



# Year End Results 2004

## Strategy Update

1 March 2005



# Safe harbor

Certain statements contained in this presentation 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, the investigation into the discounts, 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 KPN's Annual Report and Form 20-F.

All figures in this presentation are unaudited and based on Dutch GAAP. Certain figures may be subject to rounding differences. All market share information in this presentation is based on management estimates based on externally available information, unless indicated otherwise.

# Disclaimer

This presentation 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 our GAAP figures. Our non-GAAP measures may not be comparable to non-GAAP measures used by other companies.

We define EBITDA as operating result before depreciation and impairments of PP&E and amortization and impairments of goodwill and licenses. The measure is used by financial institutions and credit-rating agencies as one of the key indicators of borrowing potential. Many analysts use EBITDA as a component for their (cash flow) projections. Note that our definition of EBITDA deviates from the literal definition of earnings before interest, taxes, depreciation and amortization. Either definition of EBITDA has limitations as an analytical tool and you should not consider it on isolation or as a substitute for analyses of our results as reported under Dutch GAAP or US GAAP.

In the past EBITDA was used as a measurement of certain aspects of operational performance and liquidity. For the purpose of comparing 2004 financial performance with the guidance given in December 2003, we exclude 'Exceptional items' as then defined<sup>1</sup>.

Going forward we have used EBITDA as a component of our guidance. In view of the upcoming implementation of IFRS, and the resulting volatility of amortization, we believe that this is the most appropriate way of informing the financial markets on certain aspects of future company financial development. We do not view EBITDA as a measure of performance. In all cases a reconciliation of EBITDA and the nearest GAAP measure (operating result) will be provided.

Going forward, we will continue to make comparison between guidance and actuals. For the purpose of this comparison, a number of items will be excluded

- restructuring charges over € 20 mn per event
- impairments over € 20 mn per event
- book gains or losses over € 20 mn per event

We define free cash flow as 'Cash flow from operating activities' minus 'Capital expenditures', both of which are common GAAP measures.

<sup>1</sup> We define exceptional items as those gains or losses that, in the view of management, are not directly related to our continuing business operations or distort the analysis of our underlying financial performance, measured in terms of operating revenues, EBITDA, operating result and net results, either due to the materiality of the amounts involved or the likelihood that such an event will recur in the near future. It should be noted that operating revenues, EBITDA, operating result and net results excluding exceptional items cannot be considered to be financial measures under Dutch GAAP or US GAAP. In the past, we have defined the following events as an exceptional item:

- Impairment charges and other substantial write-downs on the value of our assets, including goodwill and other intangible fixed assets
- Restructuring charges
- Gains or losses on disposal of group companies, associates and other assets and/or activities

# Agenda

Ad Scheepbouwer

Marcel Smits

Ad Scheepbouwer

- ◆ Introduction
- ◆ Financial perspective
  - Group 2004 Q4 and FY
- ◆ Strategy update
  - 2005 – 2007 Operating plan
  - Group financial targets
  - Return to shareholders
- ◆ Q & A



# Ad Scheepbouwer

CEO

## Introduction





**Marcel Smits**

CFO

Financial perspective



# Financial highlights

- ◆ Profit before tax 2004 up 13%<sup>1</sup>
- ◆ Profit after tax 2004 € 1,511 mn
- ◆ Free cash flow 2004 of € 2,271 mn
- ◆ Proposed dividend over 2004 raised to € 0.35 per share
- ◆ Cash returned to shareholders over 2004: € 1,811 mn
- ◆ Minimum commitment of € 500 mn share buyback with review in H2 (on top of not executed 2004 commitment of € 485 mn)

# Reported Group results

€ mn	Q4 '03	Q4 '04	%		FY '03	FY '04	%
<b>Operating revenues</b>	<b>3,114</b>	<b>3,050</b>	<b>-2%</b>		<b>12,907</b>	<b>12,102</b>	<b>-6%</b>
- of which Net sales	2,998	2,953	-2%		11,870	11,731	-1%
<b>Operating expenses</b>	<b>2,433</b>	<b>2,518</b>	<b>3%</b>		<b>9,799</b>	<b>9,645</b>	<b>-2%</b>
- of which Depreciation <sup>1</sup>	548	488	-11%		2,225	2,023	-9%
- of which Amortization <sup>1</sup>	18	121	> 200%		310	374	21%
<b>Operating result</b>	<b>681</b>	<b>532</b>	<b>-22%</b>		<b>3,108</b>	<b>2,457</b>	<b>-21%</b>
Financial income/(expense)	-223	-144	-35%		-862	-620	-28%
<b>Profit/(Loss) before taxes</b>	<b>458</b>	<b>388</b>	<b>-15%</b>		<b>2,246</b>	<b>1,837</b>	<b>-18%</b>
Income participating interests	165	0	n.a.		161	-11	n.a.
Minority Interests	44	-35	n.a.		67	-47	n.a.
Taxes	972	126	-87%		257	-268	n.a.
<b>Profit/(Loss) after taxes</b>	<b>1,639</b>	<b>479</b>	<b>-71%</b>		<b>2,731</b>	<b>1,511</b>	<b>-45%</b>
<b>Earnings per share<sup>2</sup></b>	<b>0.65</b>	<b>0.20</b>	<b>-69%</b>		<b>1.09</b>	<b>0.63</b>	<b>-42%</b>

1 Including impairments

2 Profit after taxes per ordinary share/ADS on a fully diluted basis (in €)

# Tax

<i>P&amp;L charges, € mn</i>	<b>FY '03</b>	<b>FY '04</b>
Reported	257	-268
Deferred tax liability KPN Mobile (change in corporate tax rate)		307
Deferred tax asset KPN Royal (change in corporate tax rate)		-128
Deferred tax asset Belgian Mobile (improved business outlook)		138
Deferred tax asset German Mobile	87	-7
Tax exempt interest on shareholder loan		430
Agreement Dutch tax authorities	1,080	
<b>Adjusted for comparison</b>	<b>-910</b>	<b>-1,008</b>

# Adjusted Group results<sup>1</sup>

€ mn	Q4 '03	Q4 '04	%
<b>Operating revenues</b>	<b>3,088</b>	<b>3,050</b>	<b>-1%</b>
Operating expenses excl. D&A	1,859	1,871	1%
<b>Operating EBITDA</b>	<b>1,229</b>	<b>1,179</b>	<b>-4%</b>
Depreciation <sup>2</sup>	548	494	-10%
Amortization <sup>2</sup>	75	137	83%
<b>Operating result</b>	<b>606</b>	<b>548</b>	<b>-10%</b>
Financial income/(expense)	-223	-144	-35%
<b>Profit/(Loss) before taxes</b>	<b>383</b>	<b>404</b>	<b>5%</b>

FY '03	FY '04	%
<b>12,209</b>	<b>12,046</b>	<b>-1%</b>
7,251	7,206	-1%
<b>4,958</b>	<b>4,840</b>	<b>-2%</b>
2,183	2,024	-7%
314	390	24%
<b>2,461</b>	<b>2,426</b>	<b>-1%</b>
-862	-627	-27%
<b>1,599</b>	<b>1,799</b>	<b>13%</b>

1 Excluding exceptional items

2 Including impairments

# Group cash flow

Continued strong free cash flow: 2004 well above € 2 bn

€ mn	Q4 '03	Q4 '04	%	FY '03	FY '04	%
<b>Operating result</b>	681	532	-22%	3,108 <sup>1</sup>	2,457	-21%
Depreciation and amortization <sup>2</sup>	566	609	8%	2,535	2,397	-5%
Interest paid	-471	-294	-38%	-976	-752	-23%
Tax received	5	30	>200%	178	8	-96%
Book gains <sup>3</sup>	-26	-17	n.a.	-488	-73	-85%
Change in working capital <sup>4</sup>	386	208	-46%	-270	-68	-75%
<b>Net cash flow from operating activities</b>	<b>1,141</b>	<b>1,068</b>	<b>-6%</b>	<b>4,087</b>	<b>3,969</b>	<b>-3%</b>
<b>Capex</b>	<b>607</b>	<b>521</b>	<b>-14%</b>	<b>1,421</b>	<b>1,698</b>	<b>19%</b>
<b>Net cash flow from operating activities -/- Capex</b>	<b>534</b>	<b>547</b>	<b>2%</b>	<b>2,666</b>	<b>2,271</b>	<b>-15%</b>

1 Including € 110 mn proceeds from termination MobilCom contract

2 Including impairments

3 Included in cash flow from investing activities

4 Including payments on provisions

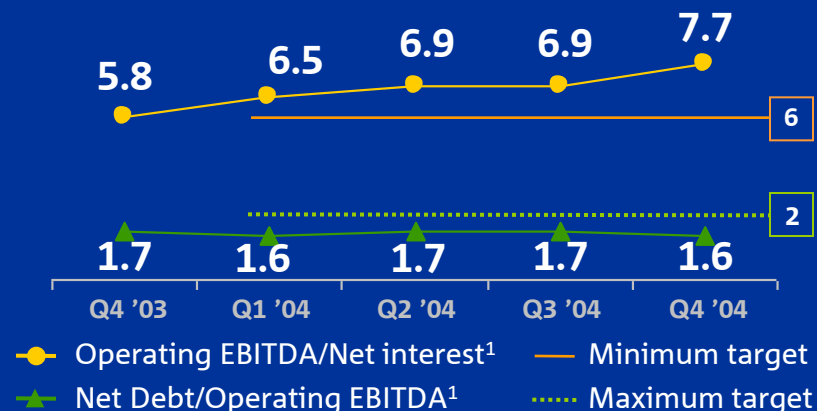
# Group financial profile

€ bn

## Debt

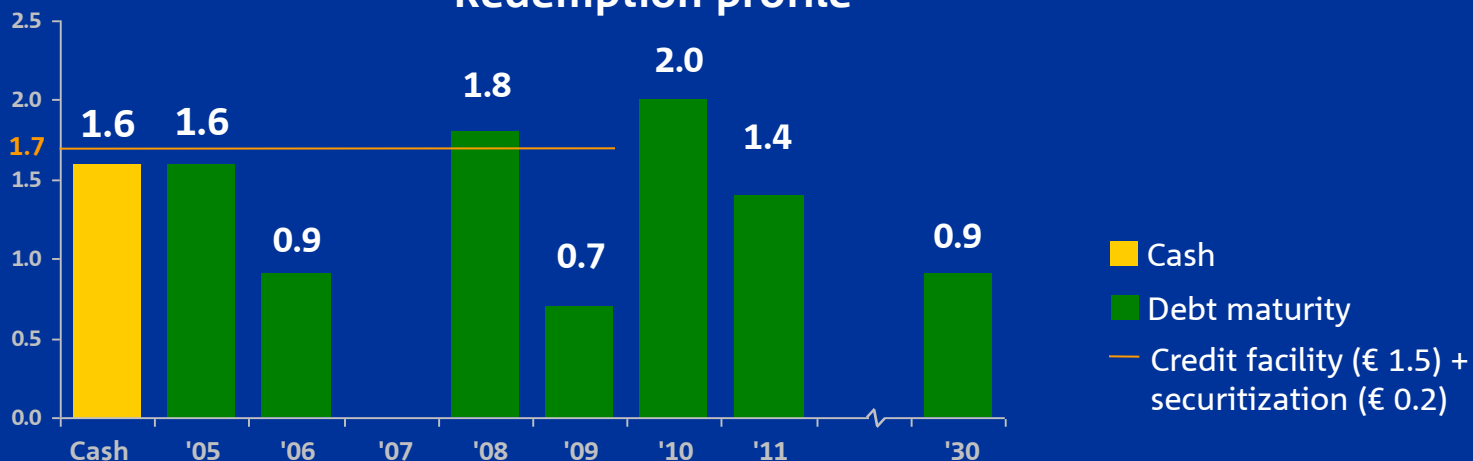


## Financial ratios vs. framework



€ bn

## Redemption profile



<sup>1</sup> Based on a 12 months rolling calculation excluding 'extraordinary' and 'exceptional' items. Operating EBITDA excluding 'extraordinary items' and 'exceptional items' is used by financial institutions and credit rating agencies as one of the key indicators of borrowing potential. It is a non-GAAP (Dutch and US) content and is a measure which can be reconciled to GAAP by taking the Operating result and adding depreciation, amortization & impairments before taking into account all 'extraordinary' and 'exceptional' items.

# Introduction of IFRS

- ◆ Main differences with current accounting policy
  - Employee benefits
  - Fair value Property, Plant & Equipment
  - Goodwill amortization
  - Revenue recognition
  - Borrowing costs
  - Joint venture accounting
  - Presentation (e.g., own work capitalised)
  - Tax effects on above mentioned differences
- ◆ Expected impact
  - Net income for the year 2004      + € 150 mn — € 250 mn
  - Equity
    - ◆ Per December 31, 2004      -/- € 300 mn — -/- € 400 mn  
and additional:
    - ◆ Per January 1, 2005      -/- € 100 mn — -/- € 200 mn
- ◆ KPN will issue a detailed impact analysis of IFRS in April 2005

# Financial highlights - KPN Fixed

<i>Adjusted results<sup>1</sup>, € mn</i>	<b>Q4 '03</b>	<b>Q4 '04</b>	<b>FY '03</b>	<b>FY '04</b>
Operating revenues	1,964	1,805	7,752	7,254
- of which Net sales	1,956	1,792	7,717	7,216
EBITDA	779	729	3,146	3,019
<b>EBITDA margin</b>	<b>39.7%</b>	<b>40.4%</b>	<b>40.6%</b>	<b>41.6%</b>
Operating result	458	440	1,840	1,788

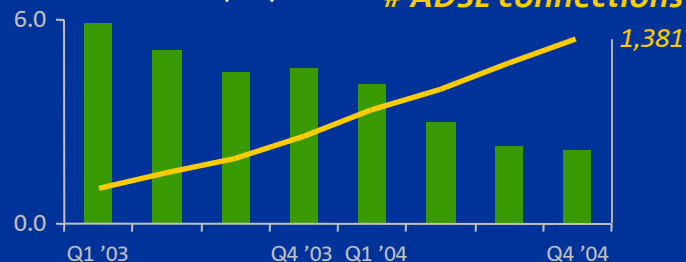
- ◆ Net sales down 6.5% FY (-/- 8.4% in Q4)
  - Decrease in Q4: 4.4% due to MTA and 1.6% due to lower project revenues, remaining net sales down 2.4%
- ◆ Operating expenses<sup>1</sup> down 7.5% FY (-/- 9.4% in Q4)
  - Decrease in Q4: 5.8% related to MTA and 1.4% as a result of lower project costs
- ◆ ADSL subscribers almost doubled vs. last year
- ◆ Successful launch KPN TV

# KPN Fixed trends

## Drivers

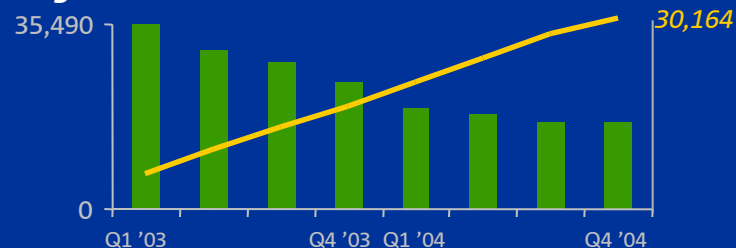
*Internet minutes (bn)*

*# ADSL connections*



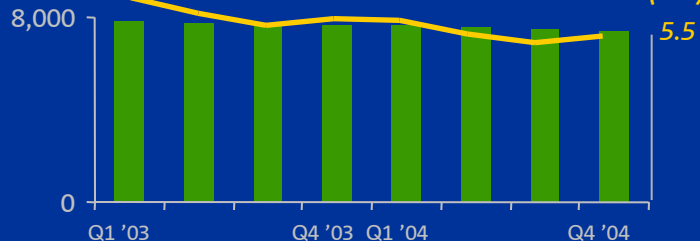
*# digital leased lines*

*# IP VPN connections*



*# lines, x 1,000*

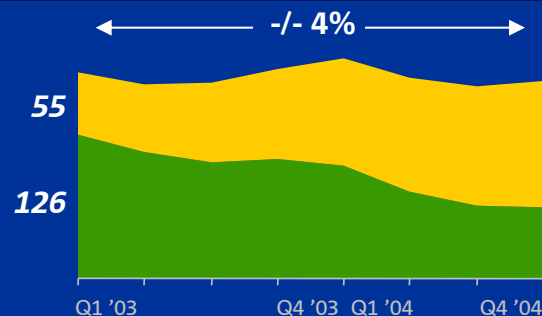
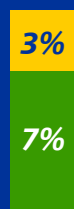
*Voice minutes (bn)*



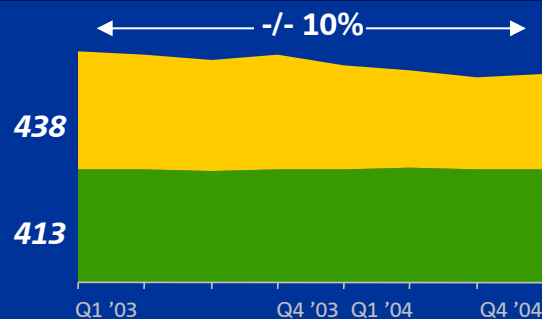
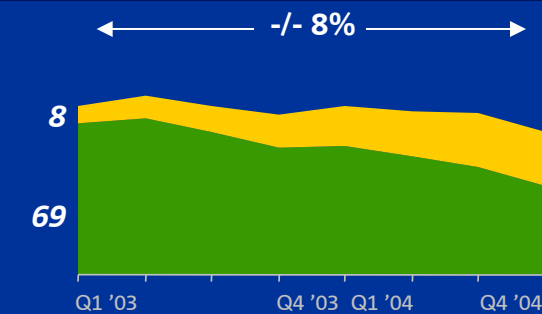
€ mn

## Revenues

% of revenues  
Fixed



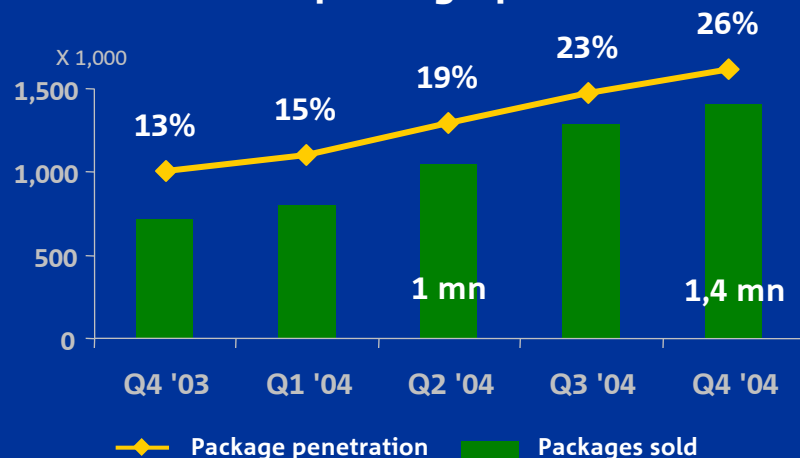
% of revenues  
Fixed



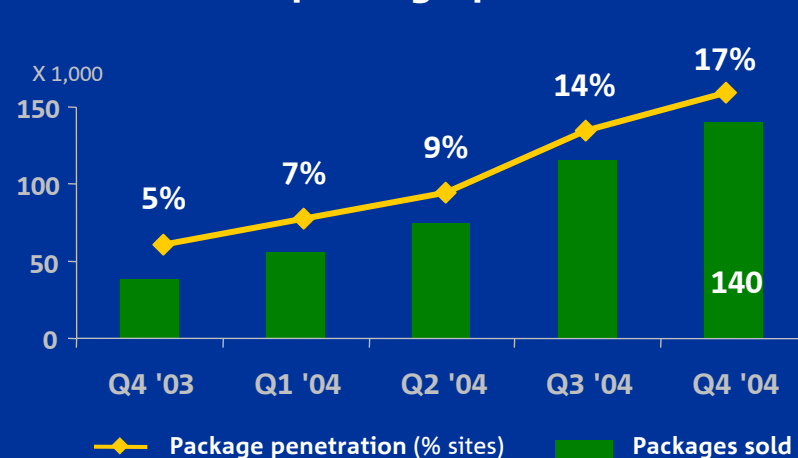
# Traditional business - Voice

Successful in a contracting market

## Consumer package penetration



## Business package penetration



### Initiatives

- ◆ Aggressive win-back actions
- ◆ Innovative bundling
- ◆ High priority customer satisfaction
  - Personalized advice and loyalty scheme

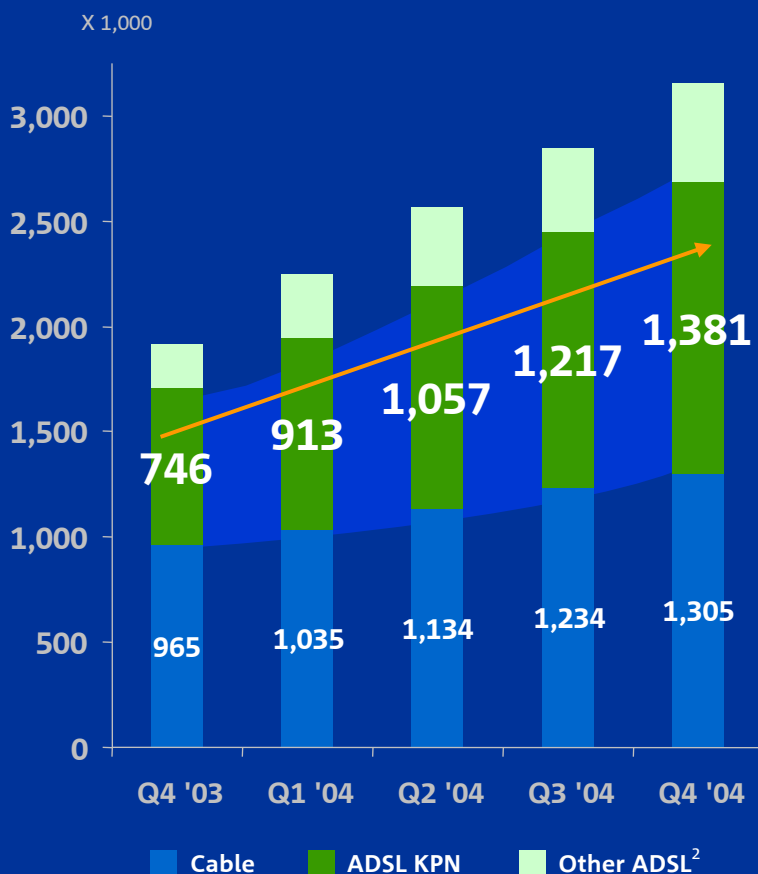
### Results

- ◆ Market shares nearly stabilized in the second half 2004
- ◆ Rising percentage contracted revenues
- ◆ For contracted customers, churn significantly decreased

# New business - ADSL

Leading delivery platform for broadband

Number of Dutch broadband connections<sup>1</sup>



## Results Q4 '04

- ◆ For the first time KPN ADSL market share larger than cable internet
- ◆ Further increase market share (now 44% vs. 39% Q4 '03)
- ◆ Acquisition ISPs Freeler and CistroN<sup>3</sup>

## Results FY '04

- ◆ Growing range of offerings
  - Bundling with KPN TV
  - Time based services
- ◆ Bandwidth upgrades of portfolio
- ◆ Complete coverage (99% of central offices is DSL enabled)

<sup>1</sup> Of which currently approximately 80% consumers and 20% (small) businesses

<sup>2</sup> Excluding Bitstream

<sup>3</sup> Not yet included in connection numbers Q4 '04

# New business - KPN TV

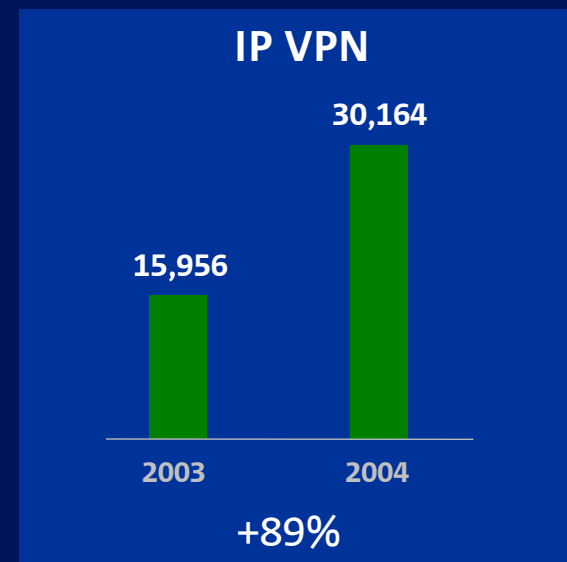
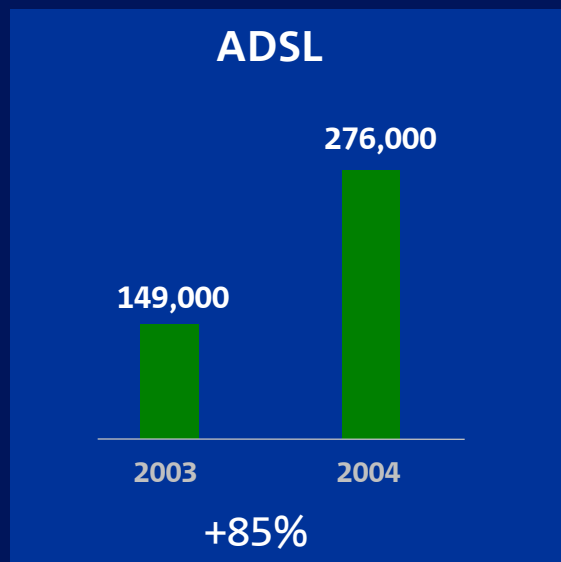
Significant results with smart packaging

- ◆ Only incumbent in Europe to offer TV based on DVB-T
- ◆ Successful launch KPN TV
  - 25,000 Customers by end December 2004
  - Encouraging results so far in 2005
- ◆ Offerings competitive with cable operators
  - A majority of KPN TV customers have combined packages with voice/data
  - One out of three new XS4ALL ADSL subscriptions included KPN TV<sup>1</sup>
  - A significant number of KPN TV customers unsubscribe to cable



# New business - Business broadband

Fast uptake of DSL/IP-technology in company networks



- ♦ Approximately 20% of ADSL customers estimated to be business users
- ♦ ADSL for many small business customers good alternative for Office DSL

- ♦ Introduced Value Added Services on Office DSL
  - WiFi
  - On line remote backup services
  - Security, mailbox & hosting services

- ♦ Portfolio increase with low end entry service for retail sector and SME
- ♦ Epacity (KPN IP VPN) certified for PIN (debit card) transactions over IP
- ♦ Epacity upgraded for Voice over IP

# Financial highlights - Mobile

<i>Adjusted results<sup>1</sup>, € mn</i>	<b>Q4 '03</b>	<b>Q4 '04</b>	<b>FY '03</b>	<b>FY '04</b>
Operating revenues	1,340	1,403	5,142	5,437
- of which Net sales	1,272	1,337	4,903	5,206
EBITDA	430	443	1,724	1,724
<b>EBITDA margin</b>	<b>32.1%</b>	<b>31.6%</b>	<b>33.5%</b>	<b>31.7%</b>
Operating result	164	119	673	614

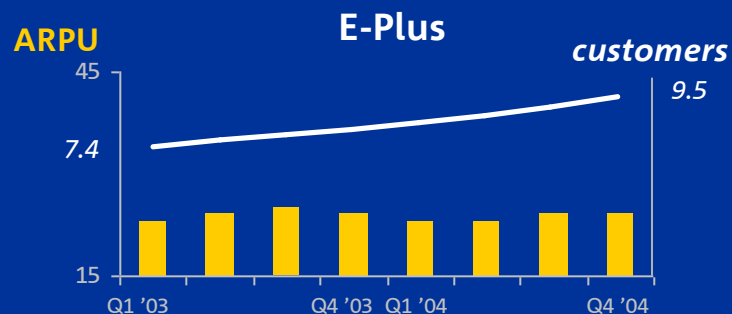
- ◆ Operating net sales<sup>2</sup> up 6.2% FY (5.1% in Q4 )
- ◆ Market share increase achieved by our international operators
- ◆ Lost ground regained in The Netherlands
- ◆ Substantial growth of customer base (18%)

<sup>1</sup> Excluding exceptional items

<sup>2</sup> Revenues include € 22 mn adjustment for content sales during FY 2004, which were shown gross instead of net until Q3 '04

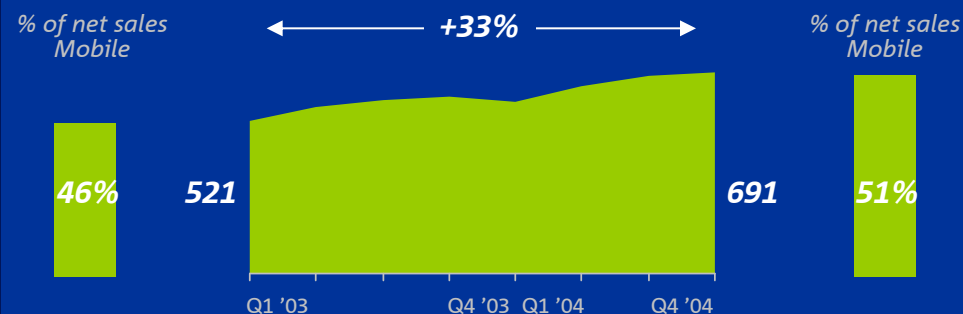
# KPN Mobile trends

## Customers and ARPU

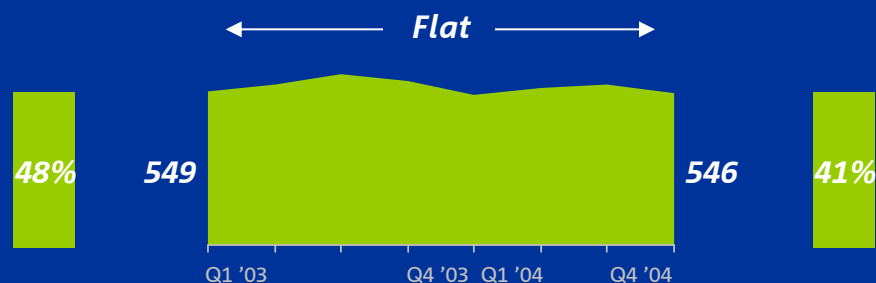
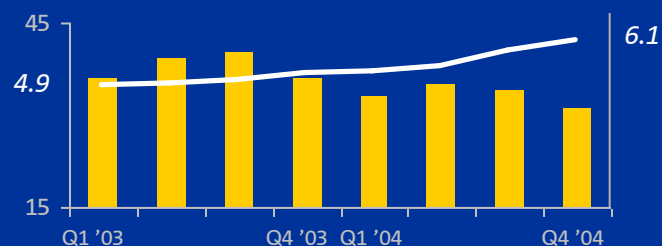


€ mn

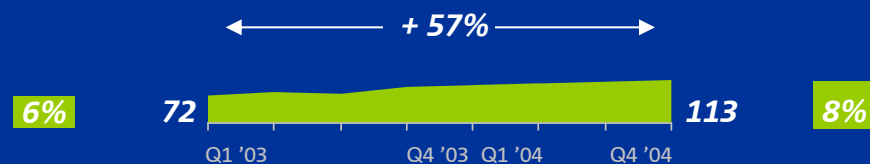
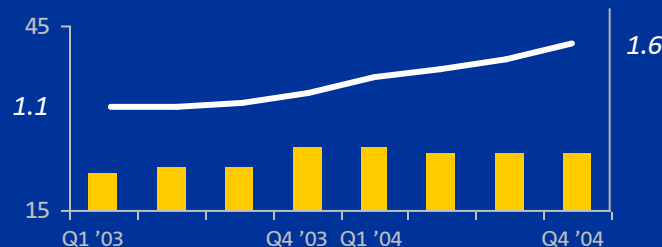
## Net Sales



## KPN Mobile (NL)

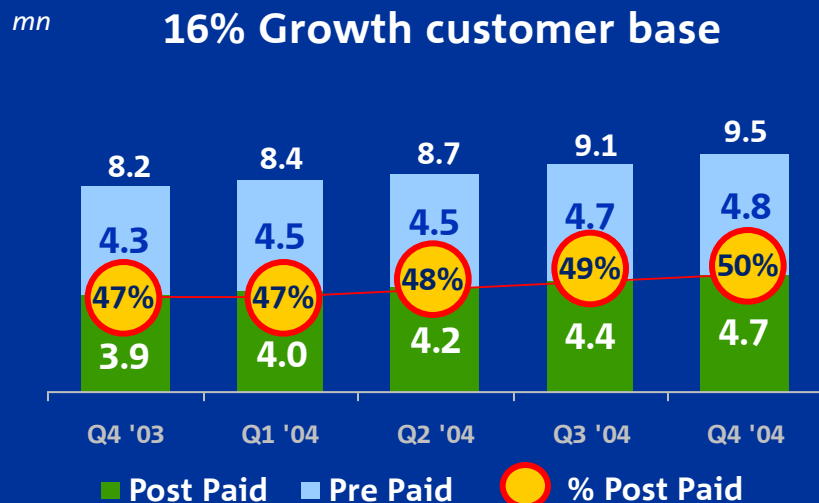


## BASE

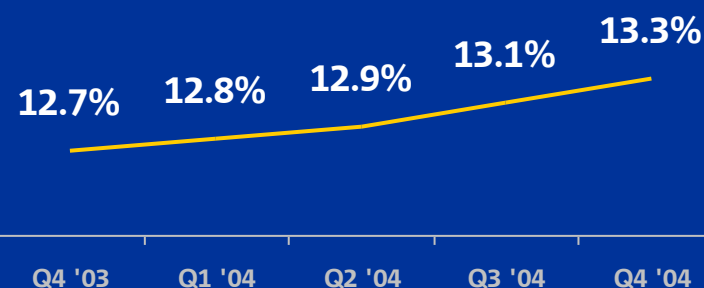


# Operating review E-Plus

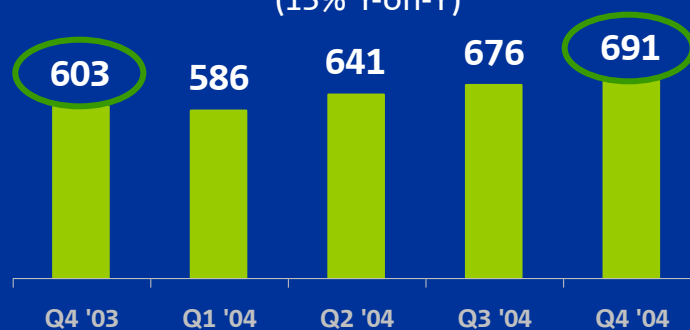
## Continued strong delivery on ambitions



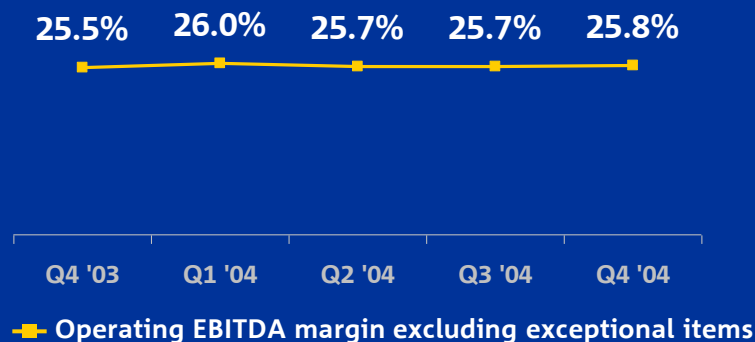
### Ongoing market share gains<sup>1</sup>



*€ mn* **Double digit net sales growth**  
(15% Y-on-Y)

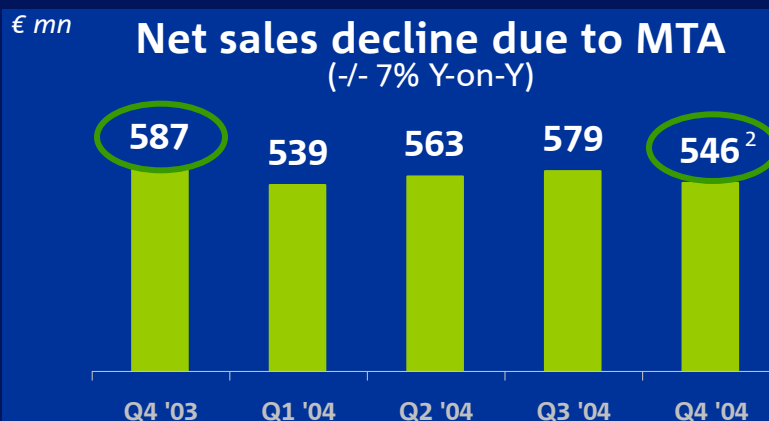
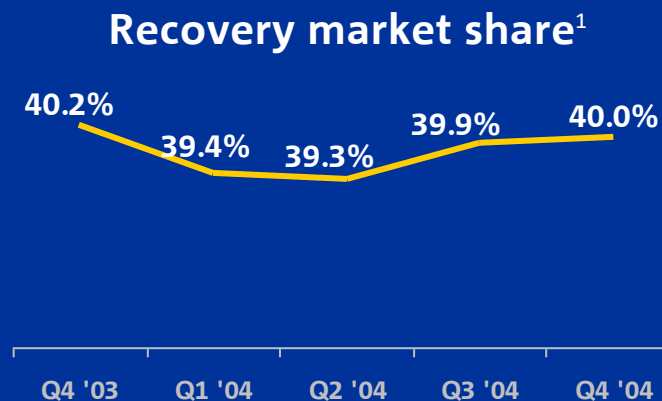
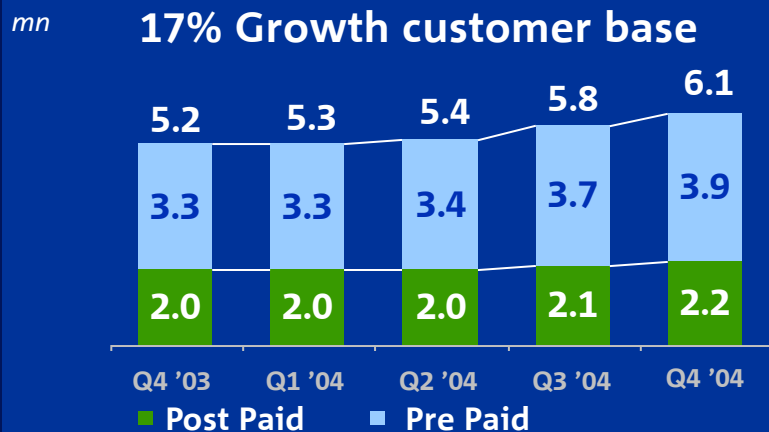


### Stable margin

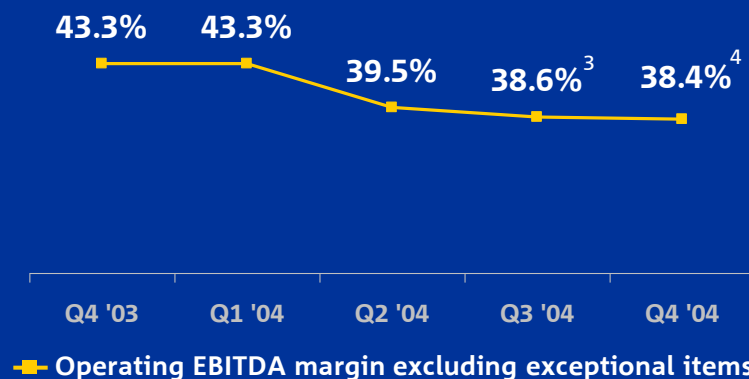


# Operating review KPN Mobile The Netherlands

Success of refocused commercial strategy



**Investment in subscriber growth leads to margin pressure**



- 1 Management estimates (numbers of customers), based on industry filings
- 2 -/- 6% relates to decline MTA tariffs and -/- 4% adjustment FY '04 sales (-/- € 22 mn for content sales during FY 2004, which were shown gross instead of net until Q3 '04)
- 3 EBITDA include € 19 mn release several accruals, among which partial release from the NMa claim
- 4 Revenues include € 22 mn adjustment for content sales during FY 2004, which were shown gross instead of net until Q3 '04

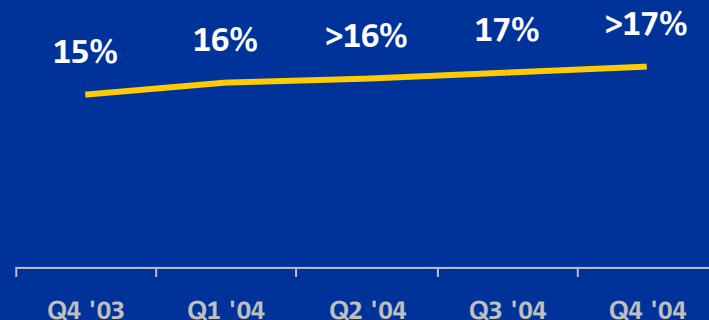
# Operating review BASE

Strong momentum continues

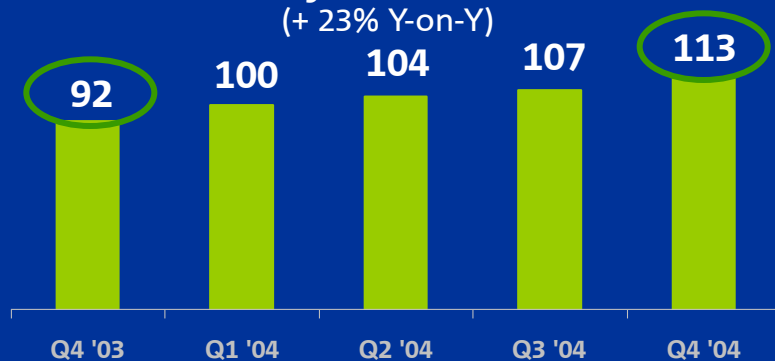
## 31% Growth customer base



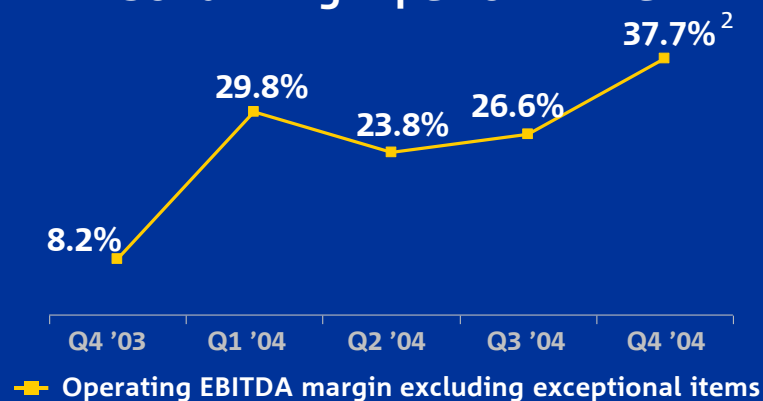
## Continuous increase in market share<sup>1</sup>



## Net sales driven by increased customer base (+ 23% Y-on-Y)



## Solid margin performance



<sup>1</sup> Management estimates, based on numbers of customers

<sup>2</sup> Approx. 6 percentage points related to incidental effects

# Group actuals vs. guidance

Actuals 2004 within guidance

	Outlook 2004	Actual
Revenue growth <sup>1</sup>	0% to -2%	-1.3%
Fixed	-4.4% to -6.4%	-6.4%
Mobile	5% to 7%	5.7%

EBITDA margin <sup>2</sup>		
Fixed	41.4% to 43.4%	41.6%
Mobile	31% to 33%	31.7%

Profit before tax	€ 1.4 bn to € 1.7 bn	€ 1.8 bn
Capex	€ 1.6 bn to € 1.8 bn	€ 1.7 bn
Free cash flow <sup>3</sup>	more than € 2 bn	€ 2.3 bn

Dividend (per share)	at least € 0.20	€ 0.35
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## Milestones

- ◆ Guidance met on all metrics
- ◆ ADSL exceeded cable operators
- ◆ Successful introduction of KPN TV
- ◆ Downward trend of KPN Mobile (NL) reversed

1 Compared to 2003, excluding exceptional items

2 EBITDA margin excluding exceptional items

3 Net cash flow from operating activities -/- Capex



# Ad Scheepbouwer

CEO

## Strategy update - Fixed



# The cornerstones of our strategy

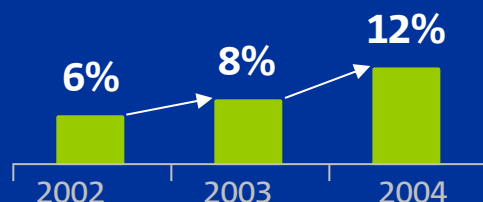


# Structure and shape Dutch market

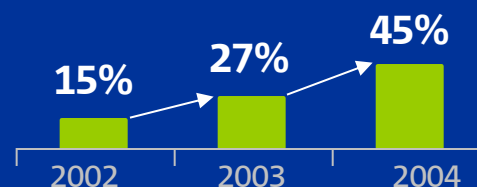
Most dynamic and competitive in Europe

## Trends impacting revenue in Dutch telecom market

Mobile-only households<sup>1</sup>



Broadband penetration<sup>2</sup>



## A battle on several fronts

### Voice battle

- ◆ Voice over Cable
- ◆ C(P)S Operators
- ◆ Direct Access Operators
- ◆ VoIP Providers
- ◆ 4 Other Mobile operators (+ MVNOs)

### Broadband battle

- ◆ 4 Other DSL Networks
- ◆ Cable Internet
- ◆ Fiber initiatives
- ◆ Microsoft messenger (MSN)

### Regulatory environment

- ◆ Strongly regulated so far
  - Switched telephony (wholesale and retail)
  - Leased lines
  - Interconnection
- ◆ New regulatory framework ought to provide more freedom

## Improving trends KPN market shares: Fixed telephony, mobile and broadband

<sup>1</sup> Penetration in number of households; KPN estimates end 2004

<sup>2</sup> Percentage of households with a broadband connection; KPN estimates end 2004

# Cable operators

## Launching VoIP & Triple Play

- ◆ Approx. 95% geographical coverage
- ◆ 90% Cable penetration in The Netherlands

<i>mn</i> Company	Number of TV subscribers <sup>1</sup>	Broadband <sup>2</sup>	Multi play offer	VoIP offering
<b>UPC</b>	2.3	0.4	Triple Play	Introduced locally
<b>Essent</b>	1.7	0.4	TV + Internet (not packaged)	Q2 '05
<b>Casema</b>	1.3	0.2	TV + Internet (not packaged)	Q3 '05
<b>Multikabel</b>	0.3	0.1	Triple Play	Completed
<b>Other</b>	0.6	0.2	n.a.	n.a.
<b>Total</b>	6.2	1.3		

<sup>1</sup> Source: VECAI, 1 January 2004

<sup>2</sup> Cable broadband only, at YE 2004; Competitor numbers based on industry filings and company estimates

# DSL platforms<sup>1</sup>

## Increasing DSL capacity

	% coverage of central offices DSL enabled		Broadband connections <sup>2</sup> , mn
	now	target	
<b>KPN</b>	99%	99%	1.38
<b>BBned (Telecom Italy)</b>	67%	67%	0.16
<b>Tiscali</b>	53%	80%	0.16
<b>Versatel</b>	39%	55%	0.15
<b>Wanadoo (France Telecom)</b>	0%	50%	n.a. <sup>3</sup>

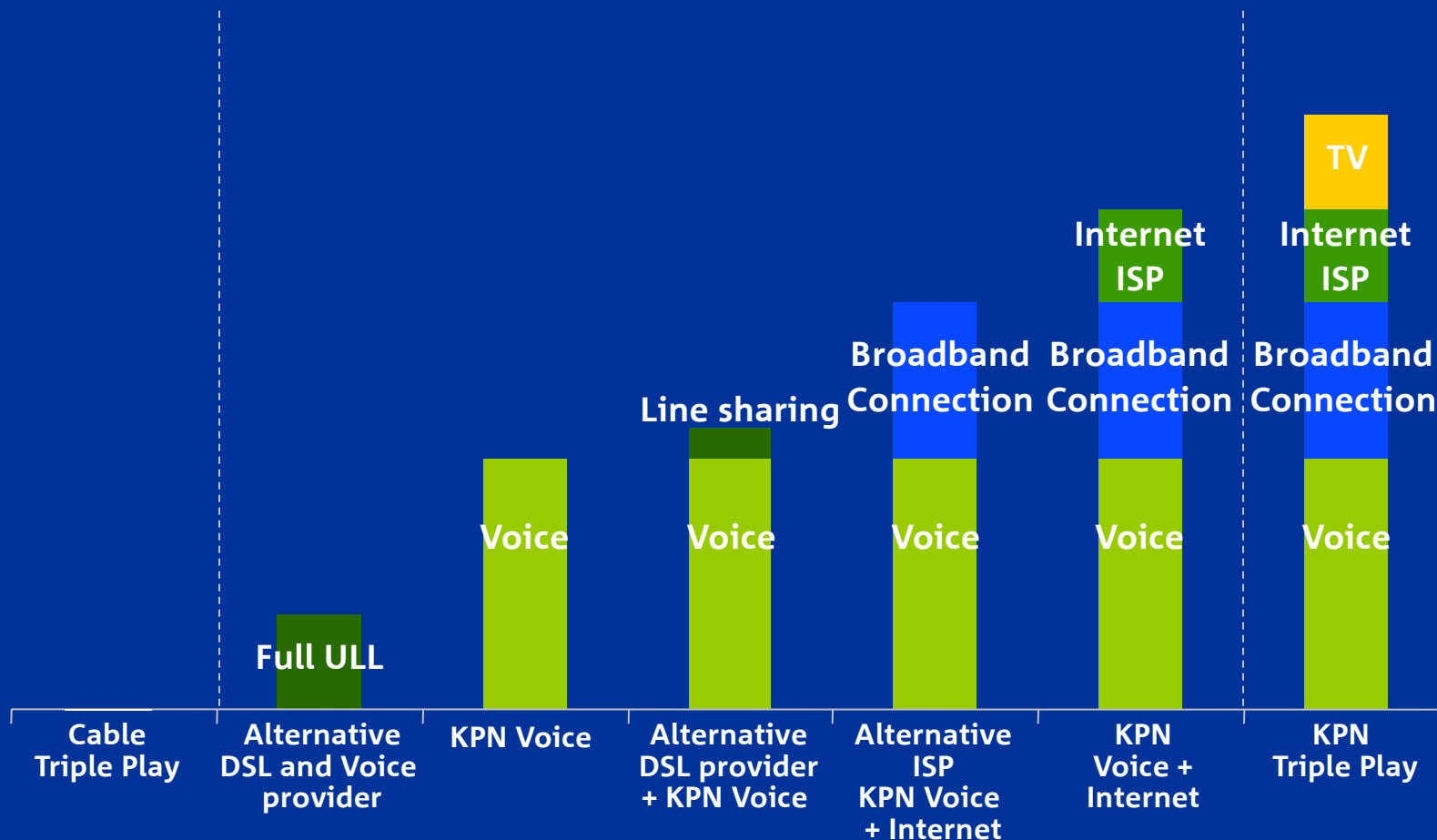
<sup>1</sup> Competitor numbers based on industry filings and company estimates

<sup>2</sup> On platform basis only. ISPs generally have more customers over several platforms together

<sup>3</sup> ISP Wanadoo has 460k broadband customers on cable and DSL platform together and recently put into use its own DSL network

# Revenue building blocks – Focus on Triple Play

Illustrative



# Competitive dynamics in the Business Market

## Competition

- ◆ Telcos (e.g., BBned, Versatel, BT)
- ◆ Service Providers (e.g., Demon, BBeyond)
- ◆ Integrators (e.g., IBM, Getronics)

## Market Shares KPN / XS4ALL of IP VPN market

of companies	approx. 45% <sup>1</sup>
of closed IP VPN connections	approx. 65% <sup>2</sup>

## Migration exposes KPN to risk

- ◆ 55% of multi site companies using Wide Area Networks have migrated to IP VPN<sup>1</sup>
- ◆ 35% - 40% of Leased Lines/Frame Relay customers that end their contract indicate to churn or rationalize their network<sup>2</sup>

## Strong price competition

- ◆ Average ARPU reduction of approx. 30% as a result of both price erosion, competition and the introduction of a new cheaper entry proposition

**Currently still very few IP VPNs are used for off-net VoIP**

<sup>1</sup> External market research

<sup>2</sup> KPN Estimates

# Why will 2005 be different?

- ◆ Broadband penetration reaches critical scale
- ◆ VoIP as a technology ready for mass adoption
- ◆ All competitors launching VoIP/Triple Play initiatives
- ◆ Increasing use of corporate data networks for voice

# KPN's competitive edge

- ◆ Strong brand with national presence
- ◆ Market leadership in broadband, Fixed and Mobile voice enabling Fixed / Mobile integration
- ◆ Access to DVB-T network enabling fast entry in TV market
- ◆ Strong distribution capabilities
- ◆ High customer satisfaction
- ◆ Established track record as wholesale partner
- ◆ Leading in efficiency on most dimensions in Europe<sup>1</sup>

# Fixed strategy going forward

## Attack

- ◆ Drive new revenue streams

## Defend

- ◆ Maintain leading share in declining traditional market
- ◆ Leverage scale advantage through wholesale offer

## Exploit

- ◆ Achieve structurally lower cost base
- ◆ Fixed / Mobile integration advantage

# Attack: Drive new revenue streams

## Value added services in 'old' world

- ♦ Introduction of mobile-like handsets in combination with minute bundle
- ♦ Various Value Added Service initiatives (e.g., one touch call forwarding)
- ♦ 'ISDN1'

## Enablers for new services – key initiatives 2005

- ♦ ADSL2+ roll out and VDSL pilot
- ♦ Roll out DVB-T network towards national coverage

## New services – key initiatives 2005

- ♦ VoIP/residential gateway
- ♦ 'ADSL only' (aimed at mobile only households)
- ♦ Value Added Service by ISPs (music, video, anti-spam/virus)
- ♦ Expand on KPN TV offer (e.g., PVR)
- ♦ Mobile TV (over DVB-H)
- ♦ Development of Delay TV and Video on Demand over DSL

## Bundling of Fixed/Mobile/TV/ADSL

# **Attack: Key initiative 2005 ADSL2+ roll out and VDSL pilot**

## **From 2005 KPN anticipates on extended service demand**

- ◆ Combined use of 'Triple Play' services: TV, VoIP services, internet
- ◆ High speed internet

## **Consequently KPN upgrades its ADSL network to ADSL2+ in 2005**

- ◆ Upgrade requires limited investment

## **Based on ADSL2+ access technology KPN will develop new services**

- ◆ High Speed Internet Access Service
- ◆ IP TV services, allowing use of multiple channels simultaneously

## **In 2005 pilot of VDSL**

- ◆ IP TV, internet access services and VoIP for selected group of customers
- ◆ Future roll out of VDSL depending on pilot results, customer demand and competitive environment

# Attack: Key initiative 2005 VoIP / residential gateway

Initial launch of IP services in Q2 '05<sup>1</sup>



## Easy

- ◆ Keep current phone number and devices
- ◆ Plug & play installation or done by technician
- ◆ In and around home wireless internet and telephony
- ◆ Customer self care



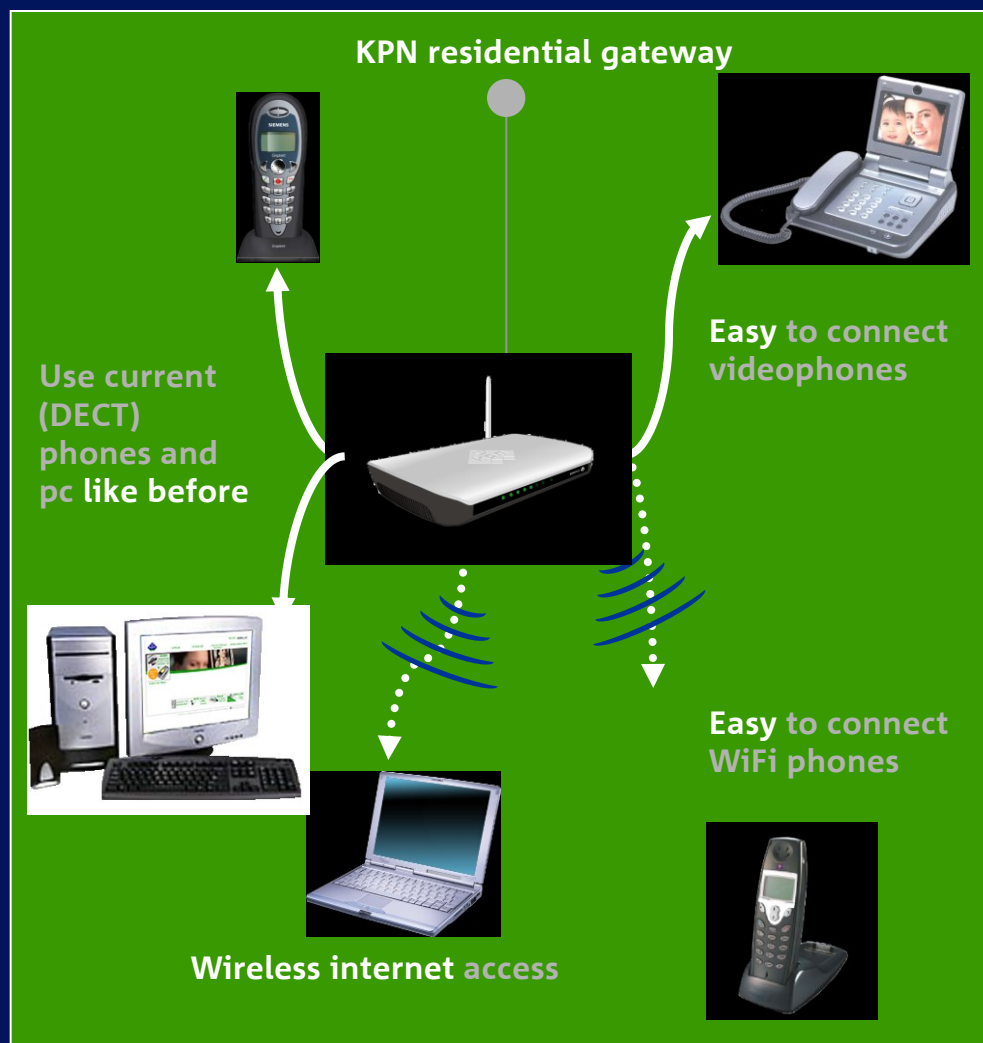
## Good deal

- ◆ Flat fee packages
- ◆ Simple international tariffs



## Richer communication

- ◆ Video calling
- ◆ Conference calls
- ◆ On line telephone book
- ◆ Messaging
- ◆ Able to use in other places with IP access ('nomadic')



# Attack: Initiatives in the Business Market

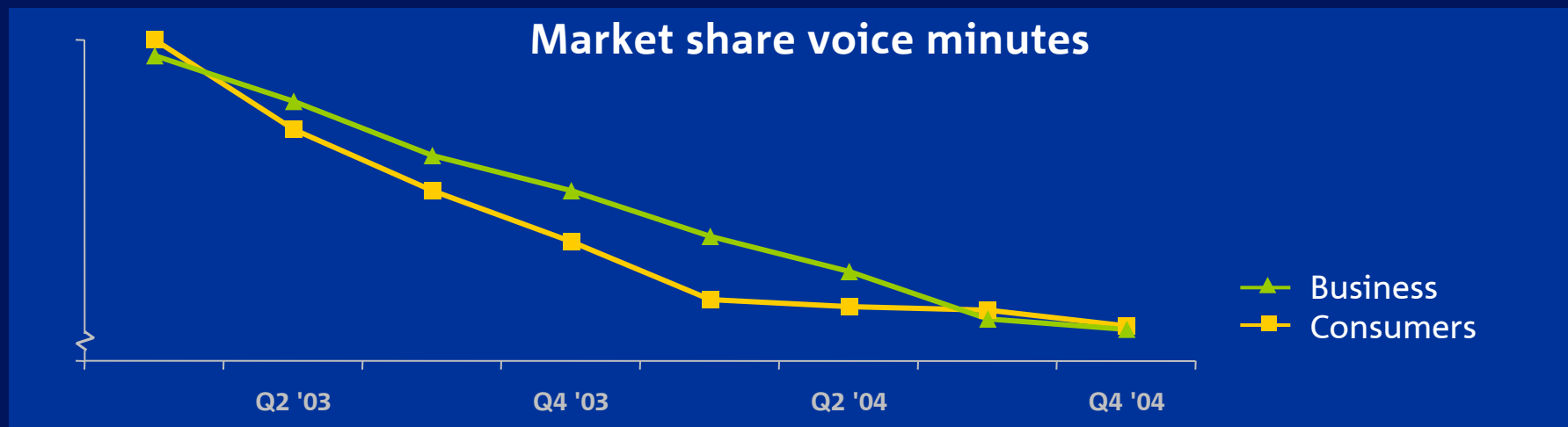
## KPN current position

- ◆ Leading market position
  - Successful migration traditional leased lines to IPVPN
- ◆ Unique proposition through “Access Anywhere”, combining fixed, wireless and mobile
- ◆ Growing share in high value proposition through integrated and managed solutions

## Key initiatives 2005

- ◆ **VoIP:** launch of three main VoIP solutions throughout 2005
- ◆ **Epacity IP VPN:** launch of additional services, most important are remote access (over internet) and Ethernet Access
- ◆ **Office DSL:** simple package addresses SOHO, Pin (debit card) transactions over IP targeting retail and VoIP
- ◆ **Total Telecom Management:** integrated management for both fixed and mobile
- ◆ **Vertical solutions:** development of specific propositions for Security, Health Care and Education

# Defend: Maintain share in traditional voice market



## Initiatives

- ◆ Ongoing win back and loyalty actions
- ◆ Flat fee and competitive pricing<sup>1</sup>
- ◆ More emphasis on expanding higher value customer base
  - Introduction new generation mobile-like DECT handsets in combination with BelPlus package (Feb. '05)
  - More innovative BelZakelijk options planned

<sup>1</sup> Depending on OPTA approval and new regulatory framework

# Defend: KPN will further develop wholesale market

From regulatory obligation to commercial opportunity

## Rationale

- ◆ Increase revenues
- ◆ Leverage scale advantages
- ◆ Respond to consumer desire for choice through wholesale offering additional to KPN branded retail offer

## 2005 Initiatives

- ◆ Introduction of wholesale ADSL in Q1
- ◆ Introduction of further extension of wholesale DSL portfolio based on next generation DSL
- ◆ Introduction of wholesale voice flat fee<sup>1</sup>
- ◆ Development of wholesale services for Telcos/Service Providers without their own network management

<sup>1</sup> Subject to OPTA approval

## Exploit: Achieve lower cost base

- ◆ Aiming for € 150 mn - € 200 mn of operating expense saving each year over the next 5 years (totaling € 850 mn<sup>1</sup>)
- ◆ New technology offers opportunities to achieve structurally lower network costs
- ◆ In 2004 laid 'groundwork' for carefully planned future FTE requirements – we expect to operate with 1,500 – 1,750 fewer FTEs each year over the next 5 years (totaling approx. 8,000 FTEs<sup>1,2</sup>)
- ◆ 2005 Initiatives
  - Group simplification
  - Information Technology restructuring
  - First deployment All IP environment

1 Predominantly in Fixed but also in Mobile and Head Office,

2 Including earlier announced restructuring of Entercom and IT operations

# Exploit: Fixed strategy implementation

	Phase 1 All IP back bone				Phase 2 All IP access network			
	Opex saving <sup>1</sup> € mn		Staff reduction in FTEs		Opex saving <sup>1</sup> € mn		Staff reduction in FTEs	
	P.A.	Cum.	P.A.	Cum.	P.A.	Cum.	P.A.	Cum.
<b>2005</b>	150	150	1,500 – 1,750					
<b>2006</b>	150	300	1,500 – 1,750					
<b>2007</b>	150	450	1,500 – 1,750	Approx. 5,000 <sup>1,2</sup>				
<b>2008</b>					200	650	1,500 – 1,750	
<b>2009</b>					200	850	1,500 – 1,750	Approx. 8,000 <sup>1,2</sup>

- ◆ Additional Capex requirement of Phase 2 All IP access network € 1 bn - € 2 bn, depending on evaluation of pilots

1 Predominantly in Fixed but also in Mobile and Head Office

2 Including earlier announced restructuring of Entercom and IT operations

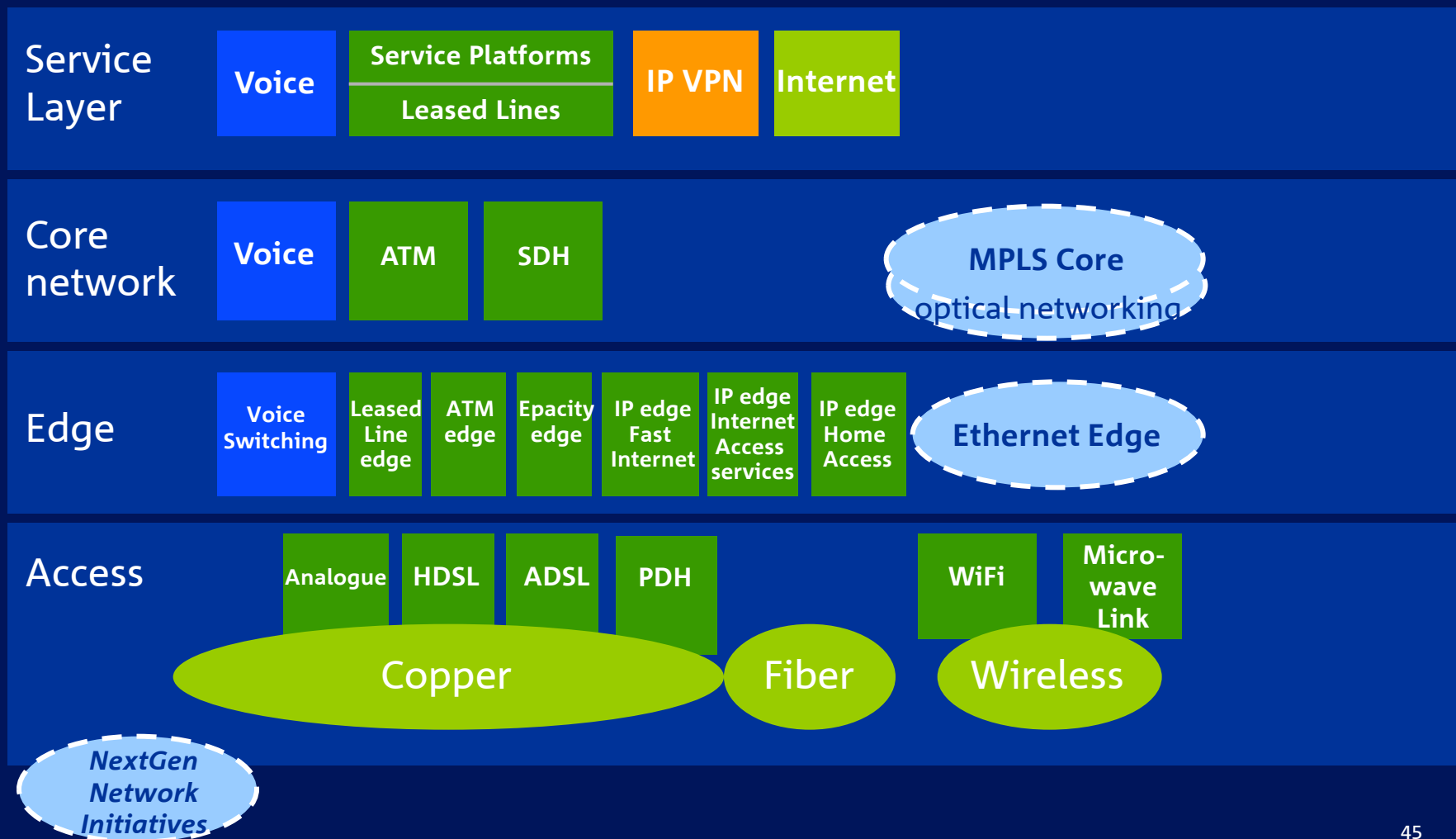
# Exploit: 2005 Initiatives

Group simplification	Information Technology restructuring	Start All IP deployment
<ul style="list-style-type: none"> <li>◆ New simplified structure Fixed division (as of Q2)               <ul style="list-style-type: none"> <li>— Retail unit Consumer</li> <li>— Retail unit Business</li> <li>— Wholesale &amp; Operations</li> </ul> </li> <li>◆ Concentration and reduction of overhead and support functions in The Netherlands (Fixed, Mobile and Corporate)</li> <li>◆ First steps Fixed/Mobile integration (mainly IT)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Concentration of all IT activities in single unit (as of Q2)</li> <li>◆ Reduction of IT spending of 50% by 2007</li> <li>◆ Start 2005, completed middle of 2007</li> <li>◆ Process optimization and reduction of applications and systems</li> <li>◆ Goal               <ul style="list-style-type: none"> <li>— Increase effectiveness</li> <li>— Offer new services at lower costs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>◆ Develop flexible 'Multi Play' service delivery platform</li> <li>◆ Extend MPLS<sup>1</sup> Core and Ethernet edge network to other services</li> <li>◆ Upgrade access networks through ADSL2+. Pilot VDSL</li> <li>◆ Migrate services to new platforms; consequential closing of old platforms</li> </ul>

# In 2005 start of NextGen, All IP, infrastructure Restructuring

*Figurative*

2005 - 2006



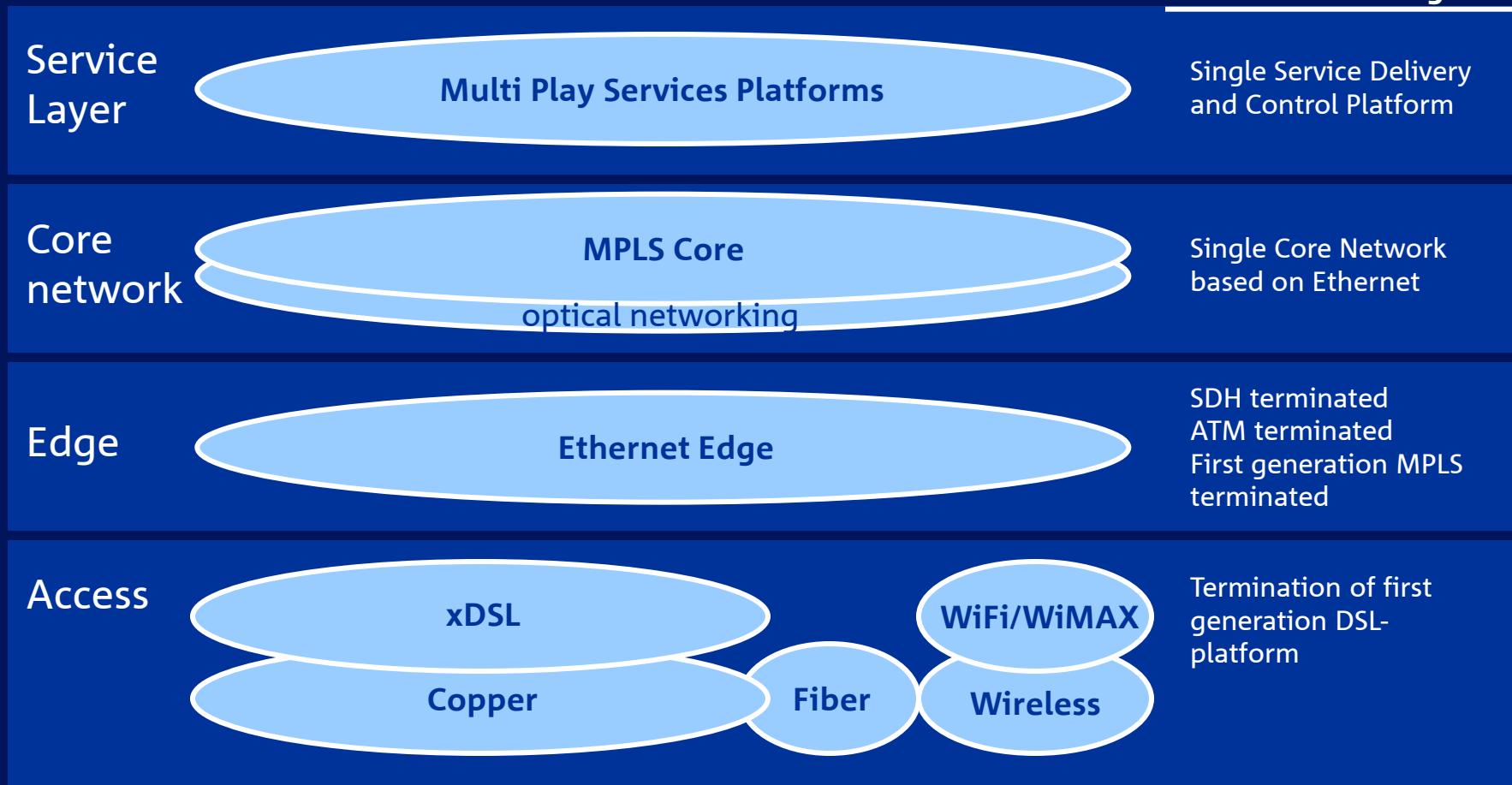
# All IP Network in 2010

## Restructuring

**2007-2010**

*Figurative*

**2007-2010 changes**





# Strategy update - Mobile



# Mobile strategy

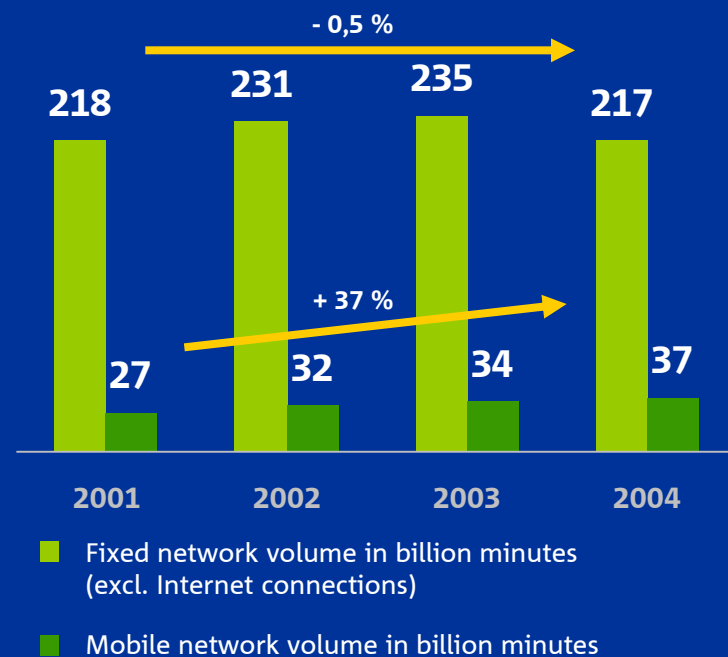
- ◆ Exploit market growth characteristics and opportunities
- ◆ Expand revenue market share
- ◆ Strengthen customer proposition
- ◆ Smart and differentiated access technology deployment depending on
  - Network utilization (GSM/UMTS/HSDPA)
  - Position in business market
  - Customer uptake
- ◆ Grow mobile data
- ◆ Expand partnerships and MVNO deals
- ◆ Exploit common characteristics of operations
- ◆ Enhance EBITDA margin of all three operators

# Mobile – Growth opportunities

- ◆ Further growth potential especially in international mobile markets (Germany and Belgium)
- ◆ Focus is on increasing revenue share
- ◆ Focus on mobile data (UMTS)
- ◆ Data ARPU increases slowly, but gradually
- ◆ Entertainment and office applications become part of the mix

## German market opportunity

In Europe 35% of total voice is Mobile – in Germany less than 20%



Source: RegTP Annual Report 2001, 2002, 2003 and 2004, WIK 2002

# Mobile – Competitive landscape

Customer share per year end 2004<sup>1</sup>

	Germany	The Netherlands	Belgium
KPN	13% ↑	40% ↑	17% ↑↑
T-Mobile	39% ↓	15% =	-
Vodafone	38% =	24% ↓	47% ↓ <sup>2</sup>
Orange	-	11% ↓	36% ↑ <sup>3</sup>
O2	10% ↑	-	-
Telfort	-	10% ↑	-
	100%	100%	100%

<sup>1</sup> Management estimates, The Netherlands based on industry filings

<sup>2</sup> Proximus

<sup>3</sup> Mobistar

# Mobile – Common characteristics of the 3 operations

- ♦ i-mode
- ♦ Sharing best practices CLM/CRM
- ♦ Technology
- ♦ Innovation
- ♦ Purchasing
- ♦ Roaming

# E-Plus

## Strategic intent

- ◆ Establish a growing profitable business

## Medium term objectives

- ◆ Subscribers > 11 mn
- ◆ EBITDA margin > 30%

## Target customer segments

- ◆ Consumer and business (SME)

## Branding & positioning

- ◆ Value for money, “the smart choice”

## Key initiatives

### *Strengthen commercial power*

- ◆ Push ahead with tariffs driving mobile usage
- ◆ Further increase appeal as business brand
- ◆ Build on excellent distribution reach (incl. new channels/branded resellers)
- ◆ Build Customer Lifecycle Management (CLM/CRM) skills

### *Customer experience*

- ◆ Further improve coverage & quality perception of networks
- ◆ Increase data revenues for consumer and business use

# KPN Mobile (NL)

## Strategic intent

- ◆ Remain undisputed market leader

## Medium term objectives

- ◆ Revenue market share > 40%
- ◆ EBITDA margin > 40%

## Target customer segments

- ◆ Consumer & business (corporates and SME)

## Branding & positioning

- ◆ KPN: Added value/Premium service
- ◆ Hi: Value for money

## Key initiatives

### *Strengthen commercial power*

- ◆ Appealing propositions under KPN and Hi brand
- ◆ Improve acquisition and distribution mix and processes
- ◆ Exploit advantage of integrated Fixed-Mobile offerings
- ◆ Adding new channels for selected specific target groups (wholesale/MVNOs)
- ◆ Minimize churn through best in class CLM/CRM

### *Customer experience*

- ◆ Stimulate usage: Develop low value to high value customers
- ◆ Induce migration from Pre to Post Paid
- ◆ Relevant data services

# BASE

## Strategic intent

- ◆ Establish a growing profitable business

## Medium term objectives

- ◆ Subscribers > 2 mn
- ◆ EBITDA margin > 30%

## Target customer segments

- ◆ Mainly consumer Pre Paid, increasing focus on Post Paid and SME

## Branding & positioning

- ◆ Value for money, focus on niche markets

## Key initiatives

### *Strengthen commercial power*

- ◆ Continue BASE build out as innovative value for money player
- ◆ Expand niche propositions
- ◆ Expand partnerships and MVNO deals

### *Customer experience*

- ◆ Further improve coverage & quality perception of 2G network
- ◆ UMTS roll out: satisfy license agreement



# Outlook & Financial communications framework



# Outlook<sup>1</sup>

2005

Group revenue flat, including MTA reduction

Group EBITDA<sup>1,2,3</sup> expected to decline by high single digit figure, with greatest impact in Q1

Capex  $\approx$  € 1.7 bn

Free cash flow<sup>4</sup>  $>$  € 2 bn

1 Excluding restructuring charges, impairments and book gains/losses over € 20 mn, see disclaimer

2 Defined as Operating result plus depreciation, amortization & impairments

3 Assuming € 50 mn additional charge to fund pension shortfall

4 Free cash flow is defined as net cash flow from operating activities minus Capex (2004: € 2,271 mn)

# Factors leading to a high single digit EBITDA decline in 2005

Fixed	Mobile	Other
<b>Decline traditional business</b> <ul style="list-style-type: none"><li>◆ Retail access</li><li>◆ Retail traditional voice</li><li>◆ Dial-in</li><li>◆ Traditional data</li></ul> <b>Investment in accelerated growth new business</b> <ul style="list-style-type: none"><li>◆ New voice</li><li>◆ ADSL</li><li>◆ Data (IP)</li><li>◆ TV</li></ul>	<b>MTA</b> <ul style="list-style-type: none"><li>◆ The Netherlands</li><li>◆ Germany</li></ul> <b>Investment in growth</b> <ul style="list-style-type: none"><li>◆ Higher subs</li><li>◆ SAC / SRC</li><li>◆ UMTS roll out</li></ul>	<b>Non-core reduced</b> <ul style="list-style-type: none"><li>◆ Most non-core businesses sold</li></ul> <b>Includes</b> <ul style="list-style-type: none"><li>◆ Corporate Center</li><li>◆ KPN Services</li><li>◆ International Participations (Xantic)</li><li>◆ Sales</li><li>◆ Retail</li><li>◆ Miscellaneous</li></ul>

# Shareholder return<sup>1</sup>

- ◆ Committed to return excess cash to shareholders within financial framework
  - Net debt / EBITDA: maximum 2 times<sup>2</sup>
  - EBITDA / net interest: minimum 6 times<sup>2</sup>
- ◆ Committed to a longer term dividend policy
  - Dividend 2004 of € 0.35 per share<sup>3</sup>
  - Medium term target pay out of 35% - 50% of free cash flow<sup>4</sup>
  - Free cash flow of at least 2 bn<sup>5</sup>
  - DPS upside with number of shares declining
- ◆ Complemented by ongoing share buy backs
  - € 485 mn remaining from 2004 via a second trading line
  - Further buybacks in 2005, minimum € 500 mn
  - Review of excess cash position in August

1 Excluding exceptionals

2 Based on a 12 months rolling calculation excluding 'extraordinary' and 'exceptional' items. Operating EBITDA excluding 'extraordinary items' and 'exceptional items' is used by financial institutions and credit rating agencies as one of the key indicators of borrowing potential. It is a non-GAAP measure which can be reconciled to GAAP by taking the Operating result and adding Depreciation, amortization & impairments before taking into account all 'extraordinary' and 'exceptional' items

3 Proposed at the AGM, 12 April 2005, of which € 0.08 per share has already been paid out as interim dividend

4 Net cash flow from operating activities -/- Capex

5 Excluding any tax payments. Currently we do not expect to pay tax earlier than 2007

# Summary

- ♦ 2004 results in line
- ♦ Fixed – Strategy of “Attack + Defend + Exploit” designed to ensure leadership of converging communications market
- ♦ Mobile – Strategy of revenue growth and margin enhancement
- ♦ Pursue Fixed – Mobile opportunities
- ♦ Maintain stable Group revenues
- ♦ Maintain free cash flow<sup>1</sup> of > € 2 bn
- ♦ Continue to provide attractive returns to shareholders
- ♦ Communicate regularly with investment community

# Communications

- ◆ Today Fixed strategy update
- ◆ April IFRS seminar
- ◆ 12 April Annual General Meeting
- ◆ June VoIP seminar
- ◆ H2 Investor day



Q & A





# Annex

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[www.kpn.com](http://www.kpn.com)



# Exceptional items<sup>1</sup> (1)

## Special items with impact on operating result

€ mn	Q4 '03	Q4 '04	FY '03	FY '04
<b>Fixed</b>				
Addition to/release of restructuring provision	-6	-14	3	-25
Write down receivables Business Solutions			-6	
Additional loss on sale of SNT France			-5	
(Reversal) impairments on tangible fixed assets (Business Solutions)		6	-42	8
Impairments of goodwill SNT			-38	
<b>Mobile</b>				
Addition to/release of restructuring provision	1	-2	1	-10
Gain resulting from termination agreement MobilCom			222	
Book gain on sale of UMC			15	
Reversal impairments on licenses BASE	103	16	103	16
Capital tax on conversion of shareholder loans	33		33	
<b>Other activities</b>				
Addition to/release of restructuring provision	-36	-22	-39	-7
Book gain on sale of Directory Services			435	
Book gain on sale of Eutelsat				36
Book gain on sale of PTC				20
Book gain on sale of Inmarsat	26		26	
Impairments on goodwill Xantic	-46		-46	-7
Impairments on intangible fixed assets			-15	

1 Analysis is based on figures including exceptional items rather than those excluding such items. In order to facilitate the analysis of trends, we will disclose items with significant impact that in our opinion are important to interpret these trends. In the past, we have defined the following events as an exceptional item

- ♦ (Reversal) impairment charges and other substantial write-downs on the value of our assets, including goodwill and other intangible fixed assets
- ♦ Restructuring charges
- ♦ Gains or losses on the disposal of group companies, associates and other assets and/or activities

# Exceptional items<sup>1</sup> (2)

Special items with impact on profit or loss after taxes

€ mn	Q4 '03	Q4 '04	FY '03	FY '04
Reversal impairment PTC loan				7
<b>Taxation</b>				
Agreement with Dutch tax authorities	1,080		1,080	
Recognition of tax losses carry forward of E-Plus	87		87	
Tax effect on refunded capital tax following agreement with Dutch tax authorities	-11		-11	
Tax effect on exceptional items	33	11	61	12
<b>Income from participating interests</b>				
Adjustment to net realizable value Hutchison 3G UK	119		119	
Adjustment to net realizable value Český Telecom	46		46	
<b>Minority interests (incl. related tax effect)</b>				
Minority's share in impairment of goodwill SNT			15	
Minority's share in impairment of goodwill Xantic	12		12	
Minority's share in reversal of impairment BASE	-2		-2	
Minority's share in agreement with Dutch tax authorities	23		23	
Minority's share in recognized tax loss carry forwards E-Plus	-1		-1	

1 Analysis is based on figures including exceptional items rather than those excluding such items. In order to facilitate the analysis of trends, we will disclose items with significant impact that in our opinion are important to interpret these trends. In the past, we have defined the following events as an exceptional item:

- ♦ (Reversal) impairment charges and other substantial write-downs on the value of our assets, including goodwill and other intangible fixed assets
- ♦ Restructuring charges
- ♦ Gains or losses on the disposal of group companies, associates and other assets and/or activities

# EBITDA reconciliation

€ mn	Q4 '03	Q4 '04	FY '03	FY '04
Reported operating result	681	532	3,108	2,457
Depreciation <sup>1</sup>	548	488	2,225	2,023
Amortization <sup>1</sup>	18	121	310	374
Special items with impact on operating result <sup>2</sup>	-18	38	-685	-14
<b>EBITDA excluding exceptional items</b>	<b>1,229</b>	<b>1,179</b>	<b>4,958</b>	<b>4,840</b>

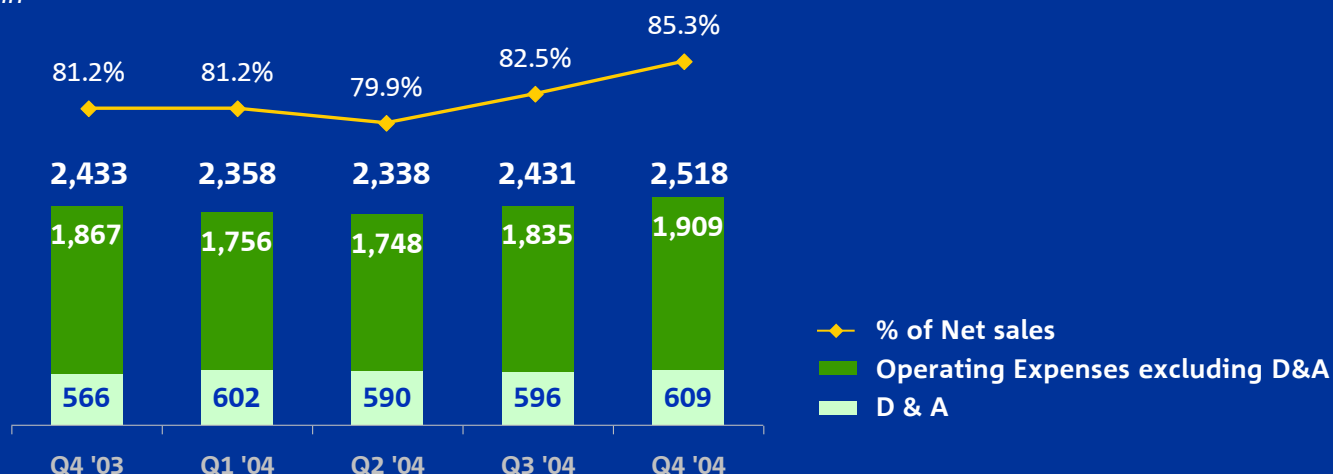
1 Including impairments

2 Excluding impairments

# Operating expenses

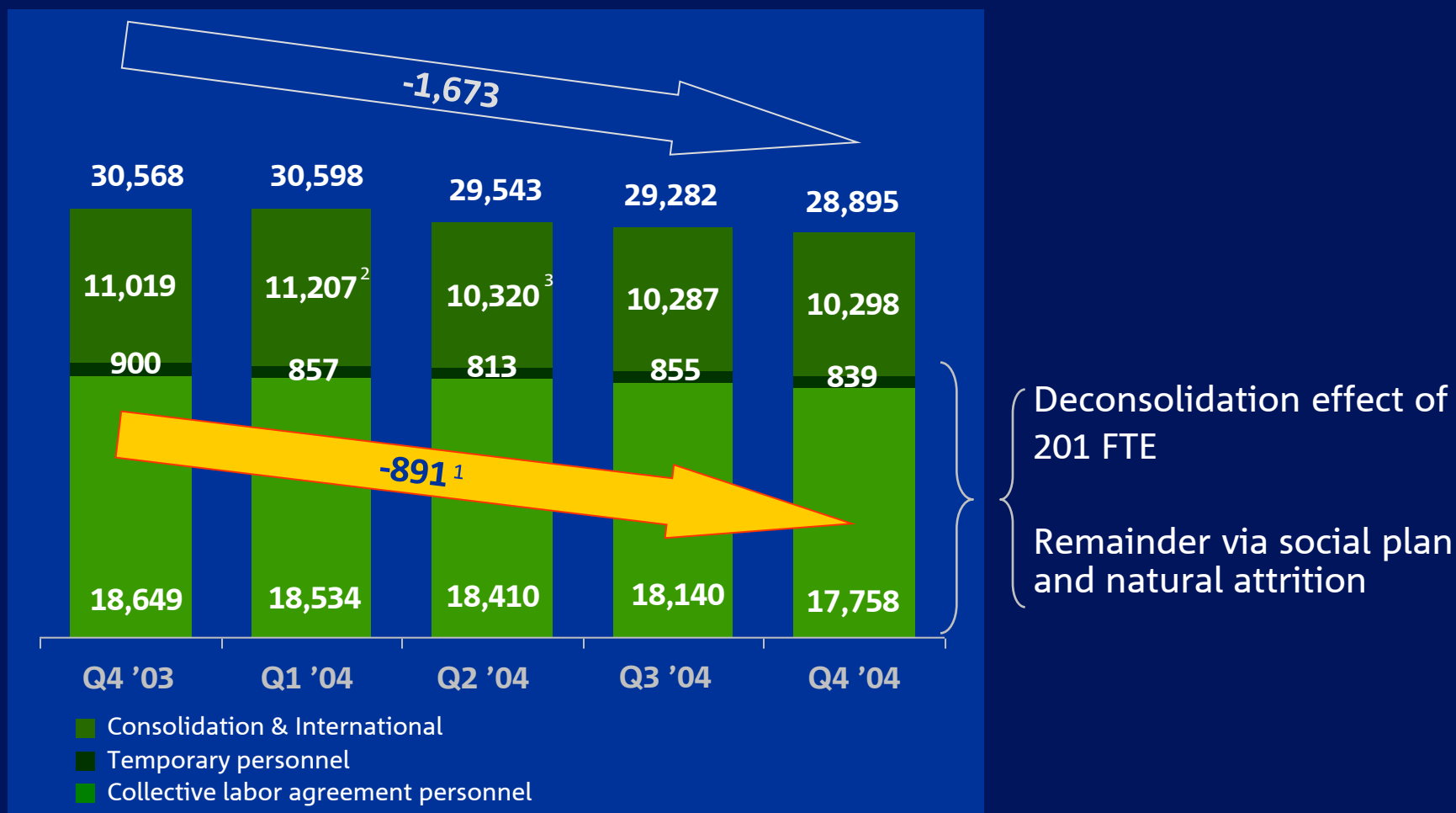
€ mn	Q4 '03	Q4 '04	%
Salaries and social security contributions	433	468	8%
Cost of materials	267	257	-4%
Work contracted out and other expenses	1,061	993	-6%
Other	106	191	80%
Depreciation <sup>1</sup>	548	488	-11%
Amortization <sup>1</sup>	18	121	572%
<b>Total</b>	<b>2,433</b>	<b>2,518</b>	<b>3%</b>

€ mn



# Personnel

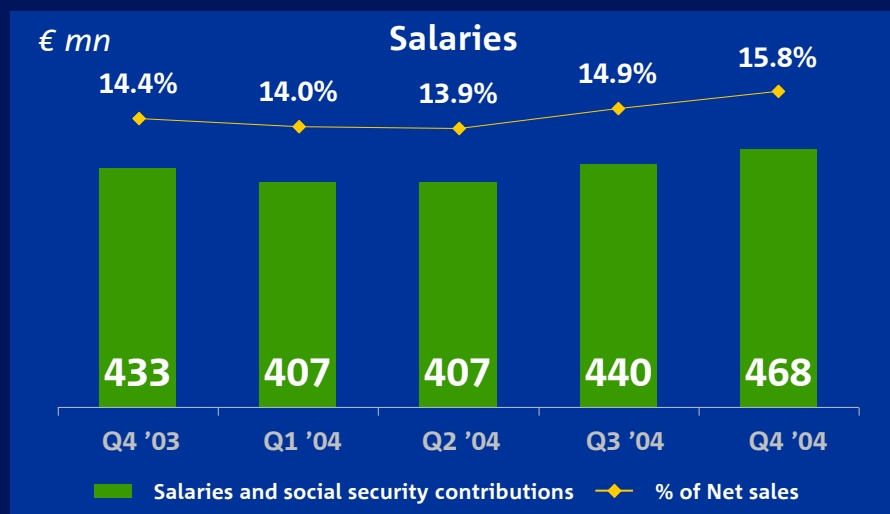
## Continuing decline



- 1 Collective labor agreement personnel, including deconsolidation effects of 201 FTE
- 2 Q-on-Q increase mainly related to SNT Germany, due to acquisition info portal
- 3 Q-on-Q decrease mainly relates to SNT (natural attrition), Euroweb (deconsolidation) and BASE

# Analysis operating expenses

## Salaries & Cost of materials

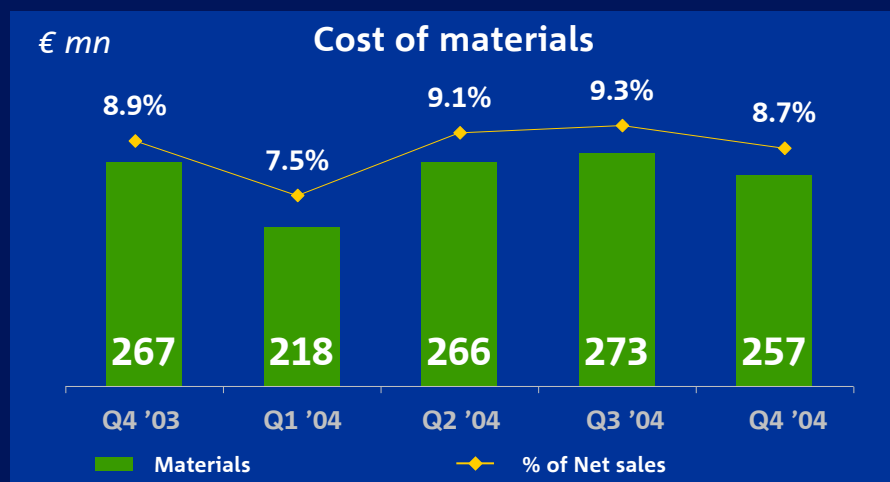


### Y-on-Y increase

- ◆ Lower number of Fte in part offset by higher social security costs
- ◆ Q4 '04 contains € 29 mn higher pension

### Q-on-Q increase

- ◆ Q4 '04 contains € 50 mn pension costs whereas Q3 '04 includes € 36 mn addition to early retirement provision



### Y-on-Y decrease

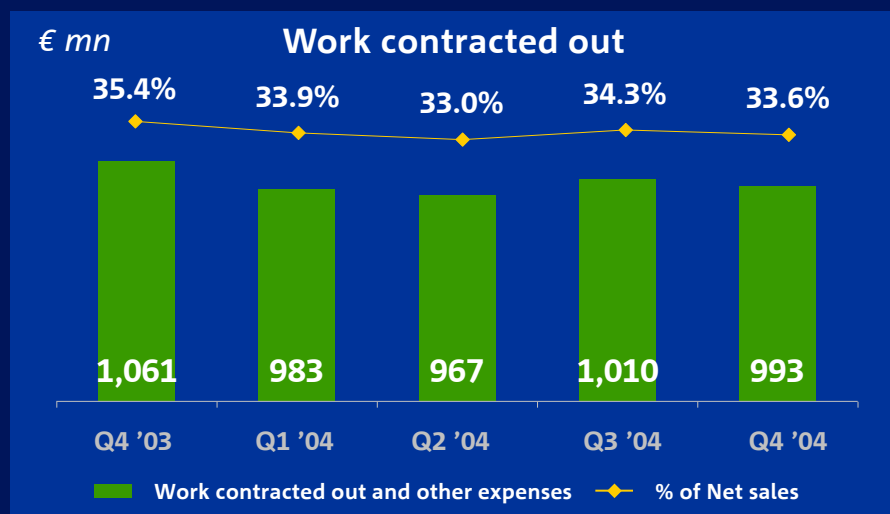
- ◆ Lower project costs at Business Solutions
- ◆ Lower sales of traditional voice equipment partly offset by new IP-based

### Q-on-Q decrease

- ◆ Less handsets sales in Germany following more own purchasing of handsets by external retail channels

# Analysis operating expenses

## Work contracted out & other

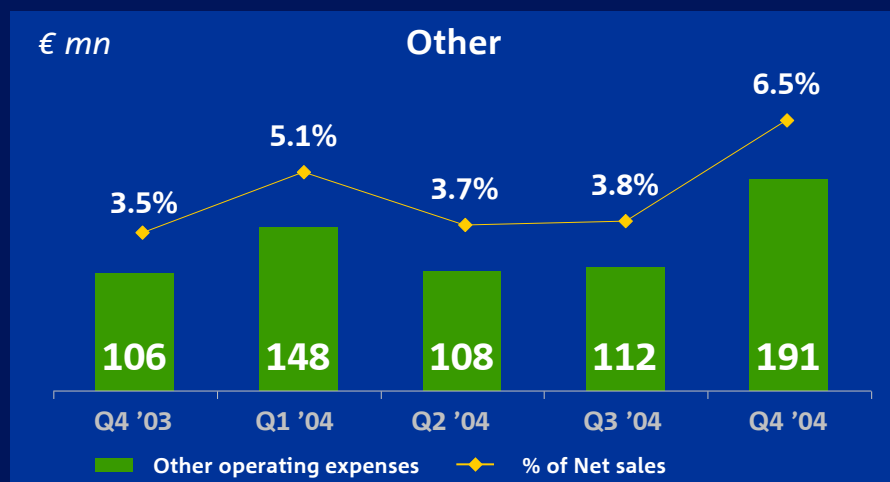


### Y-on-Y decline

- ◆ Lower volumes at fixed and lower MTA tariffs
- ◆ In part offset by higher distribution fees and higher volumes at Mobile

### Q-on-Q decline

- ◆ € 22 mn adjustment for content sales during FY 2004, which were shown gross instead of net (KPN Mobile (NL))



### Y-on-Y increase

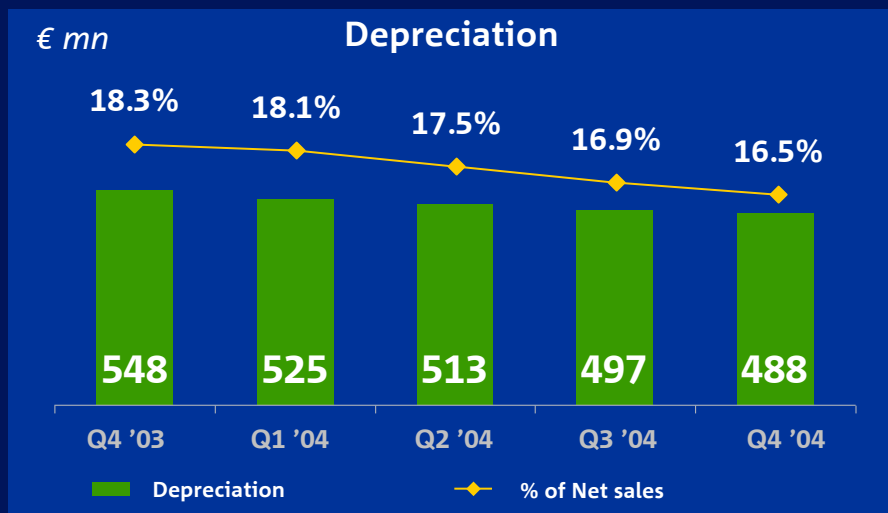
- ◆ Stepped up marketing activities, mainly ADSL and E-Plus
- ◆ € 33 mn relates to receipt capital tax on conversion of shareholder loans in Q4 '03

### Q-on-Q increase

- ◆ € 38 mn increase of restructuring costs
- ◆ Q3 '04 includes partial release from NMa claim

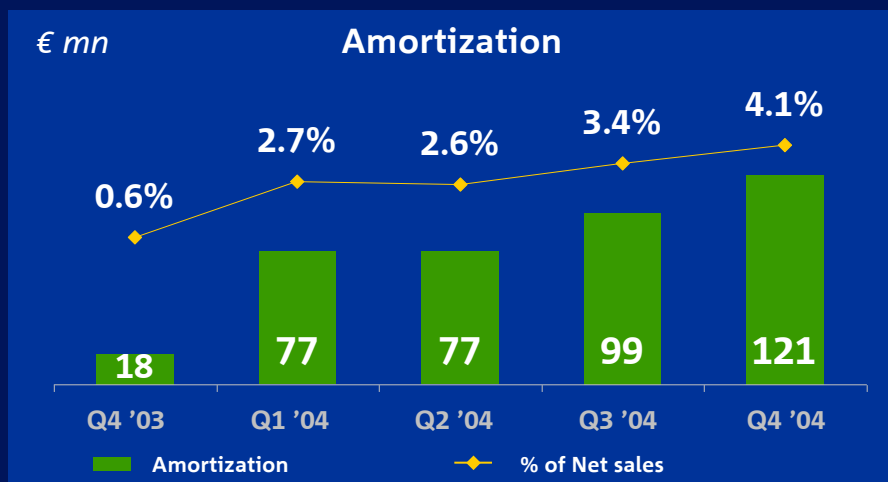
# Analysis operating expenses

## Depreciation & Amortization



### Y-on-Y & Q-on-Q decline

- ◆ Lower Capex levels during '02 and '03
- ◆ Sale of real estate
- ◆ In part offset by reversal of impairment on tangible fixed assets at fixed (€ 6 mn)



### Y-on-Y & Q-on-Q increase

- ◆ Full quarter of UMTS amortization in Germany and Netherlands (€ 58 mn)
- ◆ Q4 '03 contains € 103 mn reversal on GSM license BASE

# Net result affiliates & minority interests

€ mn	Q4 '03	Q4 '04	FY '03	FY '04
------	--------	--------	--------	--------

## Income from participating interests

UMC	2	0	2	0
Infonet	-6	0	-12	0
Český Telecom	47	0	47	0
Hutchison 3G UK	119	0	119	0
Other	3	0	5	-11
<b>Total</b>	<b>165</b>	<b>0</b>	<b>161</b>	<b>-11</b>

## Minority interests

KPN Mobile (2.16% NTT DoCoMo owned)	16	-10	13	-17
Xantic (35% Telstra owned)	28	0	38	-1
Digitenne (60% various third parties owned) <sup>1</sup>	0	-29	0	-29
Other	0	4	16	0
<b>Total</b>	<b>44</b>	<b>-35</b>	<b>67</b>	<b>-47</b>

<sup>1</sup> Digitenne consolidated as of 1 December 2004, following 40% voting right and the majority of the financial interest in Digitenne. Minority interest of third parties could not be fully attributed due to negative equity of Digitenne, resulting in € 29 mn loss.

# Tax

<i>Reported, € mn</i>	Q4 '04		FY '04	
<b>Fiscal unities</b>	<b>P&amp;L charge</b>	<b>Payments (-) Receipts (+)</b>	<b>P&amp;L charge</b>	<b>Payments (-) Receipts (+)</b>
Fixed division & Other activities	-210	-76	-550	-98 <sup>1</sup>
German Mobile activities			-7	
Dutch Mobile activities	272	106	153	106 <sup>2</sup>
Belgian Mobile activities	66		138	
<b>Total</b>	<b>126</b>	<b>30</b>	<b>-268</b>	<b>8<sup>3</sup></b>

€ 179 mn tax benefit recognized (P&L charge), following new legislation on reducing Dutch corporate tax rates

- € 128 mn tax loss in Fixed division and other activities
- € 307 mn tax benefit in Dutch Mobile activities

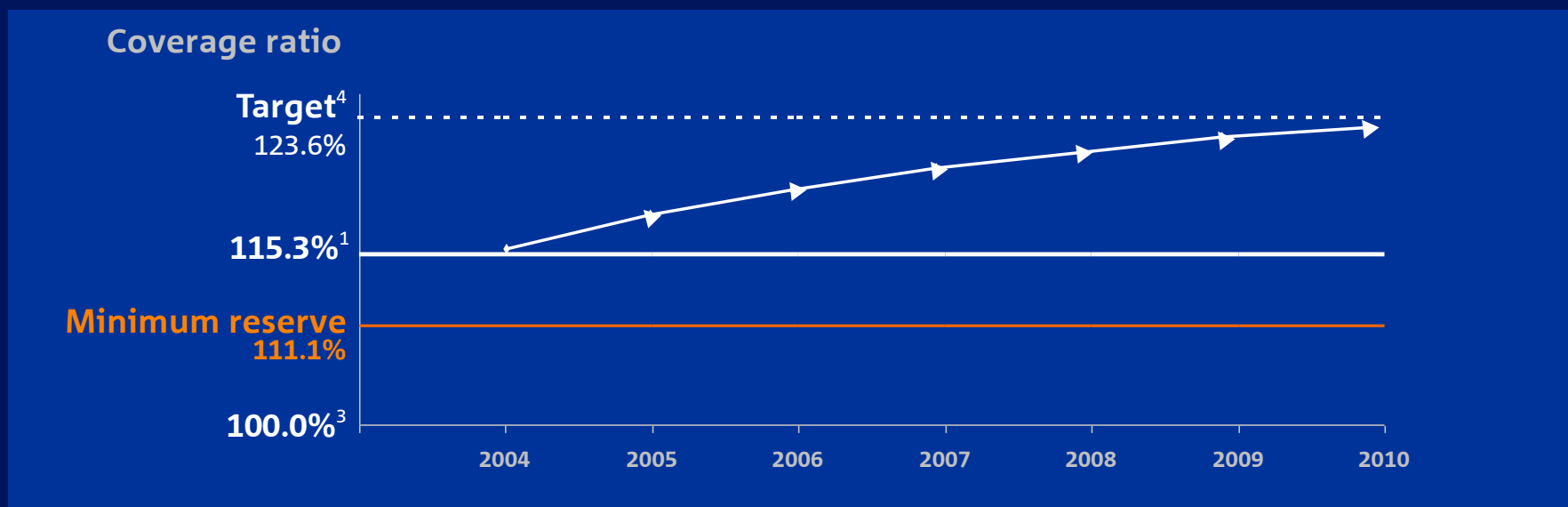
1 Tax payments mainly relates to fiscal year '97 and '99

2 Tax receipts mainly relates to fiscal year '99

3 Q3 '04 restatement for +/- € 11 mn related to accrued interest

# Pension charges

Total shortfall decreased to € 250<sup>1</sup> mn



- ◆ Improvement coverage ratio to 115.3%<sup>1</sup> (was 113.2%<sup>2</sup>)
- ◆ As a result the total shortfall decreased to € 250<sup>1</sup> mn (was € 312<sup>2</sup> mn)
- ◆ This results in a € 50<sup>1</sup> mn charge for 2004; to be paid in Q2 2005

1 Based on situation December 31, 2004; amount final in May '05 (after filing of Pension fund accounts)

2 Based on situation September 30, 2004

3 Any coverage below 100% has to be funded within 12 months

4 Based on the long term interest rate and the strategic mix of the pension funds as per December 2004

# Funding of pension shortfall

Split per division

€ mn	YE '03	YE '04
<b>Fixed</b>	<b>9</b>	<b>35</b>
<i>Fixed Networks</i>	7	24
<i>Business Solutions</i>	2	11
<b>Mobile</b>	<b>1</b>	<b>6</b>
<b>Other</b>	<b>11</b>	<b>9</b>
<b>Total</b>	<b>21</b>	<b>50</b>

# VAT claim

## European perspective

- ◆ VAT claims lodged in Austria & UK
- ◆ Local Courts have asked European Court of Justice opinion on treatment of license issuance with respect to VAT

## KPN's position

- ◆ Claim has been lodged in August in The Netherlands
- ◆ Claim has been lodged in October in Belgium
- ◆ In December an agreement with German government has been reached to wait for the outcome of the legal procedures in Austria and UK while preserving the claim of the operators

# Total cash flow

€ mn	Q4 '03	Q4 '04	FY '03	FY '04
<b>Net cash flow provided by operating activities</b>	<b>1,141</b>	<b>1,068</b>	<b>4,087</b>	<b>3,969</b>
Capex	-607	-521	-1,421	-1,698
Sale of non-core assets	499 <sup>1</sup>	-	1,344 <sup>2</sup>	93
Other (including real estate)	24	32	29	11
<b>Net cash flow from investing activities</b>	<b>-84</b>	<b>-489</b>	<b>-48</b>	<b>-1,594</b>
Dividend	-	-	-	-796
Share repurchase	-	-35 <sup>3</sup>	-	-1,009
Shares purchased for option plan	-	-	-8	-33
Issued debt	-	-	-	2,125
Redemptions	-283	-19	-1,860	-952
Early redemptions	-688	-2	-3,032	-2,003
Other	11	32	47	32
<b>Net cash flow used in financing activities</b>	<b>-960</b>	<b>-24</b>	<b>-4,853</b>	<b>-2,636</b>
<b>Changes in cash and cash equivalents</b>	<b>97</b>	<b>555</b>	<b>-814</b>	<b>-261</b>

1 Including € 347 mn Český Telecom, € 87 mn Hutchison 3G UK and € 70 mn Inmarsat

2 Including € 500 mn Directory Services, € 570 mn Český Telecom, € 87 mn Hutchison 3G UK and € 70 mn Inmarsat

3 Including € 26 mn shares settled in Oct. '04 and € 9 mn in Dec. '04 under second share repurchase program of € 1 bn

# Net cash flow from operating activities

€ mn	Q4 '03	Q4 '04	FY '03	FY '04
<b>Profit or loss after taxes</b>	1,639 <sup>2</sup>	479	2,731 <sup>1,2</sup>	1,511
Minority interests	-44	35	-67	47
Depreciation, amortization and impairments	566	609	2,535	2,397
Income from participating interests	-165	0	-161	11
Results from sale of assets minus received dividend	42	-17	-419	-73
Change in provisions and deferred taxes	-501	63	-199	550
<b>Net cash flow from operating activities before changes in working capital</b>	<b>1,537</b>	<b>1,169</b>	<b>4,420</b>	<b>4,443</b>
Inventory	47	18	65	-83
Receivables	92	7	114	29
Other current assets	12	-92	-48 <sup>1</sup>	-186
Current liabilities	-547	-34	-464 <sup>1</sup>	-234
<b>Change in working capital</b>	<b>-396</b>	<b>-101</b>	<b>-333</b>	<b>-474</b>
<b>Net cash flow from operating activities</b>	<b>1,141</b>	<b>1,068</b>	<b>4,087</b>	<b>3,969</b>
Capex	607	521	1,421	1,698
<b>Net cash flow from operating activities minus Capex</b>	<b>534</b>	<b>547</b>	<b>2,666</b>	<b>2,271</b>

1 Including effect termination MobilCom agreement in Q1 '03

2 Including effect agreement with Dutch tax authorities in Q4 '03

# Capex

<i>Including exceptional items (€ mn)</i>	<b>Q4 '03</b>	<b>Q4 '04</b>	<b>%</b>
<b>Fixed</b>	<b>183</b>	<b>210</b>	<b>15%</b>
<i>% revenues</i>	<i>9%</i>	<i>12%</i>	
Fixed Networks	134	154	15%
<i>% revenues</i>	<i>8%</i>	<i>10%</i>	
Business Solutions	49	56	14%
<i>% revenues</i>	<i>9%</i>	<i>11%</i>	
<b>Mobile</b>	<b>418</b>	<b>308<sup>1</sup></b>	<b>-26%</b>
<i>% revenues</i>	<i>31%</i>	<i>22%</i>	
E-Plus	326	251	-23%
<i>% revenues</i>	<i>51%</i>	<i>34%</i>	
KPN Mobile (NL)	78	48	-38%
<i>% revenues</i>	<i>13%</i>	<i>9%</i>	
BASE	14	8	-43%
<i>% revenues</i>	<i>14%</i>	<i>7%</i>	
<b>Other</b>	<b>6</b>	<b>3</b>	<b>-50%</b>
<b>Total</b>	<b>607</b>	<b>521</b>	<b>-14%</b>
<i>% revenues</i>	<i>19%</i>	<i>17%</i>	

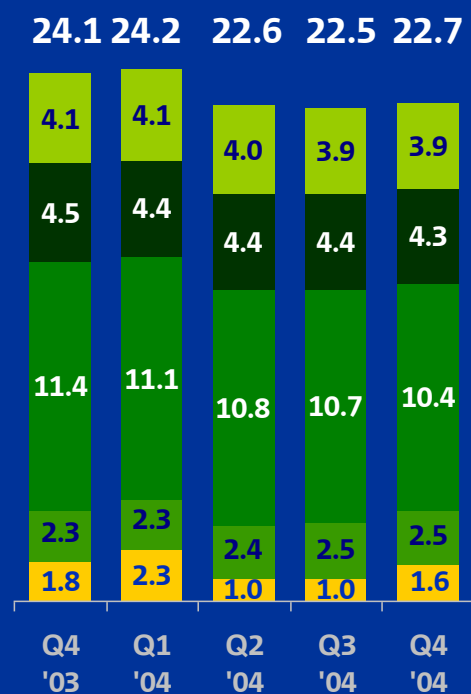
<b>FY '03</b>	<b>FY '04</b>	<b>%</b>
<b>536</b>	<b>618</b>	<b>15%</b>
<i>7%</i>	<i>9%</i>	
406	463	14%
<i>6%</i>	<i>7%</i>	
130	155	19%
<i>6%</i>	<i>7%</i>	
<b>854</b>	<b>1,038<sup>1</sup></b>	<b>22%</b>
<i>16%</i>	<i>19%</i>	
576	781	36%
<i>22%</i>	<i>28%</i>	
178	214	20%
<i>7%</i>	<i>9%</i>	
100	42	-58%
<i>30%</i>	<i>10%</i>	
<b>31</b>	<b>42</b>	<b>35%</b>
<b>1,421</b>	<b>1,698</b>	<b>19%</b>
<i>11%</i>	<i>14%</i>	

1 Including € 1 mn Capex from Mobile other

# Balance sheet

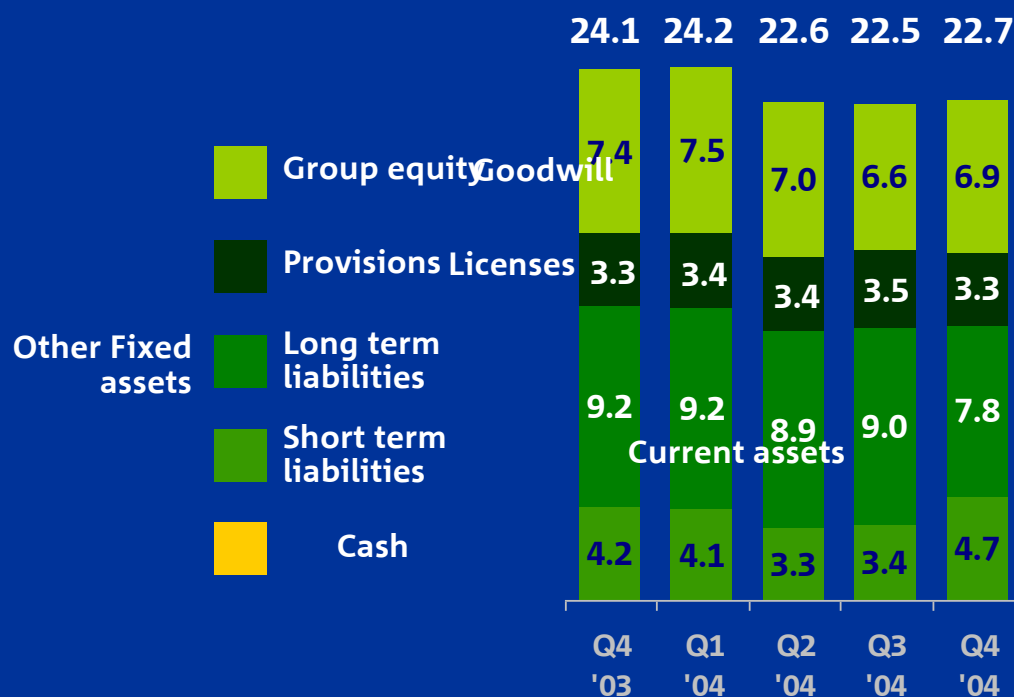
## Assets

€ bn



## Liabilities and equity

€ bn



# Debt summary

€ bn	YE '03	Q3 '04	YE '04
Subordinated convertible bonds	1.1	0.3	0.3
Subordinated loans	-	-	-
Eurobonds	4.7	4.7	4.7
Global bonds	3.9	3.9	3.9
Other loans at Royal KPN	0.3	0.3	0.3
<b>Consolidated debt</b>			
<i>E-Plus</i>	0.1	0.0	0.0
<i>Other</i>	0.1	0.1	0.2
<b>Total debt</b>	<b>10.2</b>	<b>9.3</b>	<b>9.4</b>
<i>of which short-term</i>	1.0	0.3	1.7
Cash and cash equivalents	1.84	1.0	1.57
<b>Total net debt</b>	<b>8.3</b>	<b>8.3</b>	<b>7.9</b>

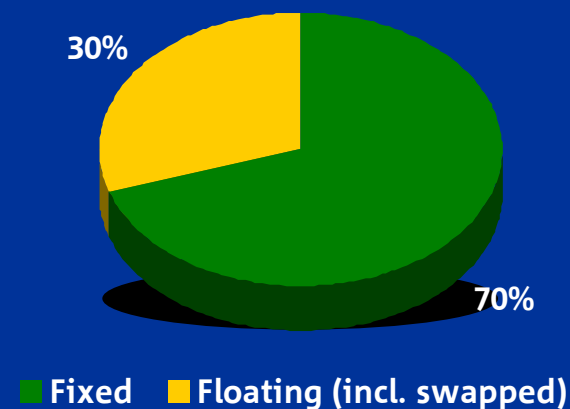
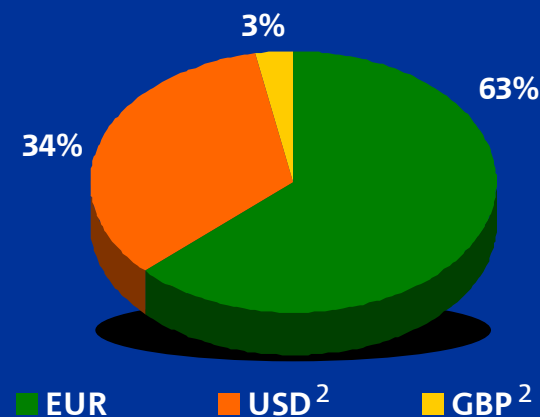
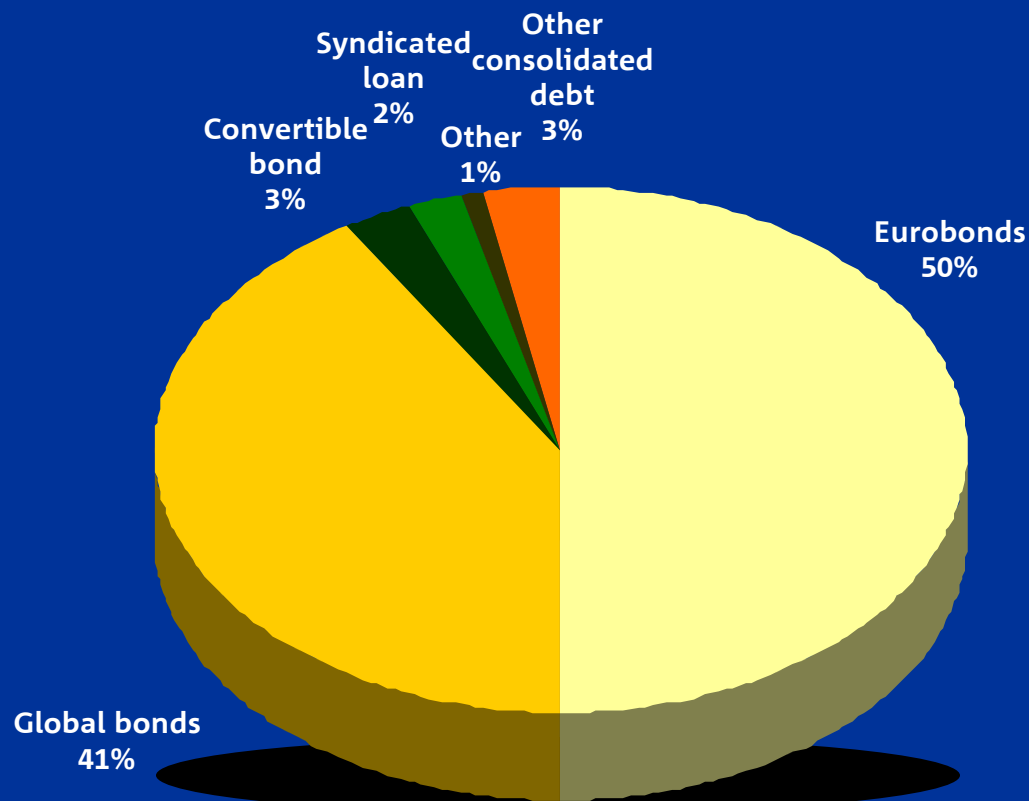
# Bond portfolio

## Overview changes during life of bonds

<i>mn</i>	Principal in GBP / USD	Principal in €	Early redemptions 2002 in €	Early redemptions 2003 in €	(Early) redemptions 2004 in €	Rehedge currency risk '03 + '04 in €	Outstanding principal YE '04 in GBP / USD	Outstanding principal YE '04 in €
Sub. convertible bond 2000 - 2005	-	1,500	-	-373	-800	-	-	327
Eurobond 1996 - 2006	-	590	-	-155	-156	-	-	279
Eurobond 1998 - 2008	-	1,500	-	-	-	-	-	1,500
Eurobond 1999 - 2004	-	1,250	-375	-	-875	-	-	-
Eurobond 2001 - 2006	-	2,000	-	-431	-1,005	-	-	564
Eurobond 2001 - 2008 GBP	175	280	-	-	-	-22	175	258
Eurobond 2004 - 2009	-	700	-	-	-	-	-	700
Eurobond 2004 - 2011	-	1,425	-	-	-	-	-	1,425
Global bond 2000 - 2005 USD	750	875	-542	-	-	-	285	333
Global bond 2000 - 2010 USD	1,750	2,002	-	-	-	-	1,750	2,002
Global bond 2000 - 2030 USD	1,000	1,132	-	-	-	-241	1,000	891
Global bond 2000 - 2005 EUR	-	1,000	-195	-146	-	-	-	659
<b>Total bonds outstanding</b>		<b>14,254</b>	<b>-1,112</b>	<b>-1,105</b>	<b>-2,836</b>	<b>-263</b>		<b>8,938</b>

# Debt portfolio

Gross debt at YE '04: € 9.4 bn<sup>1</sup>



<sup>1</sup> Including money market, other short term funding

<sup>2</sup> Foreign currency amounts hedged into Euro

# KPIs Fixed

## Fixed Networks

	Q4 '03	Q3 '04	Q4 '04	FY '04
<b>Market shares</b>				
<i>Local</i>	> 75%	> 70%	> 70%	> 70%
<i>National</i>	> 60%	± 60%	± 60%	± 60%
<i>International</i>	> 45%	± 45%	± 45%	± 45%
<i>Fixed to Mobile</i>	> 60%	± 60%	± 60%	± 60%
<b>Channels</b> (x 1,000)	<b>9,895</b>	<b>9,631</b>	<b>9,551</b>	<b>9,551</b>
<b>Lines</b> (x 1,000)	<b>7,677</b>	<b>7,504</b>	<b>7,434</b>	<b>7,434</b>
<i>PSTN</i>	6,120	5,979	5,922	5,922
<i>ISDN 2/15/20/30</i>	1,557	1,525	1,512	1,512
<b>Call rate<sup>1</sup></b>	<b>2.65</b>	<b>2.23</b>	<b>2.33</b>	<b>2.44</b>
<b>Call duration<sup>2</sup></b>	<b>267</b>	<b>231</b>	<b>226</b>	<b>241</b>

Minutes (in bn)				
BU Fixed Telephony	9.32	6.85	7.04	30.48
Local/National	5.29	4.34	4.63	18.84
Internet	3.14	1.68	1.56	8.20
International	0.27	0.24	0.24	1.01
Fixed to Mobile	0.62	0.59	0.61	2.43
BU Carrier Services	11.31	9.99	10.62	42.46
Total Division Fixed	20.36	16.60	17.42	71.94

1 Number of calls per channel per day

2 Average duration per call in seconds

# KPIs Fixed

## Internet and ADSL (1)

	Q4 '03	Q3 '04	Q4 '04
<b>Market shares</b>			
<i>Consumer broadband</i>	39%	43%	44%
<i>DSL</i>	79%	75%	75%

<b>ISP customers</b> (X 1,000)			
<i>Planet Internet</i>	738	748	757
<i>Het Net</i>	596	604	606
<i>XS4ALL</i>	206	244	264
<b>Total</b>	<b>1,540</b>	<b>1,596</b>	<b>1,627</b>

<b>Broadband subscriptions ISP's</b> (X 1,000)			
<i>Planet Internet</i>	280	376	435
<i>Het Net</i>	67	204	236
<i>XS4ALL</i>	121	160	177
<i>Direct ADSL</i>	-	61	88
<b>Total</b>	<b>468</b>	<b>801</b>	<b>936</b>

# KPIs Fixed

## Internet and ADSL (2)

<i>X 1,000</i>	<b>Q4 '03</b>	<b>Q3 '04</b>	<b>Q4 '04</b>
<b>Local exchanges</b>			
<i>Number DSL enabled</i>	1,257	1,361	1,361
<i>ADSL coverage NL<sup>1</sup></i>	97%	99%	99%
<i># MDF access lines</i>	978	1,664	1,898
<i>of which # line sharing<sup>2,3</sup></i>	938	1,602	1,834
<b>ADSL<sup>4</sup></b>			
<i>Installed</i>	746	1,217	1,381
<i>% Slim (288/128 kbit/s)</i>	-	2%	4%
<i>% Go (800/256 kbit/s)</i>	-	23%	27%
<i>% Lite (1,600/512 kbit/s)</i>	57%	49%	46%
<i>% Basic (3,200/768 kbit/s)</i>	38%	23%	20%
<i>% Extra (8,000/1,024 kbit/s)</i>	5%	4%	3%

1 % of central offices that is ADSL enabled

2 Restated in Q3 '04 to include Bitstream

3 Includes KPN ADSL connections (installed), line sharing other telcos and KPN Bitstream

4 Bandwidth as of February 2005

# KPIs Fixed

## Business Solutions

	Q4 '03	Q3 '04	Q4 '04
<b>Leased lines (x 1,000) <sup>1</sup></b>	<b>71</b>	<b>61</b>	<b>59</b>
<i>Analogue</i>	66%	73%	72%
<i>Digital</i>	34%	27%	28%
<b>VAS</b>			
Frame Relay (# ports)	8,788	5,592	4,665
MVPN-routers <sup>2</sup>	7,354	9,503	9,901
IP-VPN connections	15,956	27,595	30,164
VPN's (# customers)	807	1,257	1,409

<sup>1</sup> As from Q1 2003, only leased lines with external revenues are stated

<sup>2</sup> Restated as from Q1 2003

# KPIs Mobile

## E-Plus

	Q4 '03	Q3 '04	Q4 '04	FY '04
<b>Market share base<sup>1</sup></b>	<b>12.7%</b>	<b>13.1%</b>	<b>13.3%</b>	<b>13.3%</b>
<b>Customers (x 1,000)</b>	<b>8,206</b>	<b>9,065</b>	<b>9,511</b>	<b>9,511</b>
Post Paid	3,877	4,426	4,724	4,724
Of which i-mode	358	653	670	670
Pre Paid	4,329	4,639	4,787	4,787
Of which i-mode	82	349	423	423
<b>MoU (minutes)</b>	<b>78</b>	<b>77</b>	<b>76</b>	<b>76</b>
Post Paid	137	135	133	134
Pre Paid	25	22	21	22
<b>ARPU (€)</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>
Post Paid	42	42	40	41
Pre Paid	9	8	8	8
<b>Non-voice as % of ARPU</b>	<b>15%</b>	<b>16%</b>	<b>16%</b>	<b>16%</b>
<b>SAC (€)</b>	<b>142</b>	<b>198</b>	<b>152</b>	<b>165</b>
Post Paid	199	300	243	255
Pre Paid	75	72	38	60
<b>SRC (€)</b>	<b>173</b>	<b>169</b>	<b>163</b>	<b>168</b>

# KPIs Mobile

## KPN Mobile (NL)

	Q4 '03	Q3 '04	Q4 '04	FY '04
<b>Market share base<sup>1</sup></b>	<b>40.2%</b>	<b>39.9%</b>	<b>40.0%</b>	<b>40.0%</b>
<b>Customers (x 1,000)</b>	<b>5,205</b>	<b>5,773</b>	<b>6,076</b>	<b>6,076</b>
Post Paid	1,953	2,094	2,186	2,186
Of which i-mode	240	234	237	237
Pre Paid	3,252	3,679	3,890	3,890
Of which i-mode	163	378	424	424
<b>MoU (minutes)</b>	<b>130</b>	<b>117</b>	<b>120</b>	<b>122</b>
Post Paid	272	261	280	273
Pre Paid	41	36	29	35
<b>ARPU (€)</b>	<b>36</b>	<b>34</b>	<b>30</b>	<b>33</b>
Post Paid	73	73	67	71
Pre Paid	13	11	8	10
<b>Non-voice as % of ARPU</b>	<b>9%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>
<b>SAC (€)</b>	<b>121</b>	<b>169</b>	<b>233</b>	<b>161</b>
Post Paid	348	323	362	359
Pre Paid <sup>1</sup>	42	63	61	60
<b>SRC (€)</b>	<b>262</b>	<b>260</b>	<b>256</b>	<b>256</b>

<sup>1</sup> Management estimates (numbers of customers) based on industry filings

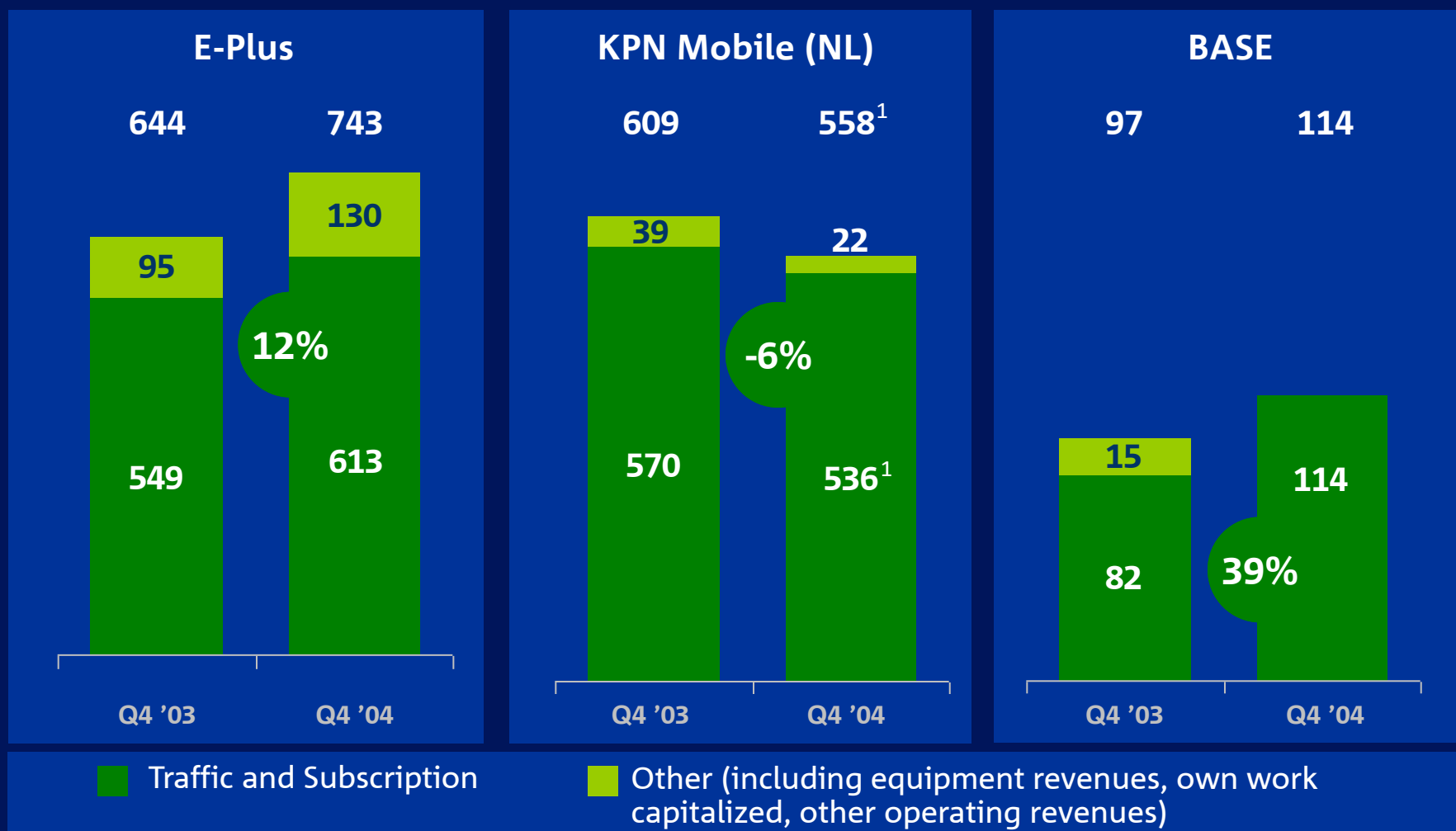
# KPIs Mobile

## BASE

	Q4 '03	Q3 '04	Q4 '04	FY '04
<b>Market share base<sup>1</sup></b>	<b>15%</b>	<b>17%</b>	<b>&gt; 17%</b>	<b>&gt; 17%</b>
<b>Customers (x 1,000)</b>	<b>1,253</b>	<b>1,517</b>	<b>1,647</b>	<b>1,647</b>
Post Paid	279	299	323	323
<i>Of which i-mode</i>	24	26	26	26
Pre Paid	974	1,218	1,324	1,324
<i>Of which i-mode</i>	1	3	2	2
<b>MoU (minutes)</b>	<b>90</b>	<b>104</b>	<b>112</b>	<b>107</b>
Post Paid	204	205	221	213
Pre Paid	57	79	86	80
<b>ARPU (€)</b>	<b>25</b>	<b>24</b>	<b>24</b>	<b>24</b>
Post Paid <sup>1</sup>	62	67	62	65
Pre Paid <sup>1</sup>	14	13	14	14
<b>Non-voice as % of ARPU</b>	<b>14%</b>	<b>15%</b>	<b>16%</b>	<b>16%</b>
<b>SAC (€)</b>	<b>20</b>	<b>16</b>	<b>19</b>	<b>16</b>
Post Paid	81	32	50	30
Pre Paid	10	13	10	13
<b>SRC (€)</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>

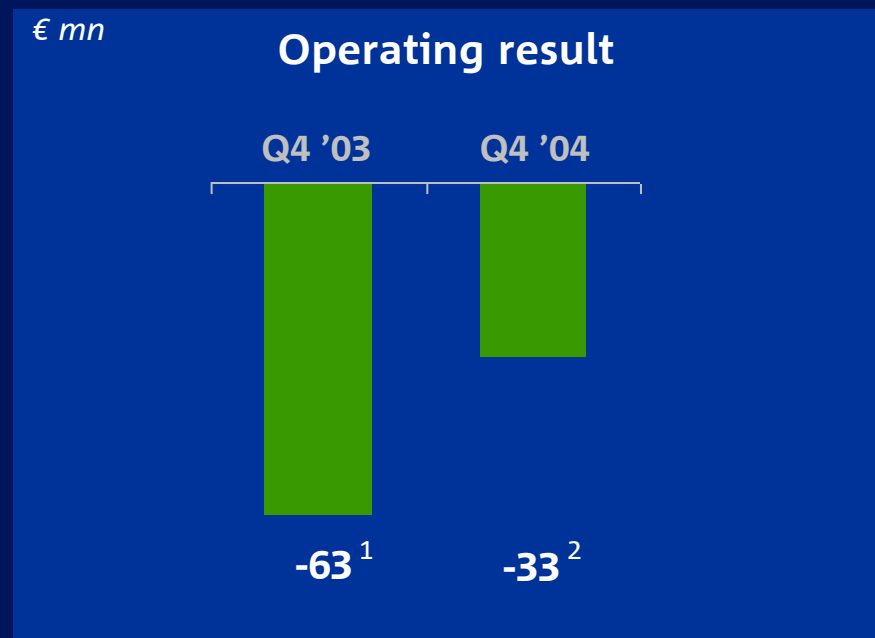
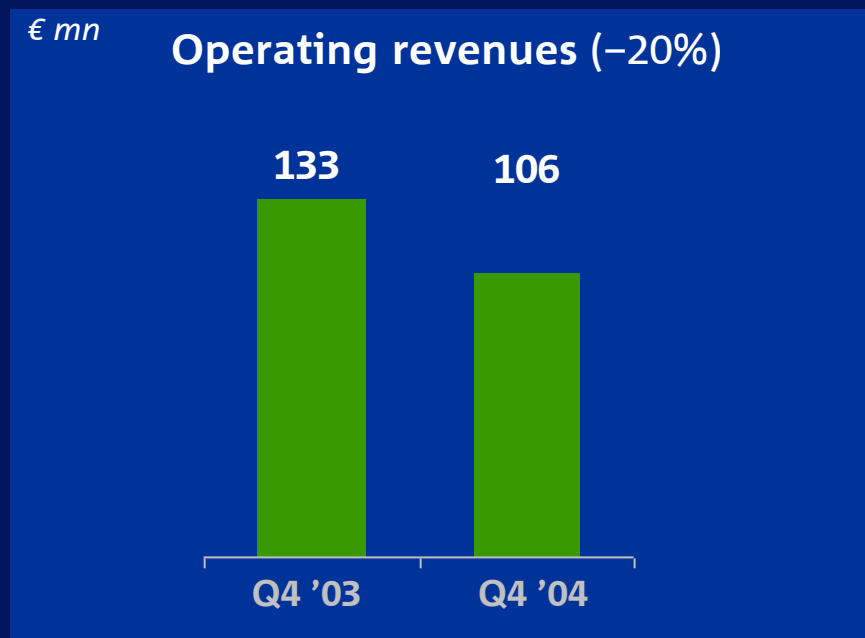
1 Management estimates (only rounded figures available), based on numbers of customers

# Mobile traffic and subscription revenues in Q4



<sup>1</sup> Including € 33 mn decline due to MTA reduction and € 22 mn adjustment for content sales during 2004, which were shown gross rather than net

# Other in Q4



- ♦ Lower revenues following € 26 mn book gain on sale of Inmarsat in Q4 '03
- ♦ Lower operating expenses as a result of partial termination of activities at Xantic and office space reductions

1 Including € 26 mn restructuring provision and € 11 mn pension costs

2 Including € 22 mn restructuring provision and € 9 mn pension costs

# EU New Regulatory Framework (NRF)

- ◆ New law has come into force in The Netherlands on May 19, 2004 and in Germany on June 26, 2004
- ◆ Implementation in Belgium delayed
- ◆ Market definitions and dominance tests will be based on general competition law instead of current sector specific criteria

## The Netherlands

- ◆ Dutch NRA OPTA must substantiate its decisions by means of an assessment of the foreseeable relevant consequences, which provides KPN with a certain sense of comfort
- ◆ Dutch Minister of Economic Affairs is requested by Parliament to propose a policy framework on telecommunication with subsequent general guidelines for OPTA
- ◆ Draft decisions OPTA on market analyses expected as of Q1 2005
  - Mobile markets mid March
  - Broadcasting March
  - Broadband, fixed telephone and leased lines, May/June
- ◆ Applicability expected end second half 2005