*	108	64	*69%*
Mobile International	**1,087**	**1,044**	***4.1%***	**3,124**	**3,049**	***2.5%***

EBITDA *(In millions of euro)*	**Q3 2010**	**Q3 2009**	**Δ y-on-y**	**YTD 2010**	**YTD 2009**	**Δ YTD**
- Germany	386	347	*11%*	1,052	1,002	*5.0%*
- Belgium	68	65	*4.6%*	216	195	*11%*
- Rest of World	-2	-5	*60%*	-10	-31	*68%*
Mobile International	**452**	**407**	***11%***	**1,258**	**1,166**	***7.9%***
EBITDA margin	*41.6%*	*39.0%*		*40.3%*	*38.2%*	

Continued revenue growth with strong margins at Mobile International

Q3 2010 revenues and other income increased by 4.1% y-on-y. Service revenues were up 5.1% y-on-y following growth in all markets, despite severe MTR cuts in Belgium. EBITDA margin in Q3 2010 was strong at 41.6%, with all segments contributing to the 11%, or EUR 45m, y-on-y EBITDA improvement. Mobile International is making good progress with its accelerated roll-out of high speed data networks in both Belgium and Germany. High speed mobile data services have been launched on a regional basis in Belgium, with Germany to follow in November.

Higher service revenue growth in Germany with very strong margin of 45.4%

Revenues and other income in Q3 2010 increased 3.8% compared to the prior year. Service revenues were up 4.0% y-on-y, continuing the positive trend of last quarter and including EUR 11m (1.3%) revenues from the Multiconnect business that was transferred from Segment 'Other' in Q2 2010. The underlying growth in service revenues is expected to improve in the next quarters. E-Plus' market share is expected to have remained stable y-on-y at 15.7%. In Q3, E-Plus continued its regionalization strategy and its commercial activities for the MeinBASE tariff. EBITDA increased 11% y-on-y, supported by improved performance of its captive channels, continued focused execution of the 'Challenger' strategy, and a EUR 8m one-off gain from merging SMS Michel into its general retail network and the closure of some stores as part of that (EBITDA in Q3 2009 included a one-off release of EUR 11m). Overall these factors resulted in a very strong EBITDA margin of 45.4% in Q3 2010.
E-Plus achieved 309k net adds, with postpaid up 77k showing an improving trend. Prepaid net adds were affected by customer base cleaning (~140k) due to a change in disconnection policy of one of the brands, but nevertheless reached 232k. The total customer base at the end of Q3 2010 was 19.9m, up 6.3% y-on-y.
Following acceleration of the high speed mobile data network roll-out, E-Plus will start offering attractive new data propositions in nine selected urban areas from November 2010, which is about six months ahead of schedule. The propositions are centered around a selection of smartphones including an internet flat fee at attractive pricing, supporting future service revenue growth.

Service revenues in Belgium up 1.8% including severe regulation

Revenues and other income were EUR 8m or 4.0% lower in Q3 2010 compared to prior year, due to the effects of the divestment of the fixed B2B and Carrier business and severe MTR reductions effective as from 1 August 2010. Revenues and EBITDA of the divested assets were EUR 10m and EUR 1m respectively in Q3 2009. The MTR reduction in August has slowed down revenue growth in the third quarter (EUR 11m) and an even larger impact will be seen in Q4. Although the severe regulatory impact reduced the service revenue growth to 1.8% in Q3 2010, instead of 8.4% excluding the MTA impact, KPN Group Belgium is expected to have outperformed the market in Q3 2010.

Although EBITDA was affected by the MTR reduction for EUR 8m, EBITDA margin of KPN Group Belgium remained at a solid 35.4% supported by the positive impact of high value customer growth in previous quarters, the divestment of the lower margin fixed business and efficient commercial spend. Postpaid net adds in Q3 2010 amounted to 14k (Q3 2009: 34k) and with prepaid net adds of 24k the total customer base increased to 3.7 million.
Following acceleration of the high speed mobile data network roll-out, KPN Group Belgium has started offering attractive new data services in six selected urban areas. The high speed data network will be further upgraded to an additional 20 urban areas and relevant hotspots before the end of 2010.

Strong revenue increase in Rest of World with Spain, France and Ortel all contributing

In Q3 2010, revenues and other income (including elimination of intercompany revenues) further increased by 80% y-on-y. External revenues increased by 29% y-on-y in Q3 supported by continued growth in all markets. EBITDA improved to minus EUR 2m, driven by improved host conditions and economies of scale.
KPN Spain is reinvesting the benefits from the improved contract with its network provider into the market to accelerate growth. On 13 September, KPN Spain launched the “40 Móvil” brand with media partner Cuarenta to target the youth segment through leveraging its strong brand and media presence in Spain.
Growth in France continues to be strong, fuelled by Ortel due to its unique distribution model and focus on the cultural segment. The footprint expansion of Ortel into the Spanish market is on track for November 2010.

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 the last quarter of 2010, except for risks from economic downturn, regulation and the license auctions in Germany and Belgium. With respect to regulatory risk, reference is made to note [13] Regulatory developments of the consolidated interim financial statements of Q3 2010.

Following the **economic downturn** in 2009, which mainly affected the business markets in which KPN operates, no signs of economic recovery were visible in the Netherlands in 2010. The Business Segment and Getronics experienced continued pressure on prices and a lower order intake, due to customers postponing investment decisions. There are at present no signs of further deterioration. However, if circumstances worsen, future operating results could be adversely affected, particularly relative to current expectations, and jeopardize KPN's objective of achieving sound financial performance.

In May 2010, E-Plus acquired 70MHz of additional spectrum in the **frequency auctions** in Germany for EUR 284m, suiting the challenger strategy. This outcome removed the risk of paying too high a price for the spectrum. In 2011, KPN Group Belgium faces an auction of various frequency bands in Belgium, for which preparations have started. The same principles as used in Germany will be applied in Belgium, whereby KPN Group Belgium will only acquire any additional spectrum at reasonable prices.

Outlook

Despite the headwinds from the difficult economic environment, solid progress has been made in achieving the strategic objectives formulated in the Company's 'Back to Growth' strategy. Profitability at Dutch Telco has shown a continued increase as a result of substantial cost reductions being achieved without compromising on quality of service and the overall health of the company. Getronics continues to deliver a robust performance despite the economic headwind. With all segments contributing, Mobile International continues its profitable growth path. Both in Belgium and Germany the high speed mobile data network roll-out is ahead of plan; for Germany enabling the launch of mobile data services already this year instead of the previous plan of mid 2011. This will add another area of growth to the Challenger strategy. In summary, KPN is on track strategically, remains soundly financed and has delivered a solid performance since the start of the 'Back to Growth' strategy in 2008.

KPN will continue to focus on EBITDA and cash flow while keeping a close eye on market shares. KPN expects higher revenues in H2 y-on-y, excluding disposed businesses. Furthermore, as indicated earlier, for the full year 2010, KPN expects to realize EBITDA growth of EUR 300m. Despite new regulatory tariff cuts announced for the Netherlands and Belgium (the new glide path for Germany is currently unknown), the Board of Management remains confident that it can deliver on the objectives set for 2010 and 2011 and the outlook is therefore confirmed. KPN remains committed to delivering industry-leading shareholder returns. The EUR 1bn share repurchase program for 2010 is ongoing and KPN 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 nine months ended 30 September 2010 and 2009

Unaudited Consolidated Statement of Income

(In millions of euro, unless indicated otherwise)	**For the three months ended 30 September**		**For the nine months ended 30 September**	
	2010	**2009**	**2010**	**2009**
Revenues	3,335	3,307	9,954	10,103
Other income	43	24	55	35
Revenues and other income [1]	**3,378**	**3,331**	**10,009**	**10,138**
Own work capitalized	-24	-21	-73	-70
Cost of materials	226	207	630	639
Work contracted out and other expenses	1,160	1,137	3,420	3,550
Employee benefits	471	502	1,470	1,589
Depreciation, amortization and impairments	561	577	1,638	1,759
Other operating expenses	137	177	445	545
Total operating expenses	**2,531**	**2,579**	**7,530**	**8,012**
Operating result [2]	**847**	**752**	**2,479**	**2,126**
Finance income [3]	6	9	16	28
Finance costs [3]	-296	-181	-685	-594
Other financial results [3]	-20	-9	-27	-2
Share of the profit of associates and joint ventures	-17	-5	-38	-6
Profit before income tax	**520**	**566**	**1,745**	**1,552**
Income taxes [4]	-114	-171	-425	-470
Profit for the period	**406**	**395**	**1,320**	**1,082**
Profit attributable to:				
Owners of the parent	406	398	1,318	1,086
Non controlling interests	–	-3	2	-4
Earnings per ordinary share on a non-diluted basis (in EUR)	**0.27**	**0.25**	**0.84**	**0.66**
Earnings per ordinary share on a fully diluted basis (in EUR)	**0.27**	**0.24**	**0.84**	**0.65**
Weighted average number of shares on a non-diluted basis			1,573,010,411	1,648,700,120
Weighted average number of shares on a fully diluted basis			1,576,788,062	1,653,776,530

Unaudited Consolidated Statement of Comprehensive Income

(In millions of euro)	For the three months ended 30 September		For the nine months ended 30 September	
	2010	**2009**	**2010**	**2009**
Profit for the period	**406**	**395**	**1,320**	**1,082**
Other comprehensive income:				
Cash flow hedges:				
Gains or (losses) arising during the period	-31	-57	-33	-112
Tax	8	15	9	29
	-23	-42	-24	-83
Currency translation adjustments:				
Gains or (losses) arising during the period	-3	3	5	-4
Tax	–	–	–	–
	-3	3	5	-4
Fair value adjustment available for sale financial assets:				
Gains or (losses) arising during the period	-1	–	-6	4
Other comprehensive income for the period, net of tax	**-27**	**-39**	**-25**	**-83**
Total comprehensive income for the year, net of tax	**379**	**356**	**1,295**	**999**
Total comprehensive income attributable to:				
Owners of the parent	380	359	1,293	1,004
Non controlling interests	-1	-3	2	-5

Consolidated Statement of Financial Position

ASSETS *(In millions of euro)*	As at 30 September 2010 (unaudited)	 31 December 2009
NON-CURRENT ASSETS		
Goodwill	5,766	5,769
Licenses [5]	2,901	2,853
Software	778	783
Other intangibles	381	427
Total Intangible assets	**9,826**	**9,832**
Land and buildings	856	920
Plant and equipment	5,458	5,627
Other tangible non current assets	136	177
Assets under construction	907	799
Total property, plant and equipment	**7,357**	**7,523**
Investments in associates and joint ventures	233	267
Available-for-sale financial assets	55	51
Derivative financial instruments	62	8
Deferred income tax assets	1,926	2,135
Other financial non-current assets	226	231
Total non-current assets	**19,685**	**20,047**
CURRENT ASSETS		
Inventories	113	93
Trade and other receivables	2,132	1,895
Current income tax receivables	126	9
Available-for-sale financial assets	–	2
Cash	1,335	2,690
Total current assets	**3,706**	**4,689**
Non-current assets and disposal groups held for sale [6]	**21**	**115**
TOTAL ASSETS	**23,412**	**24,851**

LIABILITIES *(In millions of euro)*	As at 30 September 2010 (unaudited)	31 December 2009
GROUP EQUITY		
Share capital	377	391
Share premium	8,184	8,799
Other reserves	-413	-370
Retained earnings	-4,827	-4,982
Equity attributable to owners of the parent	**3,321**	**3,838**
Non controlling interests	–	3
Total group equity	**3,321**	**3,841**
NON-CURRENT LIABILITIES		
Borrowings [7]	11,439	12,502
Derivative financial instruments	215	511
Deferred income tax liabilities	1,002	1,275
Provisions for retirement benefit obligations [8]	642	717
Provisions for other liabilities and charges	402	414
Other payables and deferred income	281	337
Total non-current liabilities	**13,981**	**15,756**
CURRENT LIABILITIES		
Trade and other payables	3,766	3,990
Borrowings [7]	2,078	869
Derivative financial instruments (current liabilities)	11	51
Current income tax liabilities	134	100
Provisions (current portion)	121	211
Total current liabilities	**6,110**	**5,221**
Liabilities directly associated with non-current assets and disposal groups classified as held for sale [6]	–	33
TOTAL EQUITY AND LIABILITIES	**23,412**	**24,851**

Unaudited Consolidated Statement of Cash Flows

(In millions of euro)	For the nine months 30 September	
	2010	2009
Profit before income tax	**1,745**	**1,552**
Finance costs - net	696	568
Share of the profit of associated and joint ventures	38	6
Adjustments for :		
Depreciation , Amortization and impairments	1,638	1,759
Share-based compensation	-12	21
Other income	-47	-32
Changes in provisions (excluding deferred taxes)	-259	-205
Inventories	-12	21
Trade receivables	-44	194
Prepayments and accrued income	-81	-117
Other current assets	-16	69
Trade payables	38	-282
Accruals and deferred income	-117	-295
Current liabilities (excluding short-term financing)	-38	114
Change in working capital	**-270**	**-296**
Received dividends from associates and joint ventures	1	2
Taxes received (paid)	-564	-561
Interest paid	-604	-461
Net cash flow generated from operations	**2,362**	**2,353**
Acquisition of subsidiaries, associates and joint ventures	-83	-96
Disposal of subsidiaries, associates and joint ventures	65	33
Investments in intangible assets (excluding software)	-323	-13
Disposal of intangibles	–	10
Investments in property, plant & equipment and software	-1,146	-1,202
Disposal in property, plant & equipment and software	17	14
Disposals of real estate	73	32
Other changes and disposals	-88	3
Net cash flow used in investing activities	**-1,485**	**-1,219**
Share repurchase	-648	-712
Share repurchases for option plans	–	-62
Dividends paid	-1,152	-1,039
Exercised options	13	18
Proceeds from borrowings	991	3,172
Repayments from borrowings and settlement of derivatives	-1,614	-1,242
Other changes in interest-bearing current liabilities	-2	-12
Net cash flow used in financing activities	**-2,412**	**123**
Changes in cash	**-1,535**	**1,257**
Net Cash at beginning of period	**2,652**	**771**
Changes in cash	-1,535	1,257
Exchange rate difference	2	-1
Net Cash at end of period	**1,119**	**2,027**
Bank overdrafts	216	788
Cash at end of period	**1,335**	**2,815**

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**	**Non controlling 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)	–	–	–	16	-14	2	–	2
Exercise of options	–	–	–	17	–	17	–	17
Shares repurchased	–	–	–	-793	–	-793	–	-793
Dividends paid	–	–	–	–	-1,039	-1,039	-2	-1,041
Shares cancelled	-43,457,887	-10	-436	446	–	–	–	–
Total comprehensive income for the period	–	–	–	-82	1,086	1,004	-5	999
Balance as of 30 September 2009	**1,670,904,905**	**401**	**9,214**	**-624**	**-6,070**	**2,921**	**22**	**2,943**
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)	–	–	–	–	3	3	–	3
Exercise of options	–	–	–	12	–	12	–	12
Shares repurchased	–	–	–	-659	–	-659	–	-659
Dividends paid	–	–	–	–	-1,152	-1,152	–	-1,152
Shares cancelled	-56,245,438	-14	-615	629	–	–	–	–
Purchased from minority shares	–	–	–	–	-14	-14	-5	-19
Total comprehensive income for the period	–	–	–	-25	1,318	1,293	2	1,295
Balance as of 30 September 2010	**1,572,609,884**	**377**	**8,184**	**-413**	**-4,827**	**3,321**	**–**	**3,321**

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 Group Belgium. 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 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 recognized as expenses (rather than included in goodwill);
- Contingent consideration must be recognized 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 judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments 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 judgments, 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 fiber 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. The same principles and methodology have been applied for determining the critical accounting estimates in 2010 as in 2009. 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 judgments 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 quarterly 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 is reported as a separate segment according to IFRS 8 and book gains on real estate are included in 'Other gains/losses and eliminations' in the Netherlands. The transfer pricing has not been changed.

The new reporting format only had 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 [11] in these Condensed Consolidated Interim Financial Statements.

	For the nine months ended 30 September 2010				For the nine months ended 30 September 2009			
Revenues and Other income	**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	2,353	4	64	2,421	2,330	1	59	2,390
Belgium	551	1	43	595	552	–	43	595
Rest of World	183	-1	6	188	138	–	10	148
Eliminations	–	–	-80	-80	–	–	-84	-84
Mobile International	**3,087**	**4**	**33**	**3,124**	**3,020**	**1**	**28**	**3,049**
Consumer	2,825	1	124	2,950	2,934	–	157	3,091
Business	1,651	–	164	1,815	1,658	–	209	1,867
Wholesale & Operations (national)	478	39	1,602	2,119	492	17	1,656	2,165
Other (incl. ITNL & eliminations)	–	–	-1,620	-1,620	1	–	-1,692	-1,691
Dutch Telco business	**4,954**	**40**	**270**	**5,264**	**5,085**	**17**	**330**	**5,432**
iBasis Group	540	–	138	678	434	–	122	556
Getronics	1,307	4	117	1,428	1,455	–	105	1,560
Other gains/losses, eliminations	–	6	-412	-406	–	17	-469	-452
The Netherlands	**6,801**	**50**	**113**	**6,964**	**6,974**	**34**	**88**	**7,096**
Other activities	66	1	-1	66	109	–	1	110
Eliminations	–	–	-145	-145	–	–	-117	-117
KPN Total	**9,954**	**55**	–	**10,009**	**10,103**	**35**	**–**	**10,138**

KPN group revenues and other income were down 1.3%, caused by a decline of revenues in the Dutch Telco business and Getronics as well as disposals (SNT Belgium & Netherlands, the B2B and Carrier business in Belgium and parts of Getronics). Revenues at iBasis increased by 22% and Mobile International showed an increase of 2.5% which was attributable to growth in Germany and Rest of World.

Other income in Wholesale & Operations is related to a book gain on the sale of mobile towers of EUR 37m in Q3 2010 (2009: EUR 17m) and to the outsourcing of facility services in Q1 2010. Furthermore, other income within Segment 'Other gains/losses, eliminations' in the Netherlands includes a book gain from the sale of real estate (2009: EUR 17m). For more detailed information on revenues, reference is made to the Management Report.

[2] Operating profit

Operating profit, DA&I and EBITDA	For the nine months ended 30 September 2010 Operating profit	Depreciation, Amortization & Impairments (DA&I)	EBITDA	For the nine months ended 30 September 2009 Operating profit	Depreciation, Amortization & Impairments (DA&I)	EBITDA
Germany	566	486	1,052	491	511	1,002
Belgium	126	90	216	95	100	195
Rest of World	-15	5	-10	-37	6	-31
Mobile International	**677**	**581**	**1,258**	**549**	**617**	**1,166**
Consumer	653	175	828	559	230	789
Business	540	69	609	540	59	599
Wholesale & Operations (national)	655	644	1,299	641	669	1,310
Other (incl. ITNL)	-4	30	26	-28	30	2
Dutch Telco business	**1,844**	**918**	**2,762**	**1,712**	**988**	**2,700**
iBasis Group	5	20	25	-16	31	15
Getronics	-8	111	103	-91	116	25
Other gains/losses	-2	1	-1	8	–	8
The Netherlands	**1,839**	**1,050**	**2,889**	**1,613**	**1,135**	**2,748**
Other activities	-37	7	-30	-36	7	-29
KPN Total	**2,479**	**1,638**	**4,117**	**2,126**	**1,759**	**3,885**

Total EBITDA for KPN Group was up 6.0% y-on-y, driven by revenue growth in Germany and at iBasis and through cost reductions in all segments. Dutch Telco EBITDA increased 2.3% y-on-y driven by Consumer and Business Segment and partly offset by a decline at Wholesale & Operations. Getronics EBITDA increased EUR 78m compared to the same period in 2009 mainly as a result of reorganization benefits and the absence of integration and restructuring costs (EUR 35m), as well as EUR 8m of pension costs in 2009. Operating profit for KPN Group increased EUR 353m compared to the nine-month period in 2009.
Depreciation, amortization and impairments decreased EUR 121m 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 60m y-on-y until Q3 2010, secondly Q1 2009 included an impairment result of EUR 24m and lastly the asset base declined compared to former year.

[3] Finance costs

Net finance costs increased by EUR 128m y-on-y to EUR 696m, mainly due to one-off costs related to a tender offer in September 2010 of EUR 97m (2009: 27m). Note [7] provides further detail on the tender offer and other borrowings. Furthermore, the net finance costs increased y-on-y as a result of higher average borrowings compared to prior year (EUR 43m higher interest costs) and lower finance income (EUR 13m), partly offset by lower floating interest rates on bonds (EUR 14m positive).

[4] Income taxes

The effective tax rate in the first nine months of 2010 was 23.8% compared to 30.2% in the first nine months of 2009. The lower effective tax rate is due to 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 benefitted from a EUR 6m discount based on the applicable Dutch tax legislation for such a prepayment. In Q1 2009 KPN prepaid EUR 598m, benefitting from a EUR 10m discount. The discounts have been recorded as a reduction of interest paid in the Consolidated Statement

of Cash Flows. Both in 2010 and 2009 an amount of EUR 327m of the prepayment was attributable to the E-Plus tax recapture. However this should not be considered indicative for the EBITDA to be achieved by E-Plus in 2010.

[5] Licenses

In May 2010, E-Plus acquired licenses for additional spectrum in Germany for an amount of EUR 284m. Amortization started August 2010, as these licenses were available for use as from that date.

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

At the end of Q1 2010 KPN closed a 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.
In Q3 2010, KPN agreed to sell a number of mobile towers in two tranches. The first tranche has been completed in Q3 2010. The sale of the second tranche is expected to be completed Q1 2011. The mobile towers comprised in this second tranche are presented as held for sale as at 30 September 2010. The remaining part in assets held for sale relates to the program of KPN to sell its real estate portfolio.

[7] Borrowings

In September 2010, KPN conducted a tender and new issue transaction, in which KPN repurchased parts of its 2011, 2012 and 2013 notes for the nominal amount of EUR 1.3bn. The tender was financed with a new EUR 1.0bn 10-year Eurobond with a coupon of 3.75% and with excess cash. The transaction extended the average maturity from 6.5 to 7.2 years as at the end of Q3 2010. KPN had an average interest rate of 5.3% on its nominal bonds at the end of Q3.
The tender resulted in an additional finance expense of EUR 97m related to the tender premium. Furthermore, the free cash flow was impacted by the payment of accrued interest of EUR 23m.

[8] Provisions for retirement benefit obligations

In 2010, the KPN pension funds in the Netherlands were negatively impacted by declining interest rates and deterioration of financial markets. Furthermore, the coverage ratio was negatively impacted by some 4% due to the use of updated mortality tables as from 1 January 2010. As a result, the average coverage ratio of KPN's pension funds decreased to 103% (31 December 2009: 111%) under statutory coverage measurements. As long as the coverage ratio is below 105%, KPN is obliged to make additional payments, up to a maximum of EUR 360m over a five year period. In Q4 2010 an additional cash payment of EUR 11m is required. KPN expects a negative impact on the coverage ratio in Q4 2010, due to updated mortality tables, of ~3% all other variables being equal.

[9] Share repurchases

On 26 January 2010, KPN announced its EUR 1bn share repurchase program for 2010, which started in February 2010. Under this program, between 1 January and 30 September 2010, KPN repurchased 60.4 million shares at an average price of EUR 10.92, for a total amount of EUR 659m.

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. On 10 August 2010, KPN canceled a further 45,533,785 shares which were repurchased as part of the 2010 share repurchase program. Following the cancellations in March and August 2010, KPN has 1,572,609,884 ordinary shares outstanding.

[10] Dividend

In Q2 2010, KPN paid the final dividend for 2009, for a total of EUR 733m (including dividend tax), or EUR 0.46 per share, resulting in a total 2009 dividend of EUR 1,109m (incl. dividend tax) or EUR 0.69 per share.
In Q3 2010, KPN paid the interim dividend for 2010, totaling EUR 419m (including dividend tax), or EUR 0.27 per share, up 17% compared to last year.

[11] Other Segment information

Assets, liabilities and CAPEX	As at 30 September 2010 Total assets	Total liabilities	As at 31 December 2009 Total Assets	Total liabilities	For the nine months ended 30 September 2010 CAPEX	2009 CAPEX
Germany	10,874	27,981	10,342	29,180	299	306
Belgium	1,891	290	1,877	330	54	70
Rest of World (incl. eliminations)	138	100	144	146	5	2
Mobile International	**12,903**	**28,371**	**12,363**	**29,656**	**358**	**378**
Consumer	2,653	1,916	3,203	3,084	228	152
Business	1,832	1,301	2,956	2,963	56	81
Wholesale & Operations (national)	7,325	6,710	9,444	9,494	405	496
Other (incl. ITNL & eliminations)	-378	-373	-493	-492	21	26
Dutch Telco business	**11,432**	**9,554**	**15,110**	**15,049**	**710**	**755**
iBasis Group	471	384	429	311	8	3
Getronics	2,768	1,792	2,765	1,889	64	59
Other gains/losses, eliminations	-570	-571	-513	-448	2	1
The Netherlands	**14,101**	**11,159**	**17,791**	**16,801**	**784**	**818**
Other activities	-3,592	-19,439	-5,303	-25,447	4	6
KPN Total	**23,412**	**20,091**	**24,851**	**21,010**	**1,146**	**1,202**

Capex decreased by EUR 56m, which is mainly visible in Business and Wholesale & Operations.
The intercompany positions on the balance sheet of the segments are eliminated through Segment Other.

[12] Off-balance sheet commitments

At the end of Q3 2010 the off-balance sheet commitments increased to EUR 4.4bn (EUR 3.9bn at 31 December 2009), mainly due to an increase in purchasing commitments.

[13] Regulatory Developments

The Netherlands: MTA and FTA glide path implemented

KPN and several other market parties have started an annulment procedure, which is expected to be handled in Court in 2011. Prior to that, KPN and various other parties have requested suspension of the decision as interim relief.

Belgium: Update on MTA regulation

In its latest MTR decision, BIPT awarded Proximus and Mobistar a glide path until 2013 to reach the pure-LRIC level of EUR 1.08 ct/min. To the extent that this glide path creates a competitive risk, KPN Group Belgium has requested the Court of Appeal to suspend BIPT's decision.

[14] Legal developments

On 28 September 2010 the trustees in the KPNQwest bankruptcy filed a writ of summons on Qwest, KPN, the former chairman of the Board of Management of KPNQwest and former members of the Supervisory Board of KPNQwest. The trustees hold all defendants liable for the deficit in the bankruptcy of KPNQwest. The District Court Haarlem has set a pro forma session date at 19 January 2011. KPN does not expect a ruling of the Court within a short time frame.

[15] 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 2 July 2010, BlackRock, Inc. notified the AFM that they held 4.9% in KPN's ordinary share capital. On 20 April 2010, Capital Research and Management Company notified the AFM that they held 9.98% in KPN's ordinary share capital.

In the nine months ended 30 September 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.

[15] Subsequent events

EUR 861m bond redemption

On 1 October 2010, a USD 1,162m Global bond with a nominal amount outstanding of EUR 861m has matured. The redemption was financed with cash on balance and had no influence on KPN's net debt position. The Global bond carried a high coupon of 8.00% (7.3% after a swap into euro) and the redemption has lowered KPN's weighted average interest rate from 5.3% at the end of Q3 to 5.2% on 1 October 2010.

Share repurchase after 30 September 2010

As part of the share repurchase program for 2010, KPN repurchased 2.3 million shares at an average price of EUR 11.35, for a total amount of EUR 26.4m between 1 October and 26 October 2010. Until 26 October 2010 KPN completed 69% of its 2010 share repurchase program.

Safe harbor

Non-GAAP measures and management estimates

This financial report contains a number of non-GAAP figures, such 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 financial and 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.