

Press Release

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KPN and Telia/Telenor announce intention to dispose of their 35% stake in Eircom

After three successful years of partnership, KPN Royal Dutch Telecom and Telia of Sweden intend to dispose of their strategic investment in Irish telecom operator Eircom. This decision follows the European Commission's requirement that the combined Telia/Telenor group divest of one of their interests in competing Irish telecommunications operators.

In 1996, the Irish Government selected the KPN/Telia consortium, under the name of Comsource, to support the former Telecom Eireann in transforming into a high quality, customer oriented, European enterprise.

Eircom is now a successful company with a clear strategy. It has delivered substantial value to KPN and Telia. Comsource currently holds 35% of Eircom shares.

Telia currently owns, indirectly through Comsource, a 14% interest in Eircom. Telenor owns a 49.5% interest in Esat Digifone, the second largest Irish GSM operator (after Eircell, a 100% subsidiary of Eircom). The European Commission determined these two investments to be incompatible.

Telia's total cumulative investment in Eircom is around Ir £600 million (SEK 6.6 billion). The market value of Telia's stake, based on the current share price, is Ir £990 million (SEK 10.8 billion).

KPN has conducted a review of its international activities over the past six months against the background of its international strategic objectives. One of the key objectives pursued by KPN in relation to affiliated and associated companies is the exercise of effective management control, which is not provided by the current investment in Eircom. The Telia/Telenor merger and subsequent European Commission decision have accelerated KPN's decision to withdraw from Eircom, so as to invest the proceeds in activities that meet all of its investment criteria.

KPN owns, indirectly through Comsource, a 21% interest in Eircom. KPN's total cumulative investment in Eircom is around Ir £900 million (NLG 2.6 billion). The market value of KPN's stake, based on the current share price, is Ir £1.5 billion (NLG 4.2 billion)

In assessing the alternatives available to dispose of its interest in Eircom, the primary objective of KPN and Telia will be to maximize the proceeds of any such disposal. KPN and Telia will seek the full cooperation of Eircom in the disposal.

Morgan Stanley Dean Witter is advising KPN and Telia on the disposal of their interests in Eircom.

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