VoIP Seminar

21, 22 June 2005

Amsterdam / London

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 our operations, the OPTA investigation into discounts given in breach of OPTA regulation, our and our joint ventures' share of new and existing markets, general industry and macro-economic trends and our 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 our control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in our 2004 Annual Report and Form 20-F. All market share information in this presentation is based on management estimates based on externally available information, unless indicated otherwise.

Agenda

Marcel Smits	KPN VoIP strategy
Paul Hendriks	Network and Operations Consumer and Business VoIP propositions
Marcel Smits	Regulatory landscape Conclusion
Q & A	

KPN VoIP strategy

Marcel Smits
CFO

The cornerstones of our strategy

Attack

Defend

Exploit

Leadership of converging communications market

Developments in other countries indicate that VoIP uptake could be significant

Key VoIP drivers in other countries

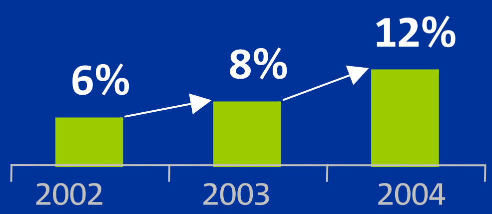
- Broadband penetration
- IP VPN penetration
- Broadband competitive landscape
- Regulatory attitude towards incumbent
- Price levels and tariff setting
- Installed (hybrid) IP PBXs
- Inter-site voice traffic on PSTN

Structure and shape Dutch market

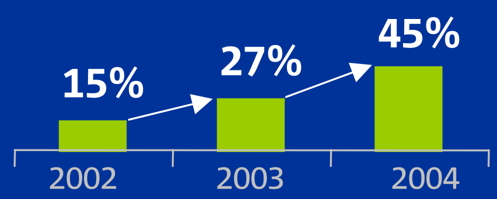
Most dynamic and competitive in Europe

Trends impacting revenue in Dutch telecom market

Mobile-only households[1]



Broadband penetration[2]



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)

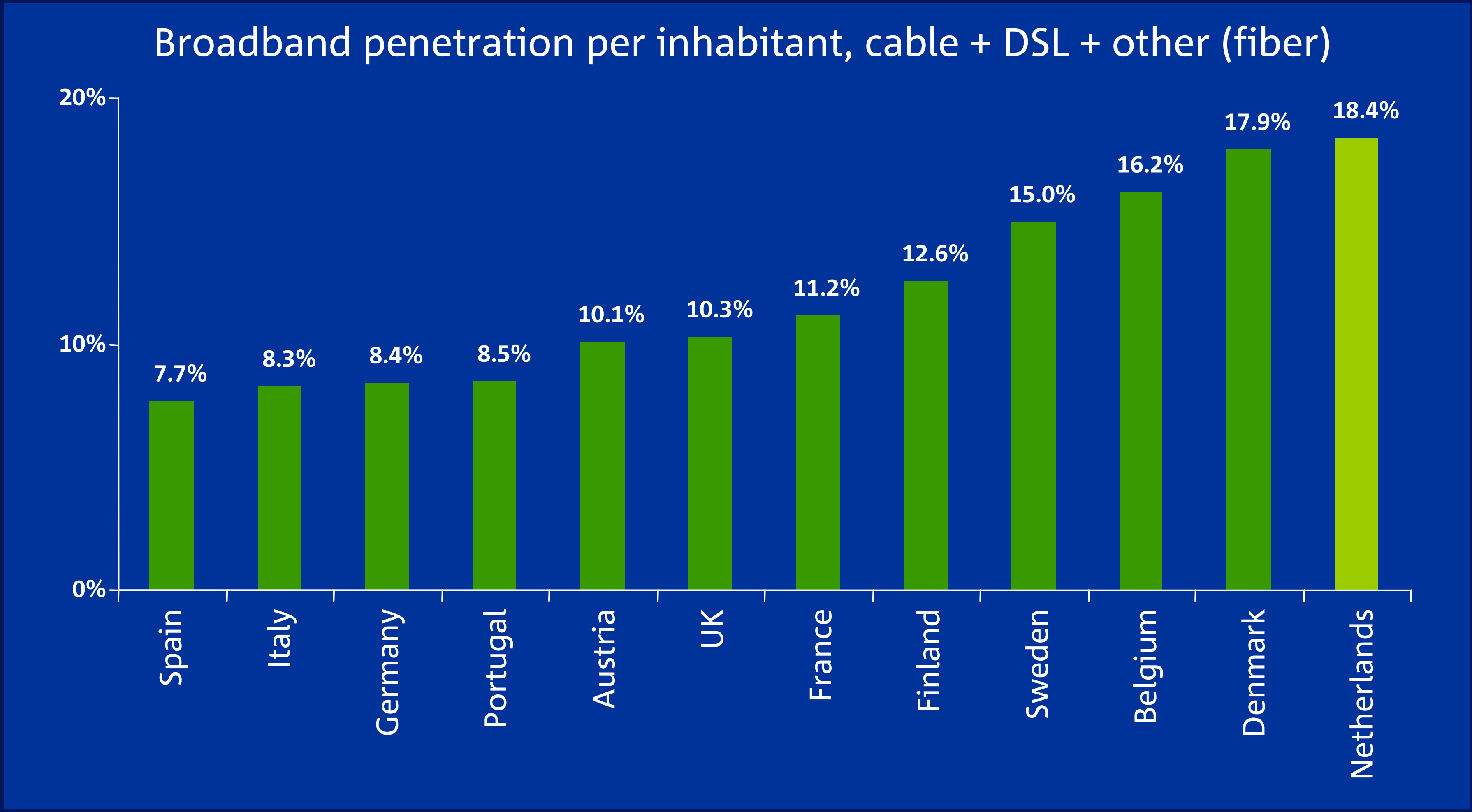
Regulatory environment

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

1 Penetration in number of households; KPN estimates end 2004
2 Percentage of households with a broadband connection; KPN estimates end 2004

Broadband penetration in EU[1]

Netherlands has highest broadband penetration



1 Source: ECTA Broadband Scorecard, December 2004

Increasingly competitive VoIP offerings

Segment	Key players
Corporate	infonet, BT, MCI, france telecom, T-Systems, COLT
Large	versatel
Medium accounts	bbned, tiscali
Small accounts	UPC, skype
Consumer / SoHo	essent, TELE2, pilmo

Comments

- Many competitors compete across the individual market segments
- Emerging VoIP market offers entry for new competitors

Business market – Focus on “Access Anywhere” and TCO

- **Access Anywhere, across several dimensions**
  - Application
  - Service
  - Device
  - Time
  - Place

- **Total Cost of Ownership**
  - Lower Opex
  - Lower Capex
  - Improved cost control

Consumer market

What behavior do we currently observe

- More MSN minutes than voice minutes in the Netherlands
- Teenagers interacting in groups on the Internet
- Increasing number of web cams
- Promising results new fixed devices
- Security is imperative

More dimensions to communication exist and more and more time and money is being spent

Nascent demand for new communication services

Technological developments enable VoIP

- Increases efficiency / cost reduction
  - Platform reduction / rationalization
  - IP based networks are more cost efficient

- Increases functionality
  - Relevant services added to plain calling
  - Quality of Service
  - Allows for better security management

- Reduces Time-to-Market
  - Introduction of services can be done much faster than in traditional switched network

KPN strategy: Go for VoIP

- Developments in other countries indicate that VoIP uptake will be significant
- Structure and shape of the Dutch market
- Consumer and business customer behavior indicate nascent demand
- New technology is available and offers only upside to the customer
- More and more competitive VoIP offerings come to market

Now is the time to introduce VoIP

Network and Operations

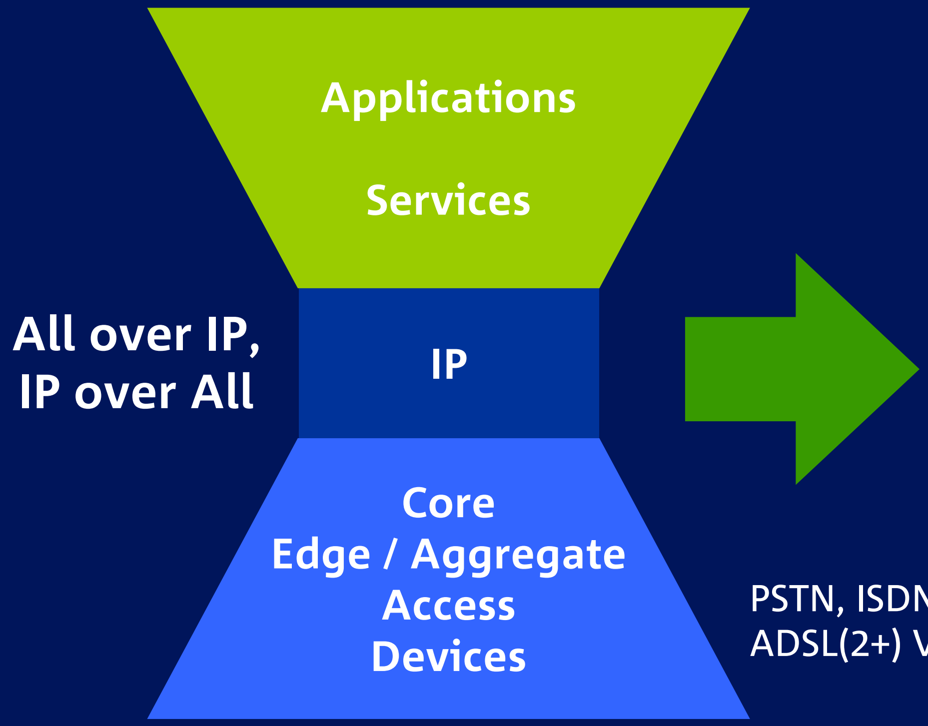
Paul Hendriks
Programme manager VoIP

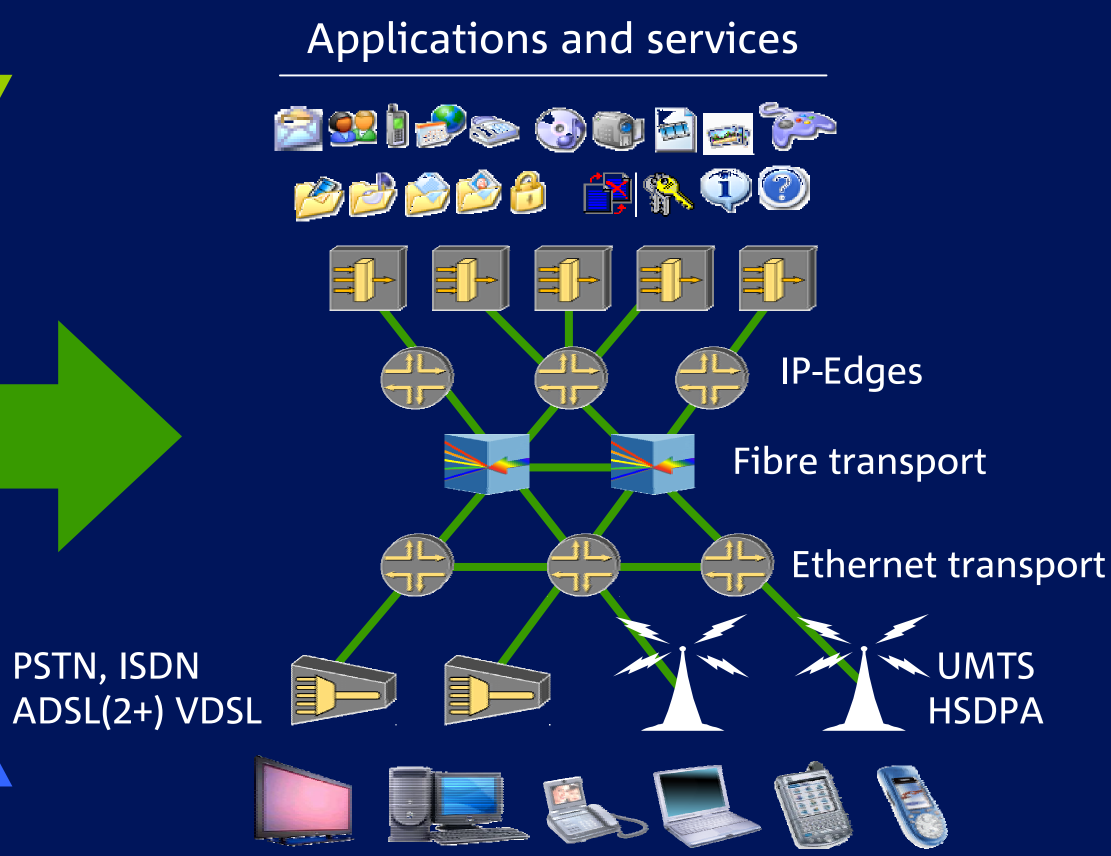
All over IP, IP over All

A new world is emerging

All IP is the enabler to achieve

- New revenue streams based on a new service model
- Cost reductions through rationalization of the portfolio and platforms



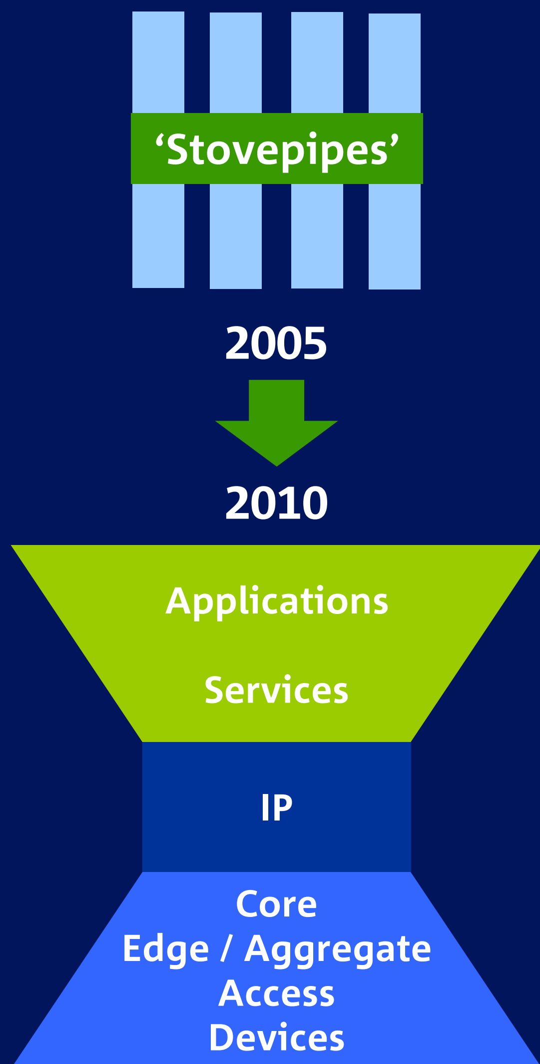


Benefits of new technology

Introducing a new service model and rationalizing portfolios and platforms

New service model

- No more ‘stovepipes’
- Decoupling of applications, services, networks and devices
- Business processes and systems will be integrated towards the customer, decoupled in the back office
- Based on fixed and mobile broadband
- Based on IP and 3GPP



Rationalization

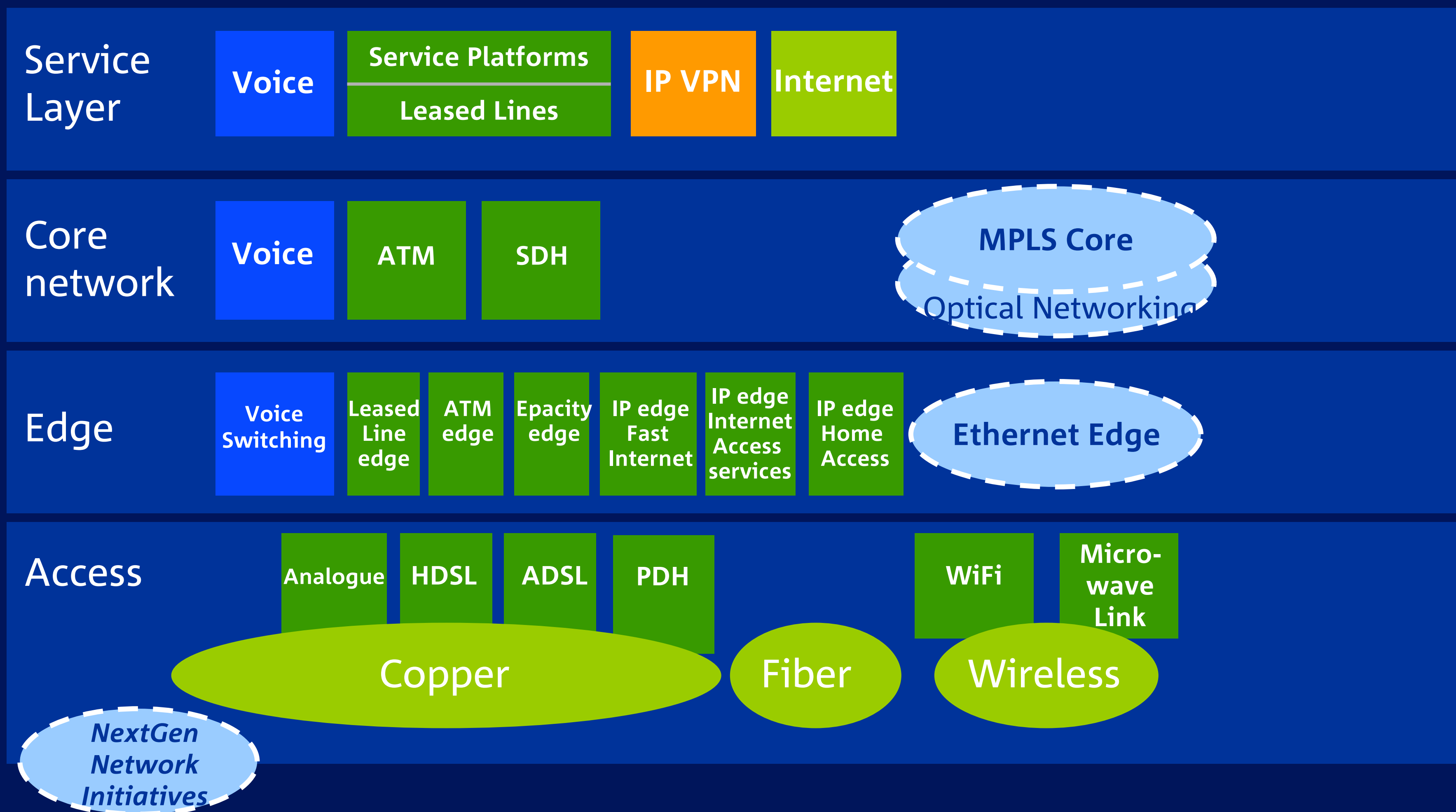
- Almost any current service will be phased out
- Only applications and services based on IP and broadband
- Dismantling of current networks and replacement by Next Generation Networks

In 2005 start of NextGen, All IP infrastructure

Restructuring

Figurative

2005 - 2006



All IP Network in 2010

Restructuring

Figurative

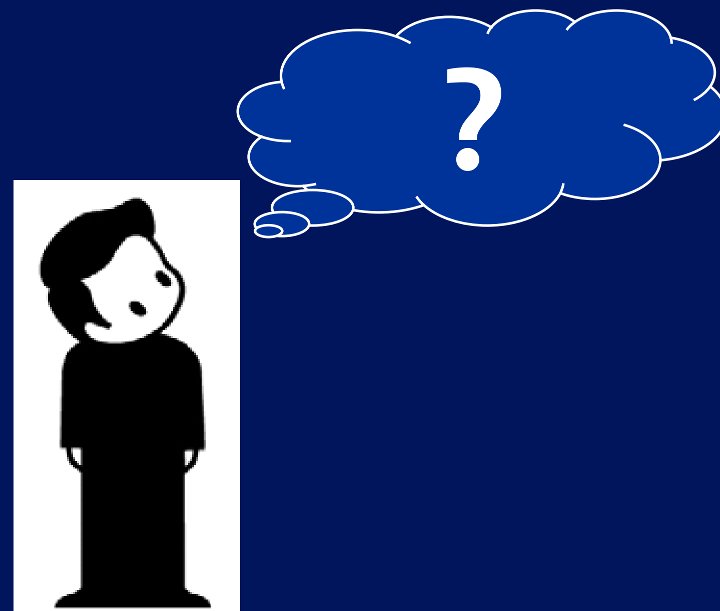
	2007-2010	2007-2010 changes
Service Layer	Multi Play Services Platforms	Single Service Delivery and Control Platform
Core network	MPLS Core Optical Networking	Single Core Network based on Ethernet
Edge	Ethernet Edge	SDH terminated ATM terminated First generation MPLS terminated
Access	xDSL Copper Fiber WiFi/WiMAX Wireless	Termination of first generation DSL-platform

Consumer and Business VoIP propositions

In a complex world KPN makes VoIP simple and secure

Customer's remarks

- Please explain VoIP to me…
- Make it easy for me…
- Take away my risks…
- I'm trusting KPN…
- KPN's offer is compelling…



KPN introduces in the consumer market

InternetPlusBellen € 34.95 per month

Unique selling points

Simplicity as a distinctive hallmark

Flat rate	(Telephony and broadband internet access)
Reliability	(KPN's network, security, number portability)
All inclusive	(Home installed by KPN, helpdesk, free services)
Convenient	(High cost control, Triple Play with TV)
Additional services	(Video conferencing)
No extra devices needed	(Only PC and phone)

EASY TO USE

Simplicity = Experia Box

Dial-up
- Keep current phone number and phone
- Basic services such as Voicemail and Caller Identification

Video calls
- With fixed video phone or PC
- Also from and to UMTS phones

Wireless Internet
- Four e-mail addresses, webmail
- Newsgroups, virus scan, spam filter

Carefree
- Technician installs everything
- Technician manages remotely
- Software updates remotely
- Ready for next generation ADSL (ADSL2+)
- Latest secure wireless home network (Super G)
- Latest security technology (WPA)


Experia Box


Regular phones


Wi-Fi phones


Video phones



Wireless with PC or laptop

Simplicity = transparent tariffs

Unlimited ADSL (800 kb) and **unlimited calls** in the weekend to all fixed line numbers in the Netherlands **€ 34.95**

Allways unlimited calls to other InternetPlusBellen subscribers

Option
Including unlimited evening calls
€ 2.50 extra

Option
Always unlimited calls
€ 10 extra

Tariffs for non free calls

Fixed line numbers	always **2.5 cents** per minute (call set up tariff 5 cents)
Mobile numbers	always **19 cents** per minute (call set up tariff 5 cents)
International	always **4 cents** per minute (call set up tariff 10 cents)

Internet package / **Calls** To fixed network NL	**Go** 800 Kb	**Lite** 1,600 Kb	**Basic** 3,200 Kb	**Extra** 8,000 Kb
Free in the weekend	€ 34.95	€ 39.95[1]	€ 59.95	€ 79.95
Free in the evening	€ 2.50			
Always free	€ 10			

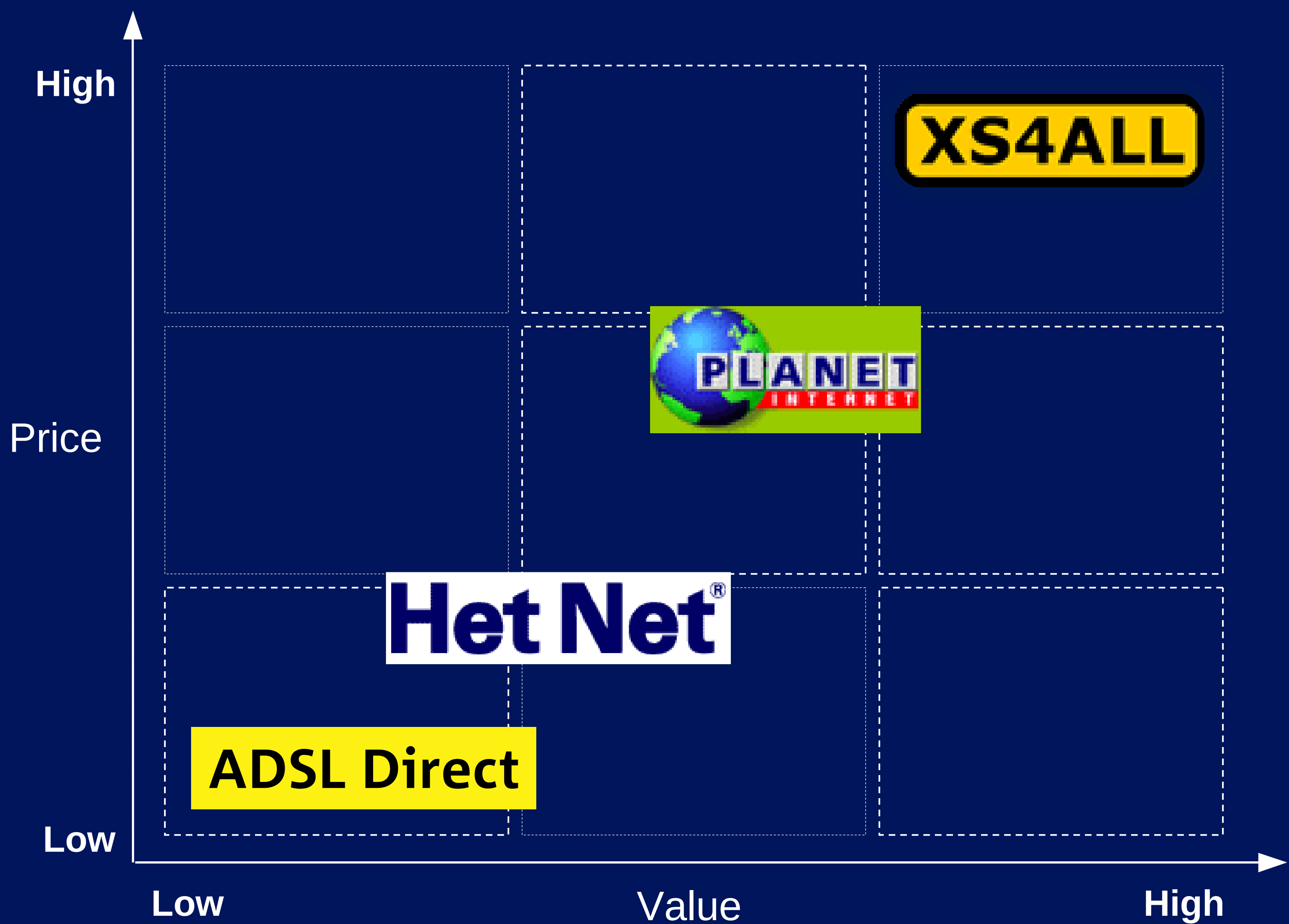
1 after 6 months € 42.95

Product offering of key competitors

Company	Offer	Message	Communicated price
UPC	Telephony for TV customers	Combine and benefit	**Subscription calls from € 9.95** Calls and internet package from € 24.95 (ADSL speed 512 kbs, excl. metered traffic)
essent KABELCOM	Telephony for internet customers	Cheap telephony through cable	**Subscription calls from € 5.95** Subscription internet from €17.95 (ADSL speed 500 kbs, excl. metered traffic)
multikabel	Telephony for internet customers	Combination: Low access fees	**Subscription calls and internet from € 33.50** (ADSL speed 416 kbs, excl. metered traffic)
wanadoo	Telephony and internet	Unlimited telephony and internet with Wanadoo live box	**Unlimited calls and internet from € 27.50** Plus: KPN Belbudget € 9.67 Tariff 12 months (special offer) € 37.17 Tariff regular € 39.62 Incl. national flat fee
versatel	Telephony for internet customers with soccer	Unlimited telephony and ADSL from € 29.95	**Unlimited calls and internet from € 29.95** Plus: KPN Belbasis € 18.16 Tariff 3 months (special offer) € 48.11 Incl. national flat fee
scarlet	Telephony, internet and mobile in one package	Laat je niet uitkleden!	**Unlimited calls and internet € 39.95** Tariff € 39.95 Incl. national flat fee and mobile ADSL speed 512 kbs

- Offers fluctuate and oftentimes change daily
- Difficult to compare like with like as offers represent different loading speeds, include discounts and special offers , are sometimes part of bundles and are often subject to a whole host of restrictions
- Offers by cable operators exclude TV subscription
- Overview is not exhaustive, all competitors have numerous offers

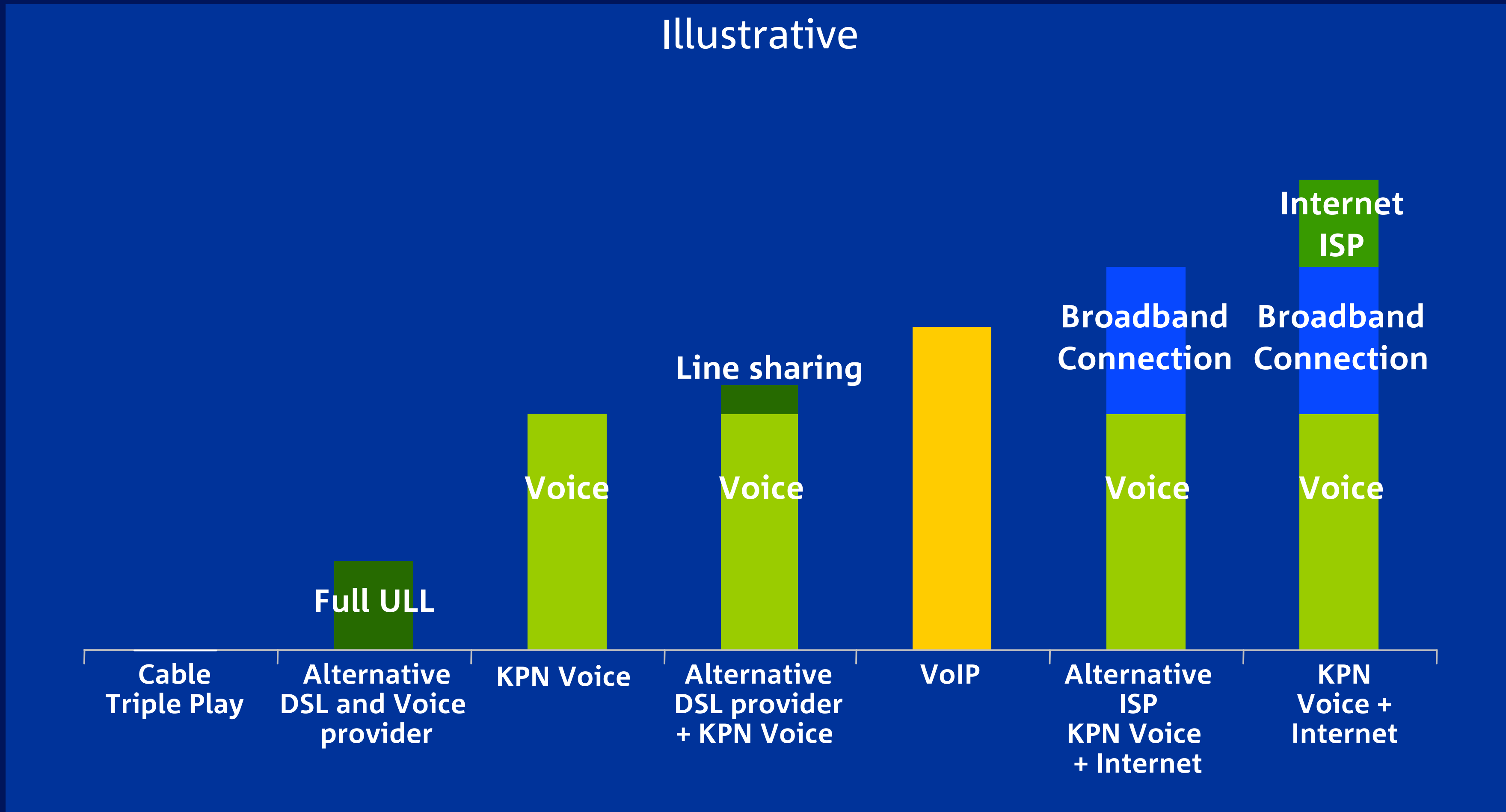
Distribution through multi-brand ISP approach



Upscaling the VoIP consumer proposition along several dimensions

2005	Q2	Q3	Q4
ISP's	kpn	XS4ALL Planet Internet	Het Net
Services	◆ Additional phone numbers ◆ Video calls ◆ Secure wireless network ◆ Voicemail	◆ Teleconferencing ◆ E-mail and voicemail ◆ IP TV ◆ ADSL2+	◆ Chatting ◆ E-mail black and white list
Marketing/ Distribution-intensity	◆ Below the line marketing ◆ Direct mail packages ◆ Maximum of a several thousand orders	◆ Above the line marketing ◆ Start sales through Primafoon, KPN.com and call center	

Revenue building blocks



KPN's VoIP positioned as a breakthrough product

Aspect	**'Traditional business'** : with regulated prices, little innovation, mass market	**'The new world'** : Innovative, future-proof, customized solutions, attractive TCO
CPE[1]	• No new investments needed, little innovation	• Potentially significant investments in CPE (but can be phased)
New Services	• No new services, only existing 'plain vanilla' applications	• Many new features (e.g. Unified Messaging) and services (Centrex)
Pricing	• Higher than VoIP, limited discounts	• Intra-company traffic for free • Considerable discounts on off-net traffic vs. PSTN traffic
Appeal / Brand	• Simple, reliable	• Future-proof, innovative, lower TCO
Complexity	• No added complexity, simple	• Complex migration process
Regulation	• Clearly regulated	• Application on data platform not regulated
Customer specific	• Mass market approach with some variations in CPE	• Very specific migration paths, CPE and service needs

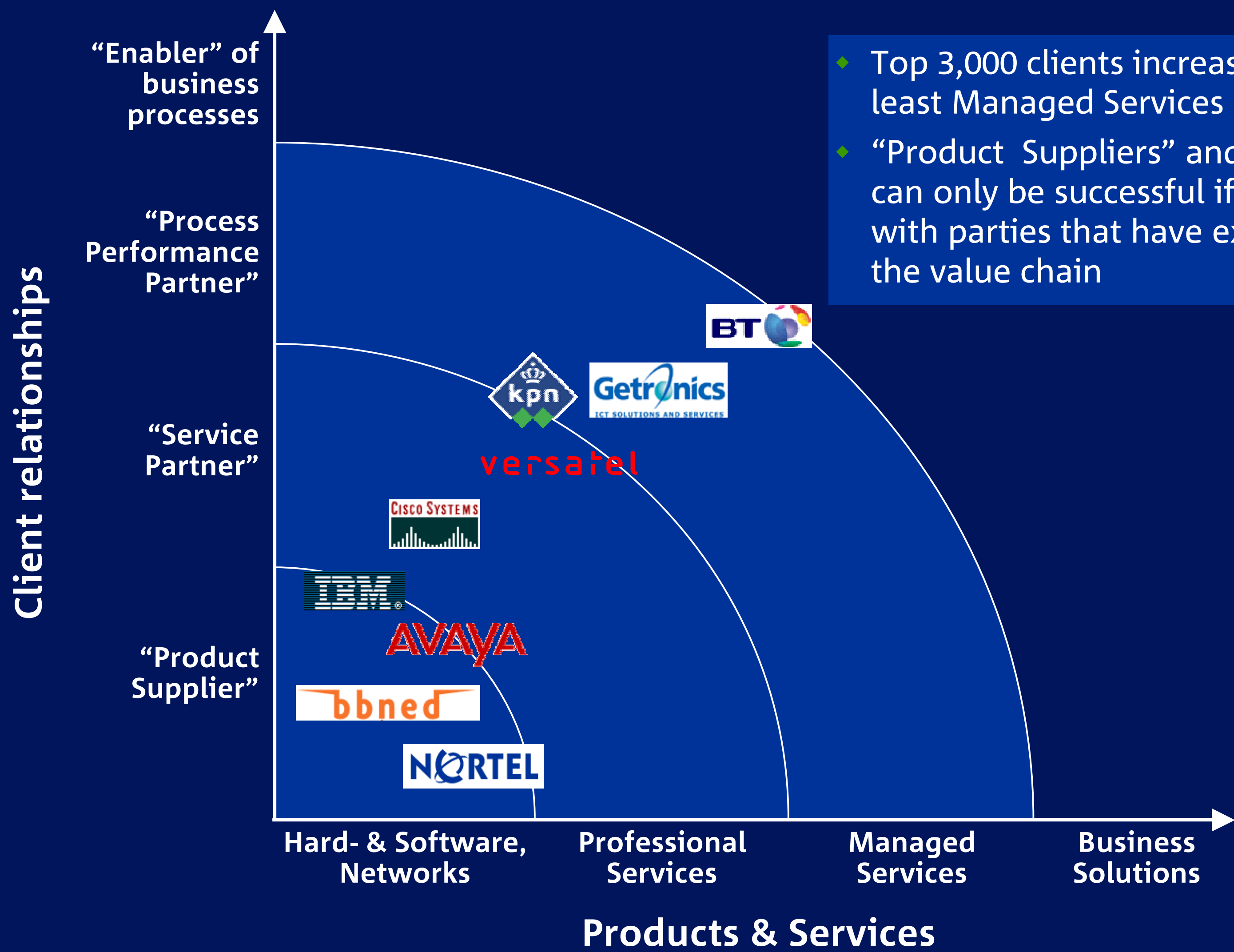
1 Customer Premises Equipment

VoIP business product portfolio

Added value			
IP Centrex	Voice and Multimedia Services from KPN network enabling more flexibility without high investments	Large Corporate	
VoIP VPN	Inbound and outbound calling. (IP) PBX on one or more locations connected through cost effective IP Bridge		
Managed VoIP	With (IP) phones calling on WAN (One/MVPN) with IP PBX functionality. Extention possible with IP Bridge (off-net) and / or hosted IP PBX		
On site VoIP	VoIP via (IP) PBX on-site		
Business VoIP	Small and medium business VoIP (Office DSL) with more value added services	SME	
Dual play professional	Small business VoIP (ADSL) with remote office and simringing services		
InternetPlusBellen	Consumer offer (ADSL)	Consumer	

Overview of competition from IP Communications perspective

- Top 3,000 clients increasingly require at least Managed Services
- "Product Suppliers" and "Service Partners" can only be successful if they cooperate with parties that have expertise higher up the value chain



Regulatory landscape

Marcel Smits
CFO

EU New Regulatory Framework (NRF)

General

- 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 dominancy tests will be based on general competition law instead of current sector specific criteria

The Netherlands

- 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 as of Q1 2005
  - Mobile markets — March 17
  - Broadcasting — Mid May
  - Broadband, fixed telephony and leased lines — Expected end June / early July
- Applicability expected end second half 2005

Update on regulation in the Netherlands

- Market analysis mobile markets, March 17, draft OPTA decision
  - All mobile operators designated as SMP1 on own networks for termination
  - As of July 2008 call termination rates equal
  - KPN Mobile no longer designated as operator with SMP1
  - Subject to consultation, expected to come into force (late) Summer 2005
- VoIP
  - OPTA announced in March that it currently has no authority to regulate VoIP
  - Under new regulatory framework this is likely to be different
  - VoIP included in market analysis fixed telephony (draft decision end June / early July)

1 Significant Market Power

VoIP in the EU

- The European Commission proposes a “light touch” approach towards regulating VoIP
  - “the roll-out of new IP-based services will not be hindered by regulatory hurdles
  - New technologies should be able to flourish and deliver better services at lower cost to Europe’s businesses and citizens”
- European Regulators Group has indicated that impact of VoIP is too small to take into account
- No examples of regulation of retail VoIP in other countries of the EU as yet

VoIP in the Netherlands

- OPTA stated that under the Current Regulatory Framework, OPTA can not regulate KPN's retail VoIP service
  - KPN has commercial freedom in launching its "InternetPlusBellen" retail service
- OPTA is currently implementing the New Regulatory Framework
  - Design decisions on market clusters Fixed Telephony, Broadband and leased lines expected early July
  - National consultation on design decisions ends early September
  - Notification of draft Final decision with the EU mandatory
- European Commission has power to veto OPTA's decisions
  - Final decision on market clusters is not expected before end of October
  - New Regulatory Framework not in place before January 1, 2006

Expected outcome in the Netherlands under the New Regulatory Framework

- In the ERG position paper on VoIP OPTA stated
  - “the impact of VoIP services on the fixed telephony and broadband market is very limited up until now. Since we are planning to publish our concept market decisions on the fixed telephony and broadband market in June 2005, the expectation is that VoIP service offerings will not have an impact on regulatory intervention. OPTA will however monitor both markets very carefully to see whether VoIP service offers should have an impact on the regulatory intervention. In the meantime OPTA will have a light touch approach towards regulation on VoIP in accordance with the ERG position as stated in February 2005"
- In the design decisions on the Broadcast market in the Netherlands OPTA made a clear choice for infrastructure competition
  - VoIP competition also based on infrastructure competition

Conclusion

Conclusion

- Now is the time to introduce VoIP
  - Conditions are right and all prerequisites are in place
- KPN is in the process of building an all IP network infrastructure
  - Enabler for new revenue streams and cost reductions
- We have launched compelling VoIP products in the Dutch market
  - For both the consumer and corporate markets
- Relatively benign regulatory framework for VoIP possible

The cornerstone of our strategy

Attack → Leadership of converging communications market

Q & A

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