



# Second Quarter Results

22 August 2003



## 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, 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 on Form 20-F for the year ended December 31, 2002.



# General



## Highlights Q2

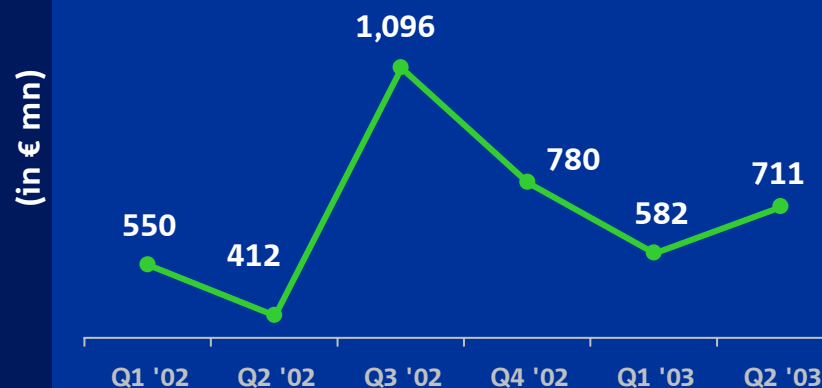
- Strong operational results
- E-Plus customer base increased to 7.7 mn; since then exceeded 7.8 mn
- ADSL increased from 418,000 to 513,000<sup>1</sup>
- Sale of 6.48% stake in Český Telecom for € 223 mn
- Net debt reduced to € 10.2 bn
- Credit ratings improved to Baa1 (stable, Moody's) and BBB+ (positive, S&P)

# Focus on margin and cash flow remains...

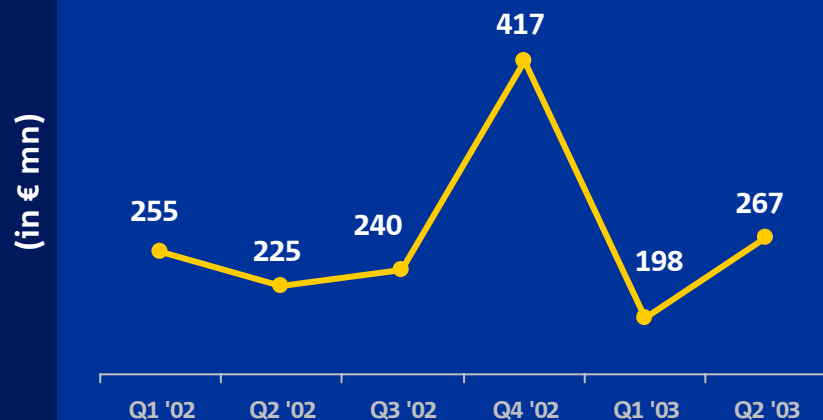
### Operating EBITDA margin<sup>1</sup>



### Free cash flow



### Capex

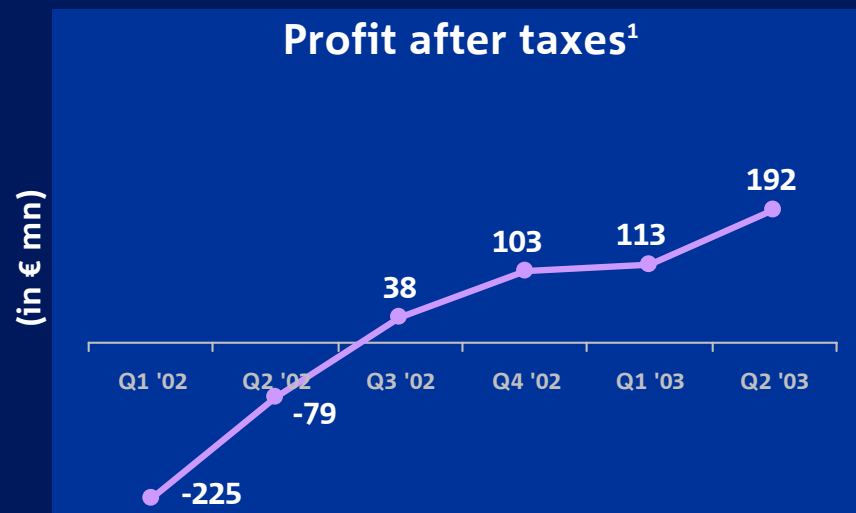
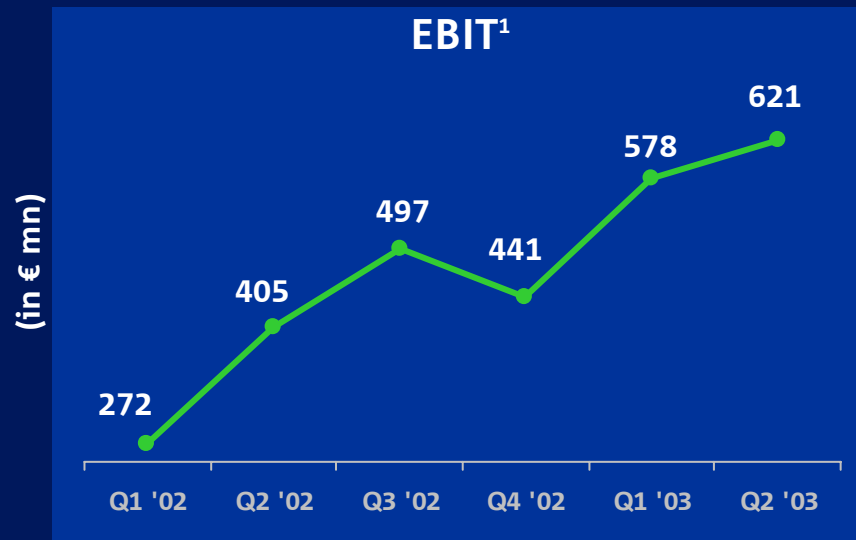
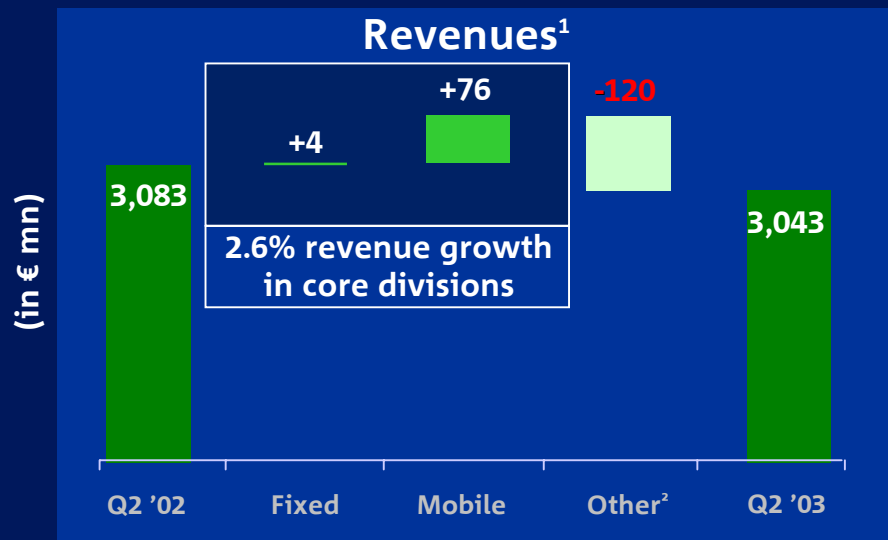


### Net debt



P <sup>1</sup> Excluding exceptional items

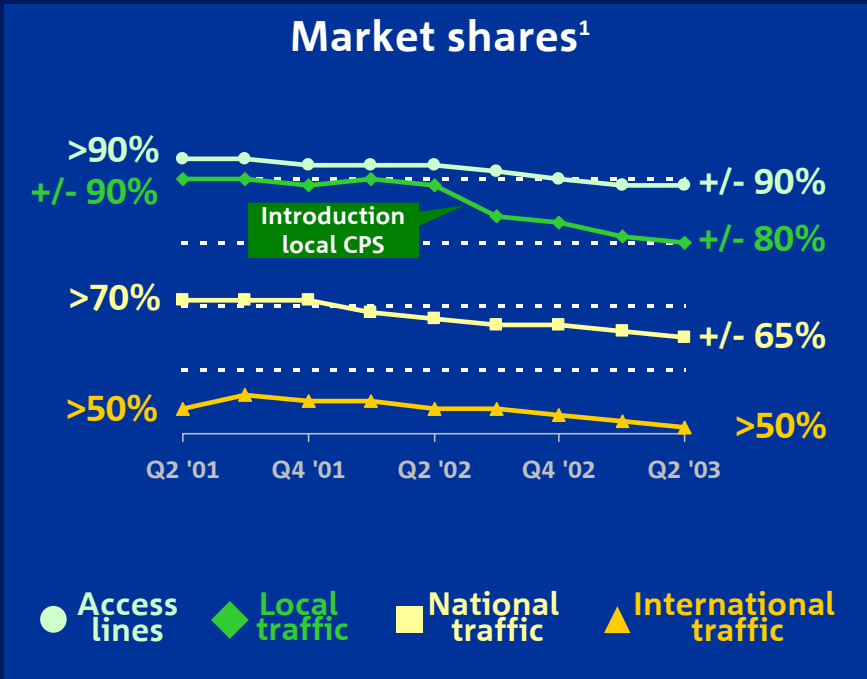
# ...resulting in increased profitability



<sup>1</sup> Excluding exceptional items  
<sup>2</sup> Including inter company sales

# Fixed

## Defending our revenue base...



- Revenues stable despite
  - CPS competition
  - Fixed to Mobile substitution
  - ADSL growth
  - Migration to Business DSL and IP-VPN
  
- Striking the balance between pricing and market share
  
- Commercial initiatives to defend market share and maximize revenues per customer

### Consumer market

- Discount package introduced (*BelPlus100*)
  - 500,000 customers end Q2
- Marketing campaign 'Conscious caller'

### Business market

- Growing number of IP-VPN customers
- Introduction of complete DSL portfolio
- Entrance in WiFi market by acquisition HubHop<sup>2</sup>

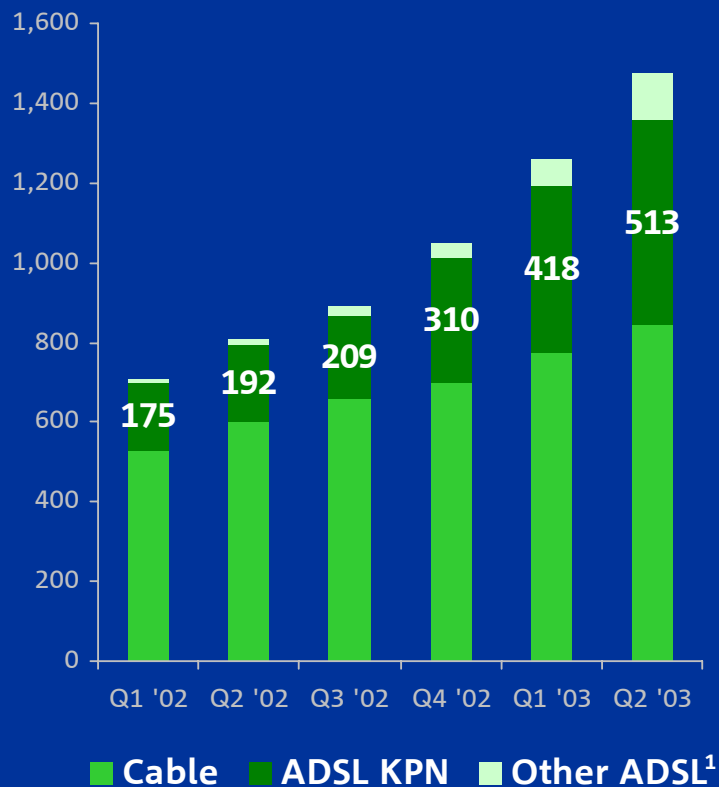
<sup>1</sup> Local telephony traffic in minutes; broadband and access in number of lines

P <sup>2</sup> A leading Dutch WLAN hotspot operator

# Fixed ...and expanding on broadband

X 1,000

Number of broadband connections  
in the Dutch market



- Penetration in the Netherlands in top quartile Europe
- ADSL population coverage of 87%
- Market share of consumer broadband market approx. 35%
  - 69% of these connections sold via KPN ISP's
- Target of 675,000 connections as at YE 2003

# Mobile

## Growing market position in Germany and Belgium

e-plus<sup>+</sup>

*Strengthen third position by increasing customer base to more than 8 mn end 2003 with margins in Q3 and Q4 of 20 - 25%*

**Results Q2:**

- 270,000 net adds leading to 7.7 mn customers
- 23.5% operating EBITDA margin

*Increase market share and become cash flow positive during 2004*

**Initiatives:**

- Commercial repositioning with 'Freedom of Speech' and 'Freedom of Choice' campaigns
- Challenge incumbent fixed line operator with competitive voice offer

**BASE**<sup>®</sup>

# Mobile Data

## Services *i-mode*

- In Q2
  - Subscriber base increased to 353,000
  - Simplified tariff structure
  - New handsets with JAVA, MMS, camera and video capabilities
  - 430 contract content sites; approx. 7,000 free content sites
- Second half 2003
  - Prepaid in NL: introduced in August
  - Prepaid in Germany & Belgium: Q4
  - Further expansion handset portfolio
- Target
  - 1 million subscribers end 2003



## Network *UMTS*

- UMTS roll-out
  - Fulfilment of license obligations
  - Market demand for 3G services determines speed of further roll-out
- Integration MobilCom assets
- Launch
  - Germany: CeBIT 2004
  - Netherlands: Mid 2004 (Pilot H2 2003)
  - Belgium: Pilot end 2003
- Services should work 'seamlessly'
  - UMTS and GSM/GPRS will co-exist
- Capex
  - € 1.4 bn<sup>1</sup> up to and including 2005

# Benchmarking

## Challenging ambition

*Ambition: Top quartile on all metrics*

Category	Metric	Q1 '03
Growth	Revenue growth	Yellow
	Operating EBITDA growth	Green
	PBT growth	Green
Return	Operating EBITDA margin	Yellow
	PBT margin	Yellow
	ROIC	Yellow
	TSR	Yellow
Efficiency	Revenues per FTE	Green
	Operating EBITDA per FTE	Green

■ In Q1 KPN outperformed on

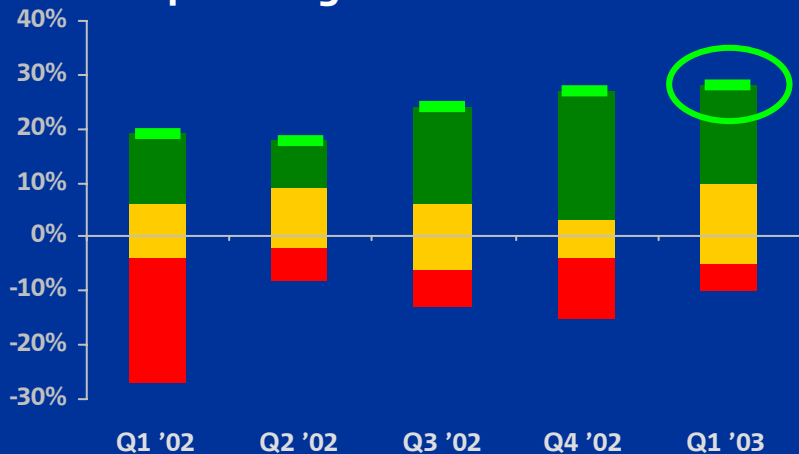
- Operating EBITDA growth
- PBT growth
- Revenue per FTE
- Operating EBITDA per FTE

■ Top quartile 
 ■ 2nd & 3rd quartile 
 ■ Bottom quartile

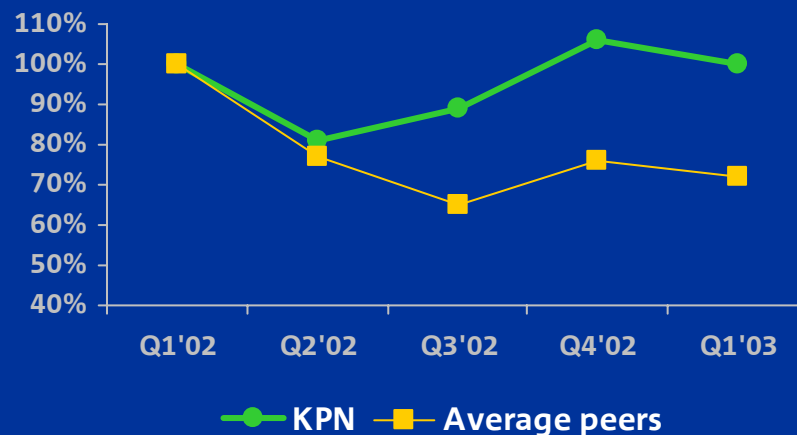
# Benchmarking

Top quartile in some metrics, but room to improve other metrics

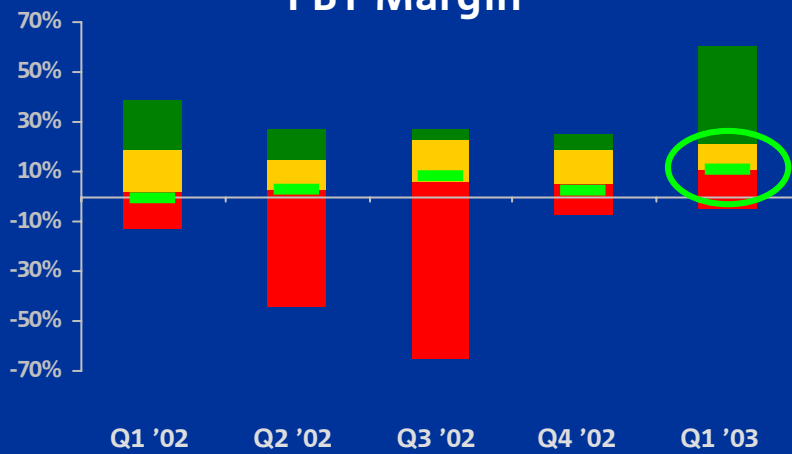
### Operating EBITDA<sup>1</sup> Growth



### Total Shareholder Return



### PBT Margin



<sup>1</sup> Excluding exceptional items

# Regulation

KPN has filed for injunction regarding recent  
OPTA ruling on fixed interconnection rates

Existing restrictions on KPN's discount schemes continued  
by OPTA; KPN objects to being restricted in offering  
attractive packages to customers

No lowering of mobile termination rates  
required yet

# Corporate Governance

KPN's reaction to Dutch draft code Tabaksblat<sup>1</sup>

KPN supports initiatives to improve corporate governance

KPN will give feedback on a few specific provisions

Sarbanes-Oxley Act

KPN is in compliance<sup>2</sup>

# Outlook 2003

## Excluding impact potential Mobile termination reduction

Outlook full year	3 March 2003	12 May 2003	22 August 2003
Growth revenues core activities <sup>1</sup>			
▪ Fixed	0 – 2 % <sup>2</sup>	0 – 2 %	flat
▪ Mobile	5 – 10 %	approx. 10 %	approx. 10 %
Operating EBITDA growth <sup>1</sup>	minimum 5 %	minimum 5 % <sup>3</sup>	minimum 10 % <sup>4</sup>
Profit before taxes <sup>1</sup>	more than € 1 bn	more than € 1 bn <sup>3</sup>	approx. € 1.4 bn <sup>4</sup>
Capex	€ 1.6 - 1.8 bn	approx. € 1.5 bn	approx. € 1.5 bn
Free cash flow <sup>5</sup>	approx. € 1.5 bn	approx. € 1.8 bn	more than € 2.0 bn
Net debt YE	less than € 10.5 bn	approx. € 10 bn	less than € 9.5 bn

<sup>1</sup> Excluding exceptional items

<sup>2</sup> Outlook March: Fixed Networks 0-2%; Business Solutions: stable

<sup>3</sup> Taking into account a possible pension shortfall of € 111 mn as at April 30, 2003

<sup>4</sup> Taking into account a possible pension shortfall of € 54 mn as at July 31, 2003

<sup>5</sup> Net cash flow from operating activities after Capex, interest, tax and restructuring expenses



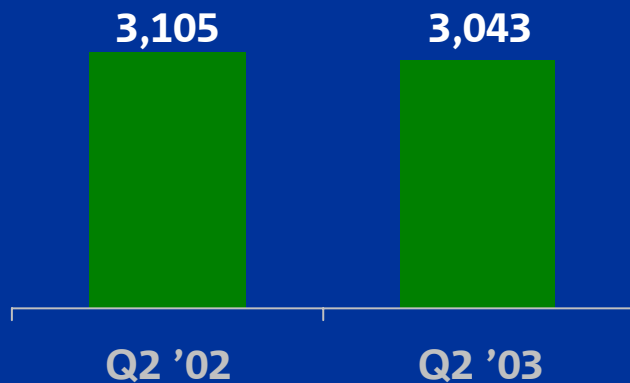
# Financial



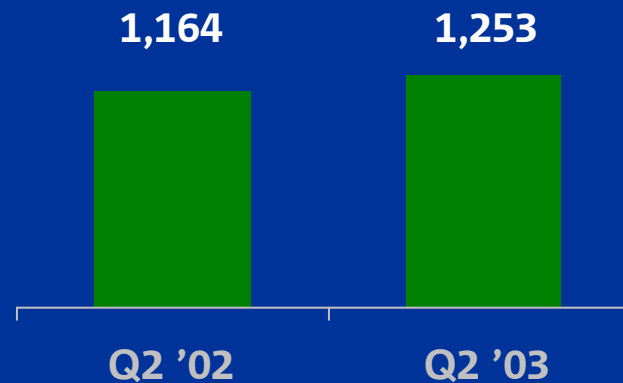
# Financial highlights in Q2

(Reported, in € millions)

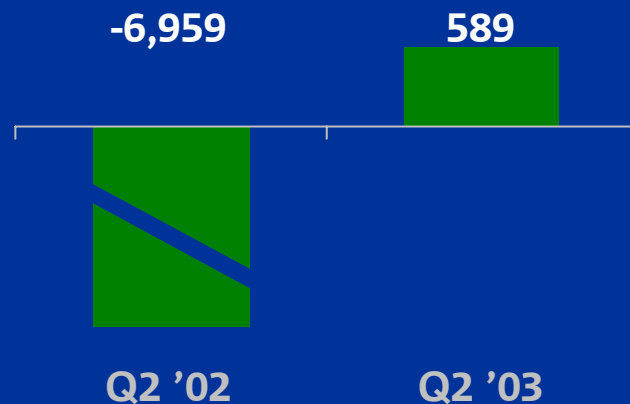
Revenues (-2%)



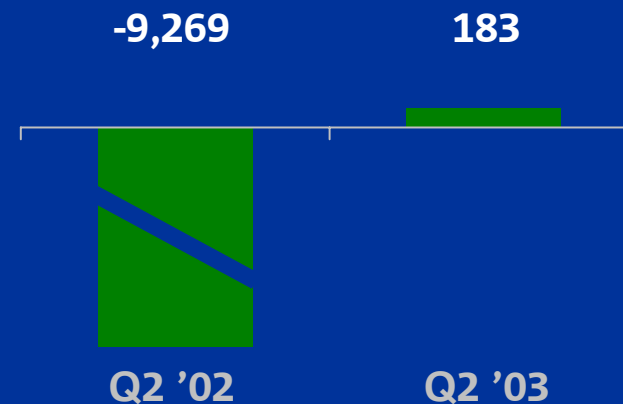
Operating EBITDA (+8%)



EBIT



Profit after taxes



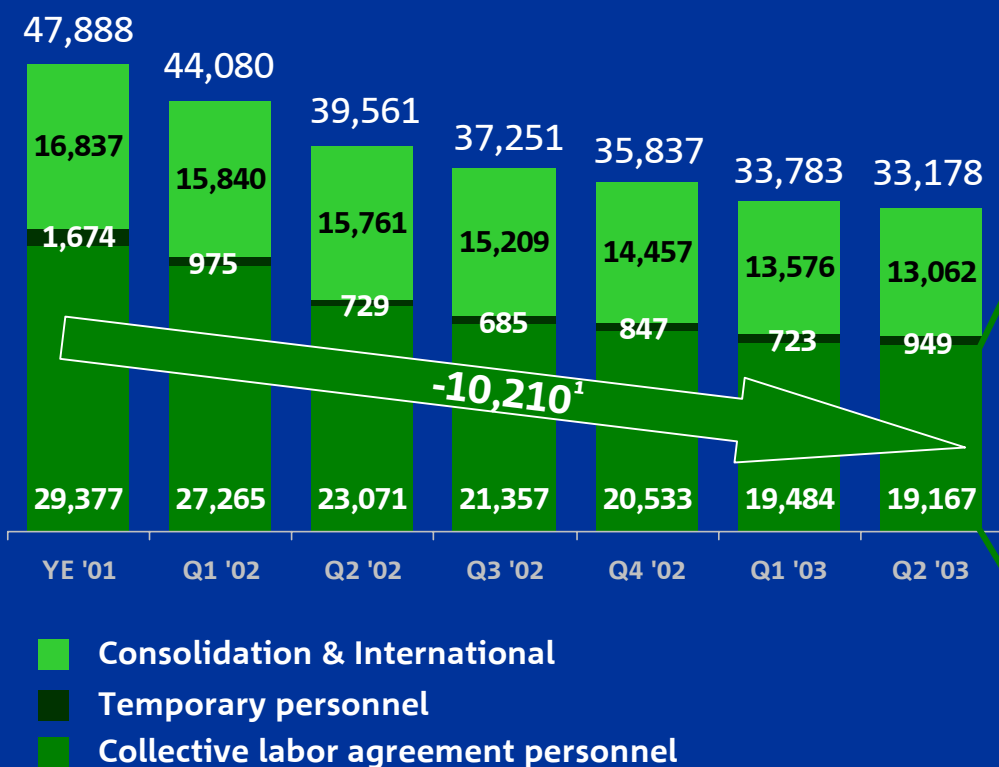
# Results Q2

<i>Excluding exceptional items, € millions</i>	Q2 '02	Q2 '03	%	YTD '02	YTD '03	%
<b>Revenues</b>	<b>3,083</b>	<b>3,043</b>	<b>- 1%</b>	<b>6,007</b>	<b>6,039</b>	<b>1%</b>
Opex	-1,989	-1,796	- 10%	-3,973	-3,584	- 10%
<b>Operating EBITDA</b>	<b>1,094</b>	<b>1,247</b>	<b>14%</b>	<b>2,034</b>	<b>2,455</b>	<b>21%</b>
Depreciation <sup>1</sup>	-574	-547	- 5%	-1,133	-1,095	- 3%
Amortization <sup>1</sup>	-115	-79	- 31%	- 224	-161	- 28%
<b>EBIT</b>	<b>405</b>	<b>621</b>	<b>53%</b>	<b>677</b>	<b>1,199</b>	<b>77%</b>
Financial income/expense	-317	-202	- 36%	-584	-434	- 26%
<b>Profit before taxes</b>	<b>88</b>	<b>419</b>	<b>&gt;100%</b>	<b>93</b>	<b>765</b>	<b>&gt;100%</b>
Income participating interests	1	1	0%	-121	0	-100%
Minority interests	5	2	- 40%	6	8	33%
Taxes	-173	-230	33%	-282	-468	66%
<b>Profit or loss after taxes</b>	<b>-79</b>	<b>192</b>		<b>-304</b>	<b>305</b>	

# Cost reduction program

## More progress to be made

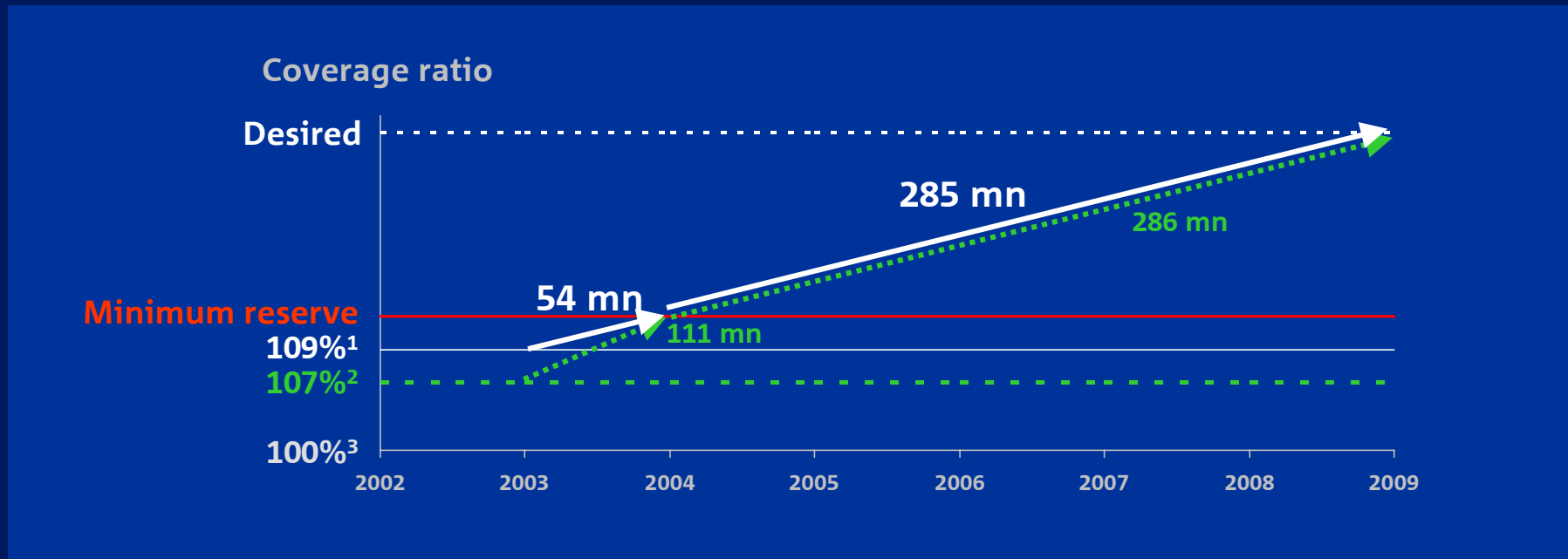
Total number of personnel (FTE)



<sup>1</sup> Including deconsolidation effect of 512 Q1 2003 KPN Valley R&D activities and logistics  
3,182 FY 2002 (Network Construction, End-User Services and Software House) and natural attrition

# Pension charges

Potential additional P&L charge for 2003 amounts to € 54 mn<sup>1</sup>



- Potential funding 2003 decreased from € 111<sup>2</sup> mn to € 54<sup>1</sup> mn
  - Coverage ratio increased to 109%
- Total remaining funding shortfall is € 339<sup>1</sup> mn; € 285<sup>1</sup> mn to be funded in the next five years

<sup>1</sup> Based on situation July 31, 2003

<sup>2</sup> Status April 30, 2003

P <sup>3</sup> Any coverage below 100% has to be funded within 12 months

# Update Mobile terminating tariffs

No reduction forced as of yet

Update possible annualized impact <sup>1</sup> of tariffs as proposed by OPTA		
€ millions	Revenues	Operating EBITDA
Fixed	- 410	0
Mobile	- 180	- 110
Intercompany	+ 240	0
<b>KPN Group</b>	<b>- 350</b>	<b>- 110</b>

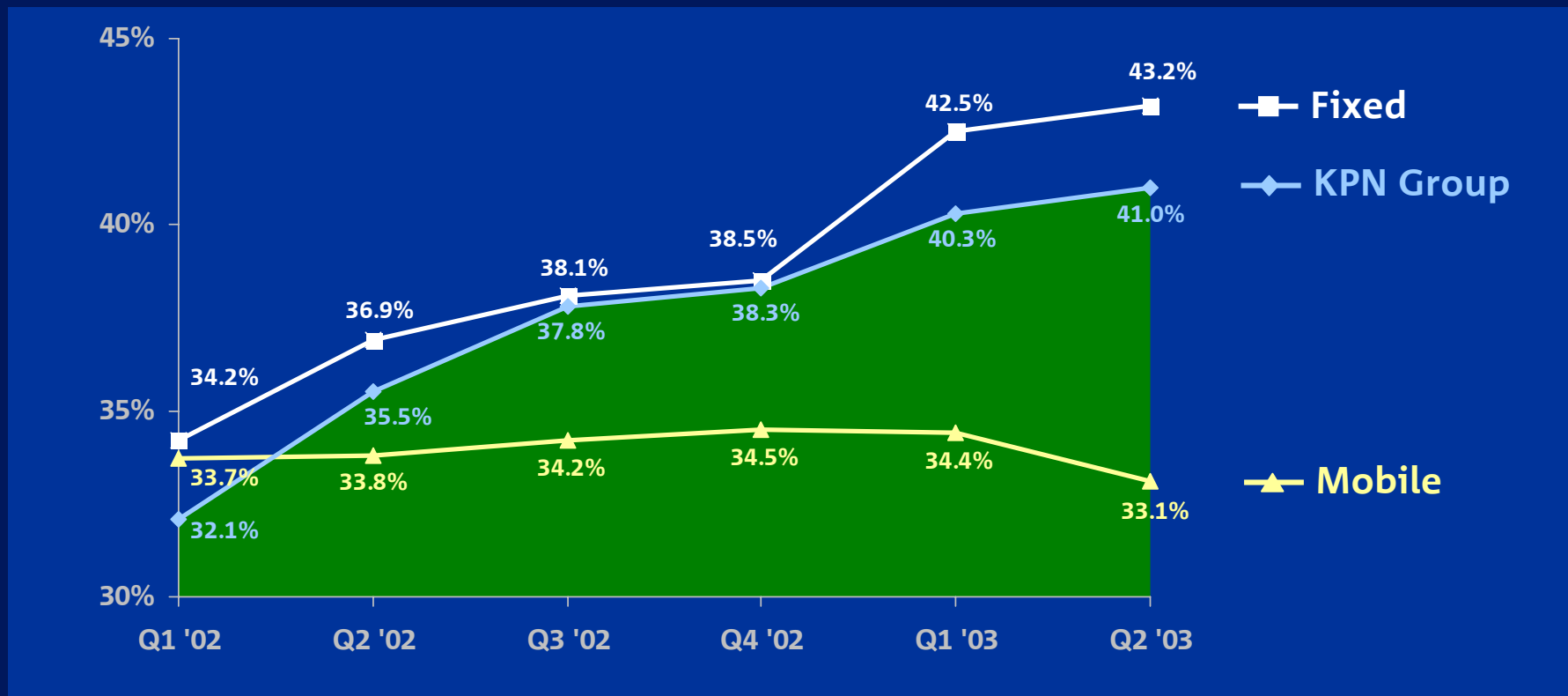
- Most recent court ruling: OPTA does not have jurisdiction in indirect interconnection cases (majority of cases); OPTA has appealed
- NMa<sup>2</sup> has recommenced its investigation, to be finalized by end of Summer 2003

<sup>1</sup> Under the assumption that MTA tariffs decrease from KPN's current level of € 0.189 to € 0.1296

<sup>2</sup> Dutch competition authority

# Operating EBITDA margins<sup>1</sup>

## Overall improvement driven by Fixed



- Fixed continues to benefit from cost reduction program
- Mobile margin decreases slightly due to subscriber growth E-Plus

# Free cash flow

€ millions	Q2 '02	Q2 '03	%
<b>Profit or loss after taxes</b>	<b>-9,269</b>	<b>183</b>	<b>&gt; 100%</b>
Minority interests	-5	-16	
Depreciation, amortization and impairments	8,123	664	
Income from participating interests	1,203	-1	
Results from sale of assets	-22	-11	
Change in provisions and deferred taxes	762	70	
<b>Net cash flow from operating activities before changes in working capital</b>	<b>792</b>	<b>889</b>	<b>12%</b>
Inventory	12	-15	
Receivables	-12	-13	
Other current assets	120	78	
Current liabilities	-275	39	
<b>Change in working capital</b>	<b>-155</b>	<b>89</b>	
<b>Net cash flow from operating activities</b>	<b>637</b>	<b>978</b>	<b>54%</b>
Capex	225	267	19%
<b>Free cash flow<sup>1</sup></b>	<b>412</b>	<b>711</b>	<b>73%</b>

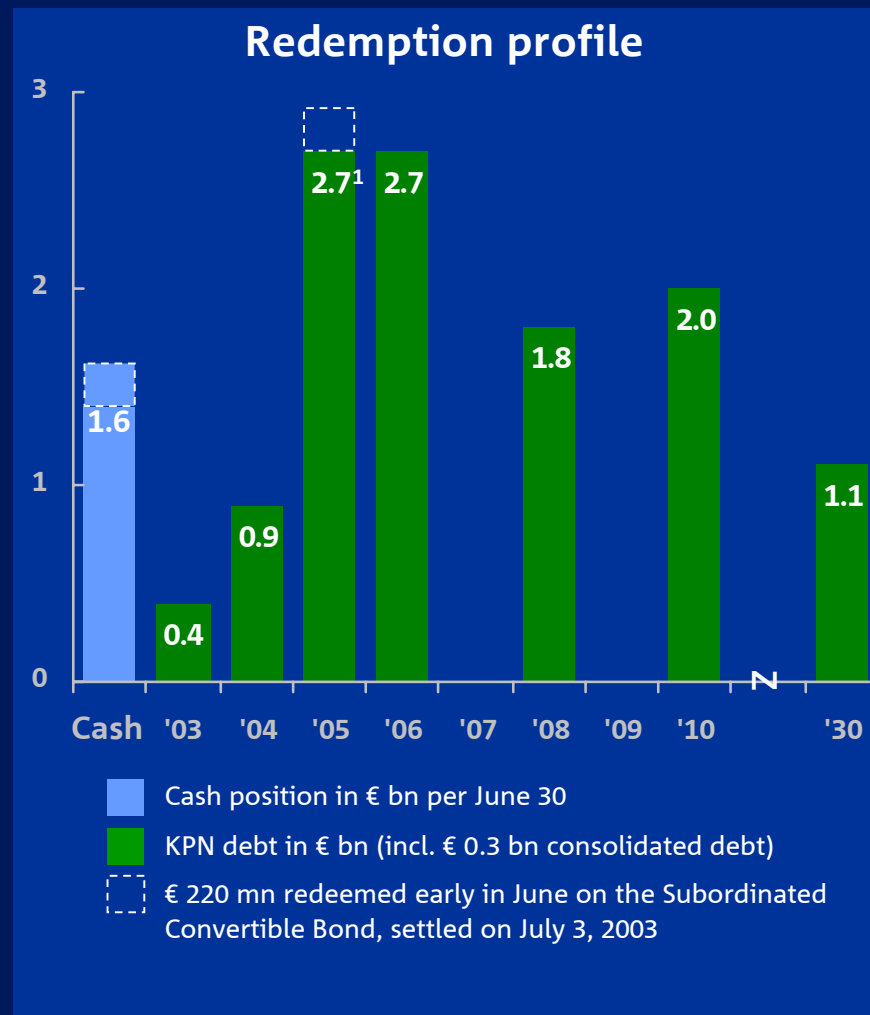
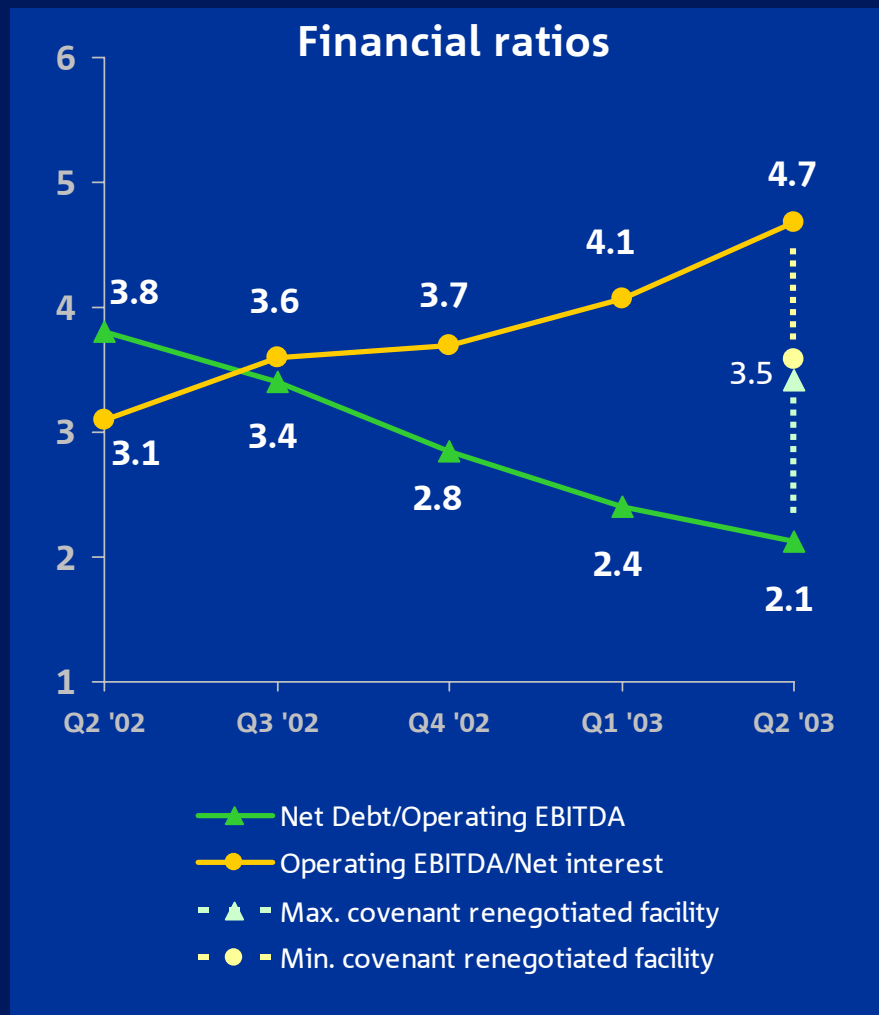
Changes in working capital in Q2 '03 mainly relate to

- Change in accrued interest due to interest payments (€ 124 mn)
- Tax refund on preliminary assessment 2002 (€ 194 mn)
- Payment of pension shortfall 2002 (€ 52 mn)

<sup>1</sup> Operational cash flow after Capex, interest, tax and restructuring expenses

# Financial profile

## Solid ratios & improved redemption profile



<sup>1</sup> Including convertible bond of € 1.3 bn (after settlement early redemption)

# Taxes

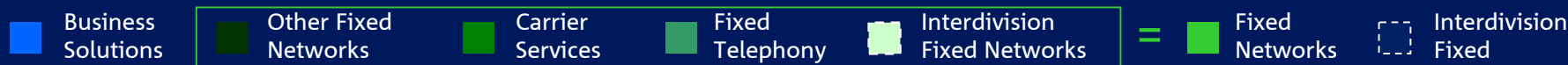
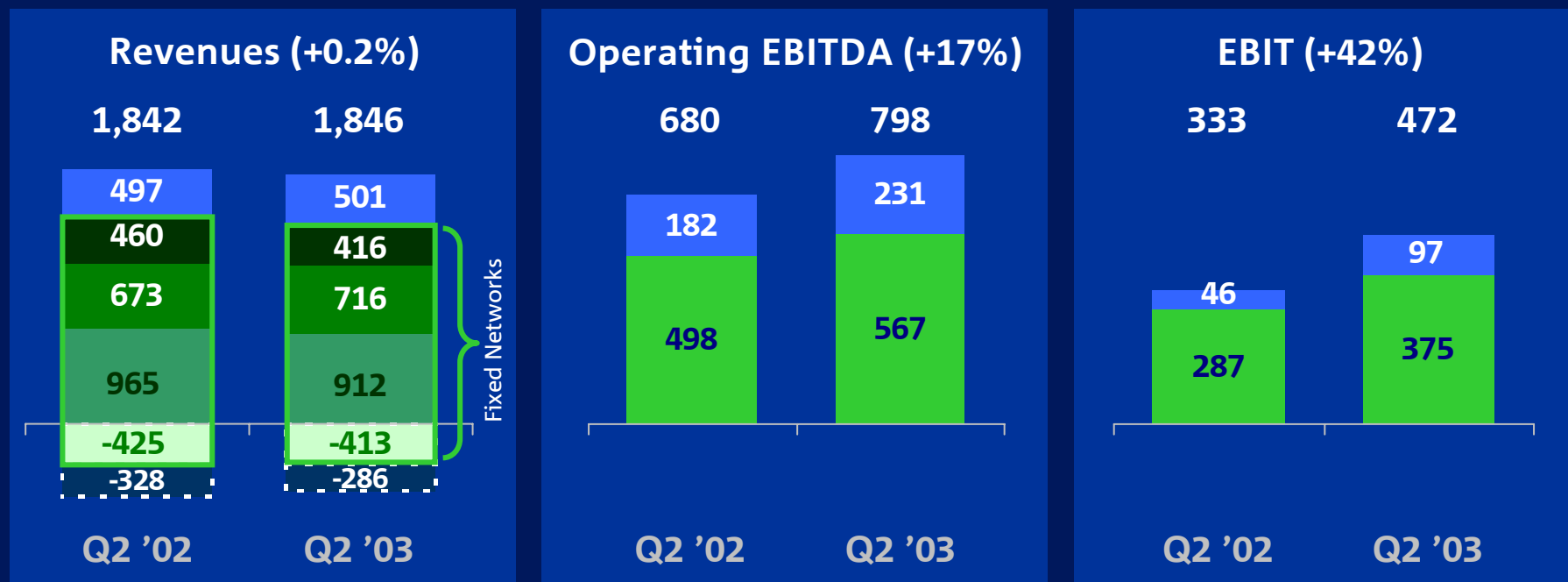
## Expectations unchanged

- Tax consequences of the financial restructuring of Mobile
  - Discussions with the tax authorities still ongoing
  - Uncertainties with regard to the tax consequences remain
  - No (deferred) tax liability or (deferred) tax asset recognized Q2 '03
  - Reiteration earlier given expectation that Royal KPN, KPN Mobile and E-Plus will not pay corporate taxes during 2003 and 2004
  
- VAT reclaim UMTS licenses
  - Exploring best course of action

# Fixed in Q2

## Strong operating EBITDA and EBIT growth

(Excluding exceptional items, € millions)

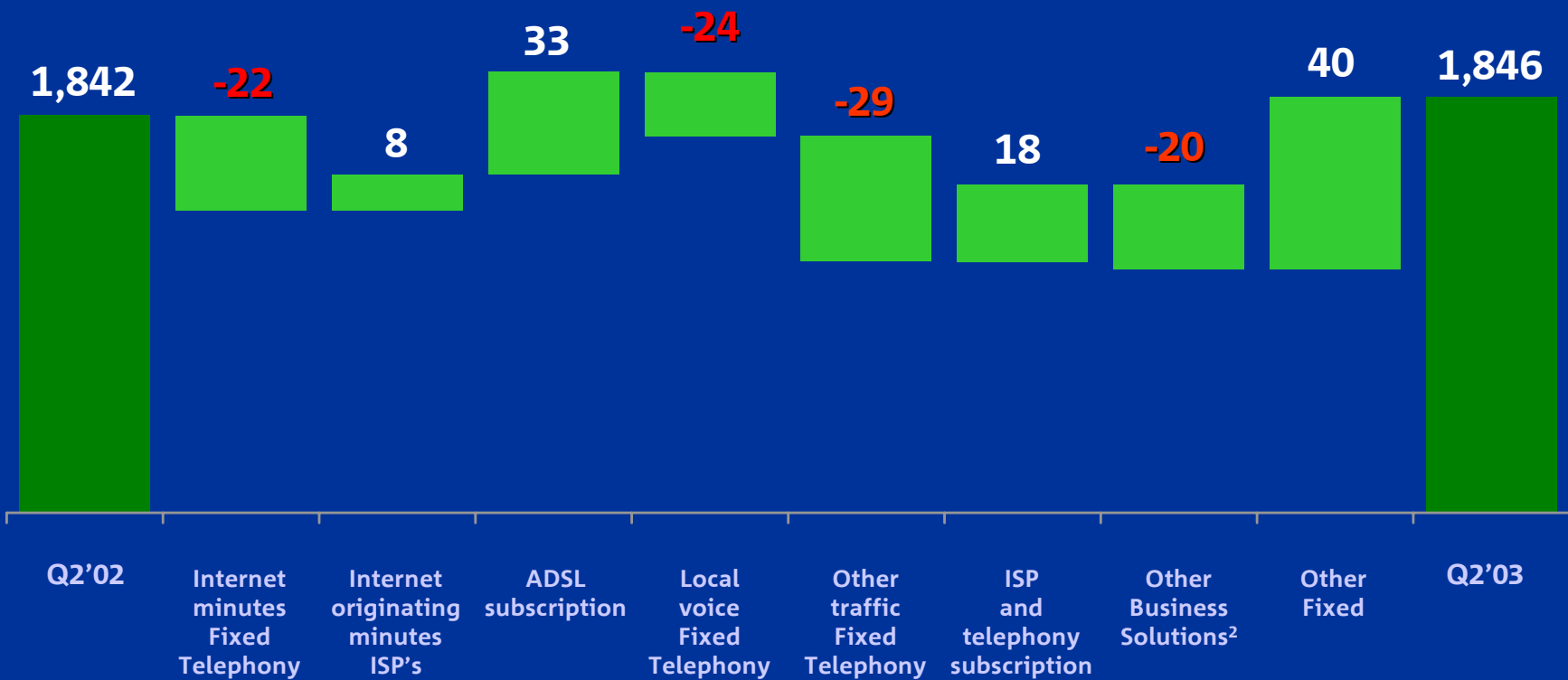


- Fixed Telephony      Decrease in revenues due to direct billing of internet traffic by ISP's, migration to broadband, competition from CPS and mobile substitution
- Carrier Services      Increase in revenues as result of higher wholesale volumes
- Business Solutions    Slight increase in revenues due to ADSL growth and other revenues
- Other                      Higher revenues from ISP's and SNT were more than offset by lower internal revenues (cost savings)

# Revenue development Fixed<sup>1</sup>

Increase of 0.2%

€ millions



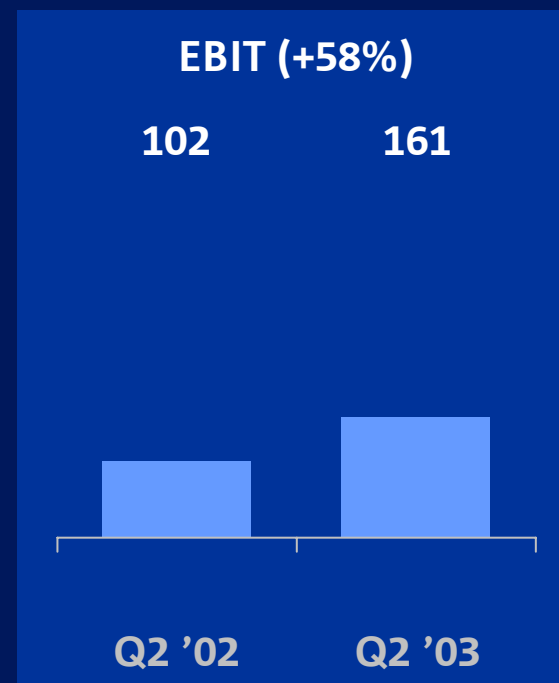
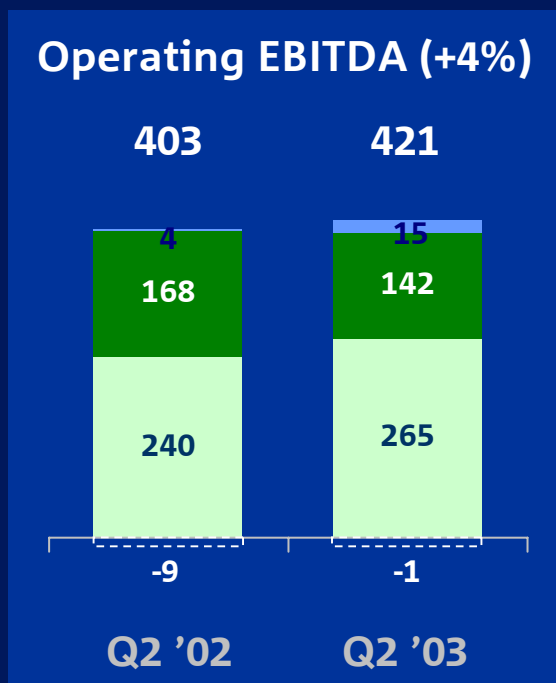
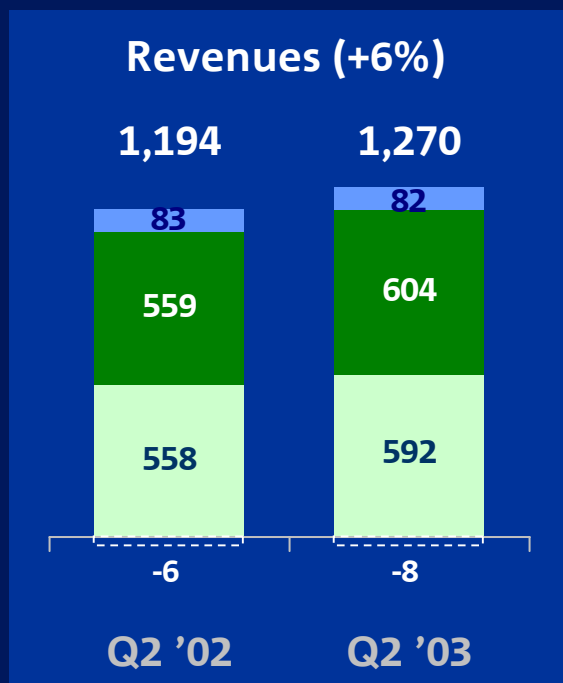
<sup>1</sup> Total division Fixed, including Business Solutions

<sup>2</sup> Excluding ADSL subscription revenues of IP Services

# Mobile in Q2

## Further increase in revenues, operating EBITDA and EBIT

*(Excluding exceptional items, € millions)*

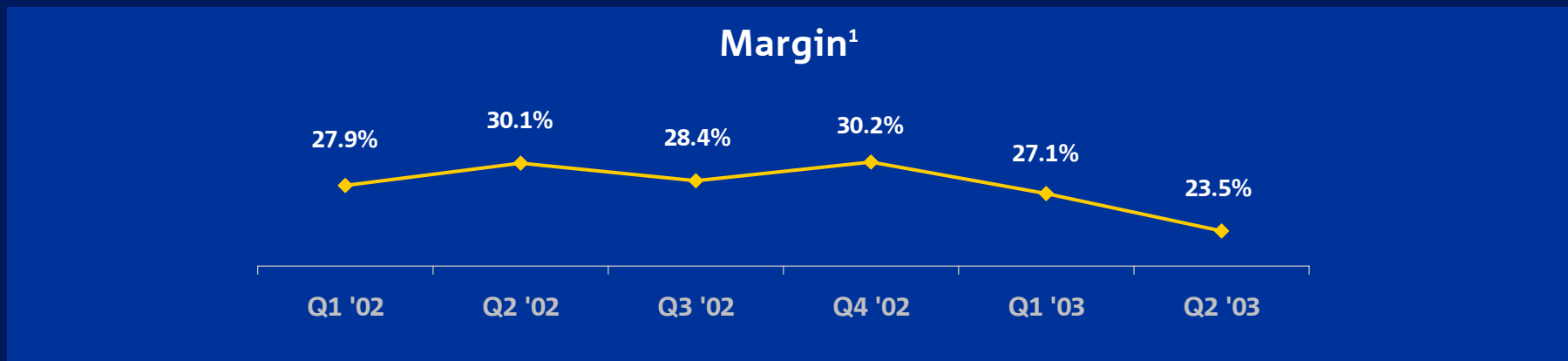
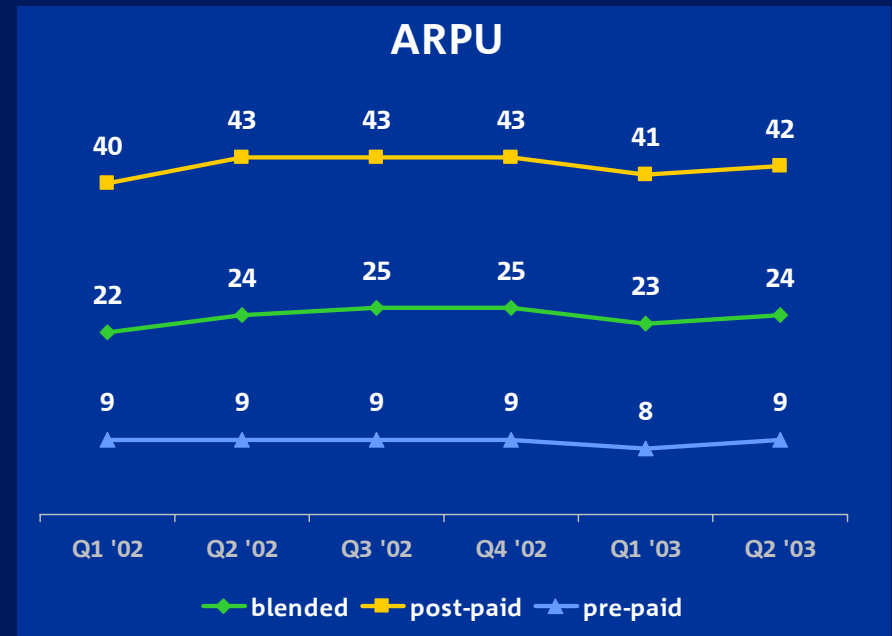
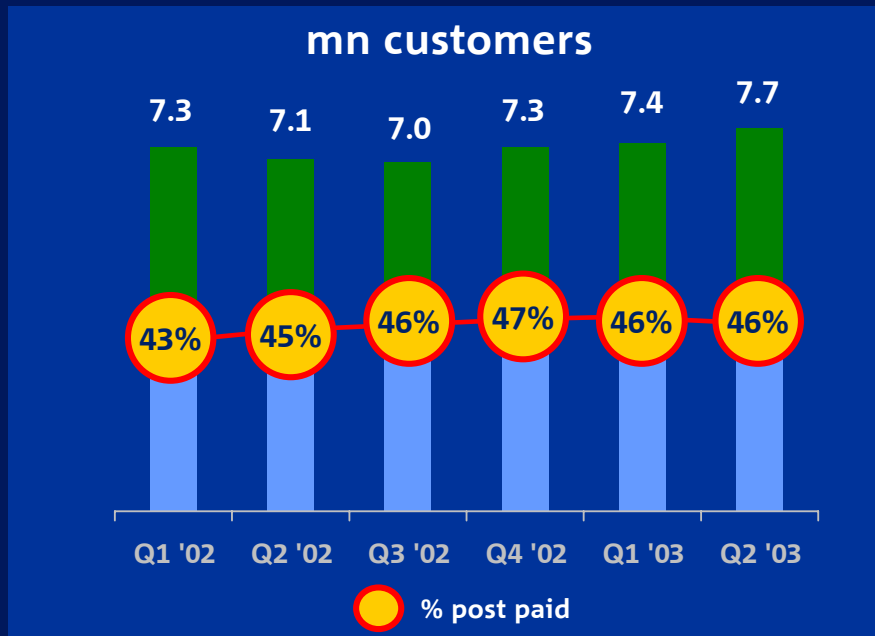


■ KPN Mobile (NL)   
 ■ E-Plus   
 ■ BASE   
  Other

- KPN Mobile (NL)      Continued strong margin performance: 44%; revenue growth 6%
- E-Plus                 Revenue growth 8%; growth customer base to 7.7 mn
- BASE                    Continued improvement of operating EBITDA and operating EBITDA margin

# E-Plus in Q2

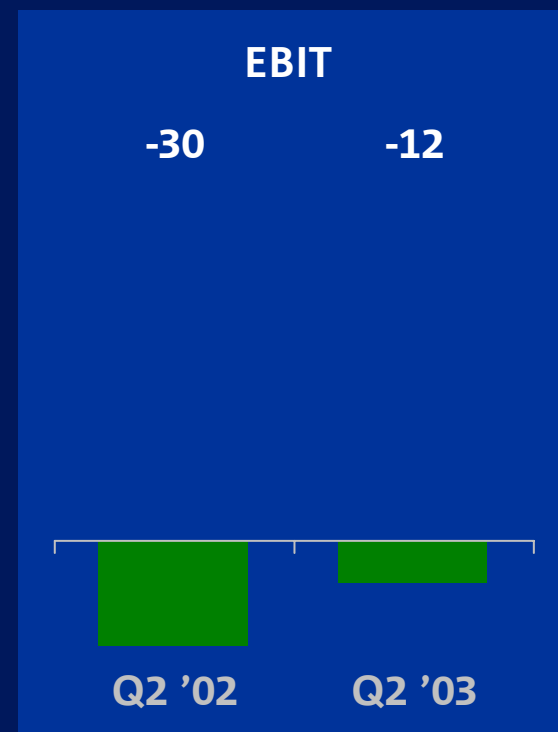
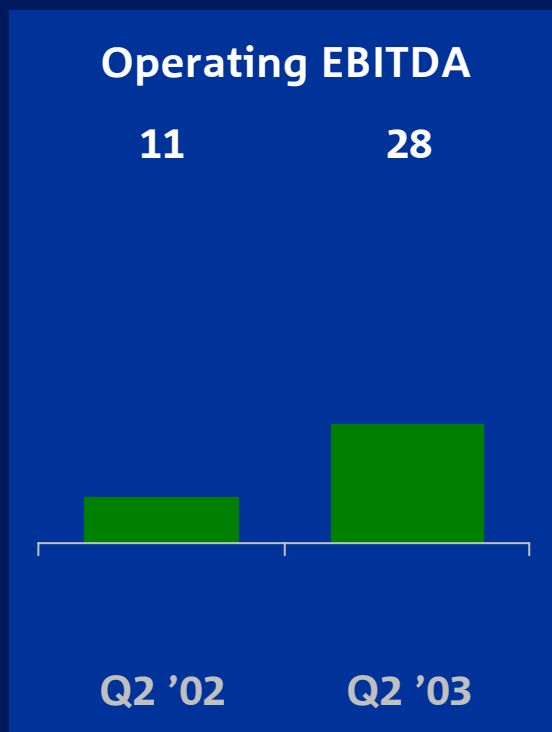
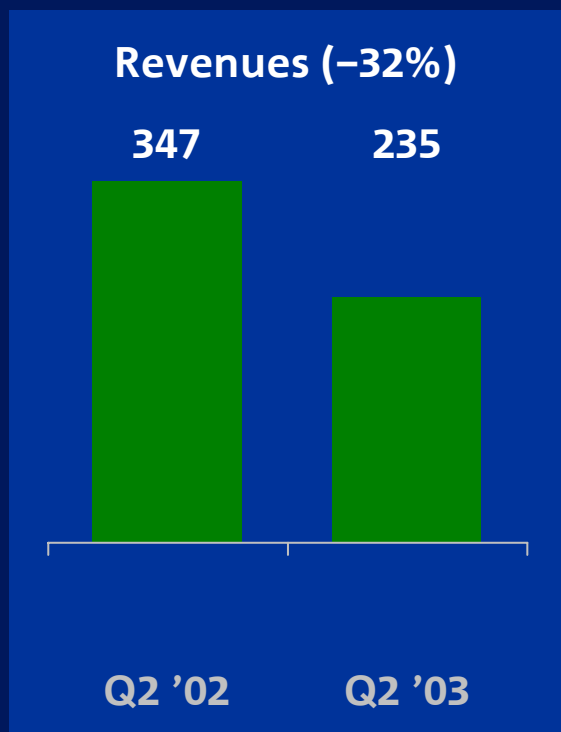
## Growth customer base continues



# Other in Q2

## Continued improvement operating EBITDA and EBIT

*(Excluding exceptional items, € millions)*



- Revenue decline due to sale of Directory Services and lower revenues from retail activities and Xantic
- Operating EBITDA increase due to cost reduction program, partially offset by sale of Directory Services

# Conclusion

- Solid performance in Q2
  - Strong margin expansion
  - Further net debt reduction
  - Net profit fourth quarter in a row
  - Further expansion of E-Plus customer base
  - Strong growth of ADSL connections
  
- Focus for next quarters
  - Focus on margin and cash flow
  - Focus on top line
    - Further increase E-Plus customer base
    - Strengthen market position BASE
    - Improve customer satisfaction
    - Grow mobile data
    - Pursue further ADSL growth
    - Introduce new attractive fixed telephony offerings



# Q & A





# Annex

*For more information please contact:*

KPN Investor Relations

Tel: +31 70 44 60986

mailto: [ir@kpn.com](mailto:ir@kpn.com)

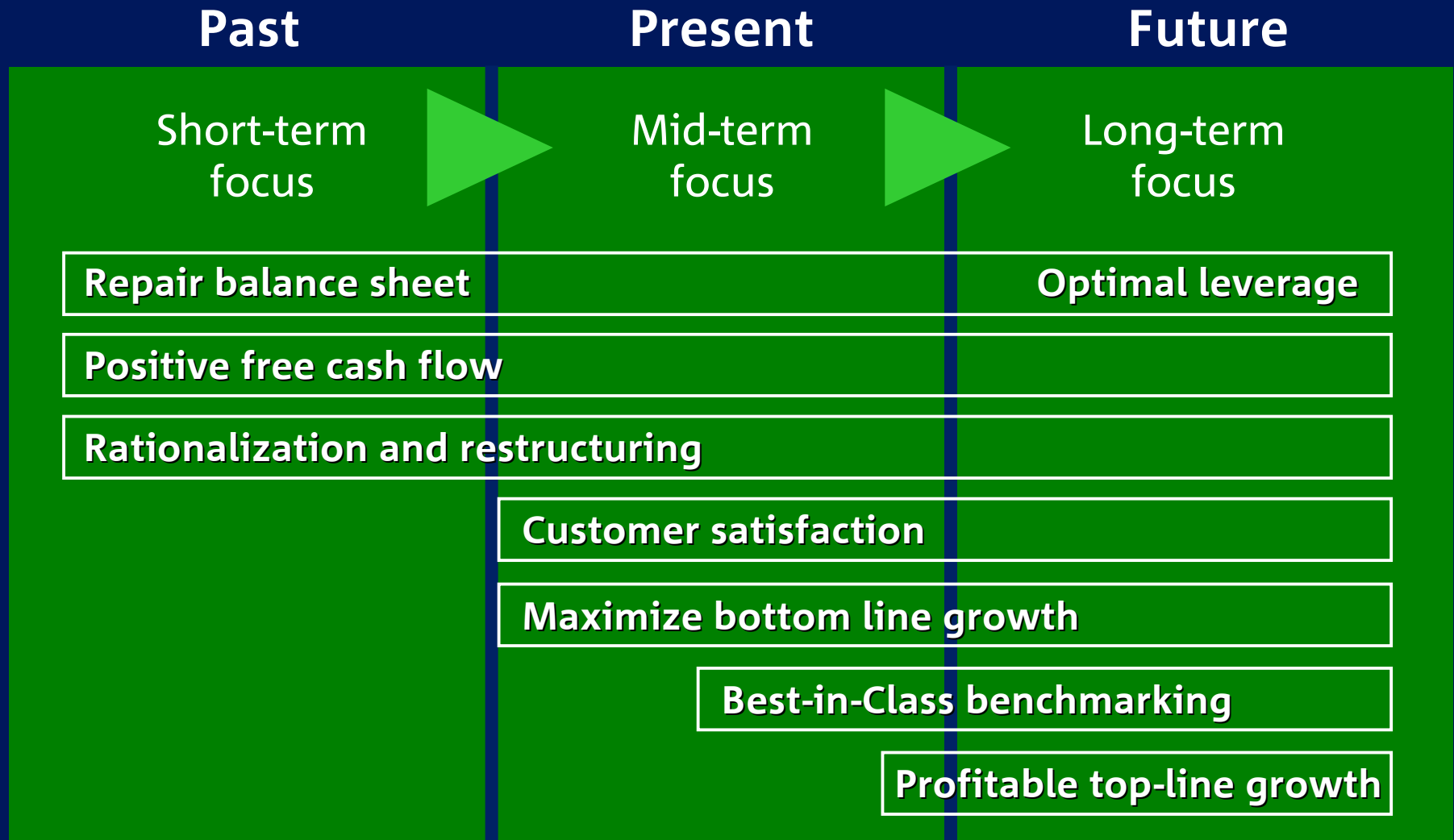
[www.kpn-corporate.com](http://www.kpn-corporate.com)

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# Management focus

Moving from short term cash to longer term value focus



# Dividend Policy

- Conditions to resume dividend payments
  - ✓ Structural<sup>1</sup> positive free cash flow
  - ✓ Credit Rating of at least<sup>2</sup>:
    - ✓ Baa2 at Moody's
    - ✓ BBB at S&P
  - ✓ Structural<sup>1</sup> net profit
  - ✓ Net debt of around € 10 billion
  
- Most likely a proposal for dividend policy will be made at the AGM in 2004

<sup>1</sup> Structural = realized for a full year and expected to be sustainable

<sup>2</sup> Related to KPN's € 1.5 bn credit facility (undrawn)

# Corporate Governance

## Compliance with Sarbanes-Oxley Act

- Current Supervisory Board members all independent non-execs
- Audit Committee in place, with qualified financial expert
- Internal control system further strengthened during 2002  
(letters of representation, code of conduct for financial managers)
- Comprehensive risk management system currently being further improved
- Disclosure committee in place
- As of 2003, Audit Committee decides all new assignments to auditor<sup>1</sup>
- ‘Whistle blower’ procedure introduced
- KPN joined ‘Stichting Communicatiekanaal’<sup>2</sup> in April 2003
- Signing of 302 certificate

<sup>1</sup> Previous threshold was: assignments above € 1 mn

<sup>2</sup> Foundation Communication Channel: aims to improve communication with investors and proxy voting

# Results Q2 (Reported)

<i>€ millions</i>	Q2 '02	Q2 '03	%	YTD '02	YTD '03	%
<b>Revenues</b>	<b>3,105</b>	<b>3,043</b>	<b>-2%</b>	<b>6,364</b>	<b>6,711</b>	<b>5%</b>
Opex	1,941	1,790	-8%	4,141	3,578	-14%
<b>Operating EBITDA</b>	<b>1,164</b>	<b>1,253</b>	<b>8%</b>	<b>2,223</b>	<b>3,133</b>	<b>41%</b>
Depreciation <sup>1</sup>	744	547	-26%	1,326	1,095	-17%
Amortization <sup>1</sup>	7,379	117	-98%	7,519	214	-97%
<b>EBIT</b>	<b>-6,959</b>	<b>589</b>		<b>-6,622</b>	<b>1,824</b>	
Financial income/expense	-317	-202	-36%	-584	-434	-26%
<b>Profit before taxes</b>	<b>-7,276</b>	<b>387</b>		<b>-7,206</b>	<b>1,390</b>	
Taxes	-795	-221	-72%	-822	-459	-44%
Income participating interests	-1,203	1		-1,595	0	
Minority interests	5	16		6	22	
<b>Profit or loss after taxes</b>	<b>-9,269</b>	<b>183</b>		<b>-9,617</b>	<b>953</b>	

<sup>1</sup> Including impairments

# Exceptional items

## Impact on operating EBITDA

€ millions	Q2 '02	Q2 '03	YTD '02	YTD '03
<b>Mobile division</b>				
<i>Gain resulting from the termination agreement MobilCom</i>	-	-	-	222
<i>Book profit on the sale of UMC</i>	-	-	-	15
<i>Book profit on the sale of Pannon GSM</i>	-	-	335	-
<b>Fixed division</b>				
<i>Write-down of assets held for sale and inventories</i>	-25	-	-53	-
<i>Provision for future losses on maintenance contracts KPNQwest</i>	125	-	-	-
<i>Release restructuring provision</i>	-	6	-	6
<i>Provision for settlement and related issues KPNQwest and charges related to KPN Belgium</i>	-47	-	-47	-
<b>Other activities</b>				
<i>Book profit on the sale of Directory Services</i>	-	-	-	435
<i>Book loss on the sale of Network Construction</i>	-5	-	-68	-
<i>Book profit on the sale on real estate</i>	22	-	22	-
<b>Total impact on operating EBITDA</b>	<b>70</b>	<b>6</b>	<b>189</b>	<b>678</b>

# Exceptional items

## Impact on EBIT & net profit

€ millions	Q2 '02	Q2 '03	YTD '02	YTD '03
<b>Total impact on operating EBITDA</b>	<b>70</b>	<b>6</b>	<b>189</b>	<b>678</b>
<b>Impairment charges</b>				
Goodwill E-Plus and BASE (Mobile)	-3,168	-	-3,168	-
UMTS license E-Plus and UMTS/GSM licenses (Mobile)	-4,096	-	-4,096	-
Goodwill on KPNQwest (Other activities)	-	-	-31	-
Fixed assets relating to KPNQwest				
♦ Fixed Networks	-34	-	-34	-
♦ Business Solutions	-30	-	-53	-
♦ Other activities	-6	-	-6	-
Fixed assets KPN Belgium	-100	-	-100	-
Intangible fixed assets	-	-	-	-15
Goodwill on SNT	-	-38	-	-38
<b>Total impact on EBIT</b>	<b>-7,364</b>	<b>-32</b>	<b>-7,299</b>	<b>625</b>
<b>Total impact on profit or loss before taxes</b>	<b>-7,364</b>	<b>-32</b>	<b>-7,299</b>	<b>625</b>
<b>Taxation</b>				
Valuation allowance deferred tax assets E-Plus and BASE	-606	-	-606	-
Tax effect on exceptional items	-16	9	66	9
<b>Income from participating interests</b>				
Adjustment to net realizable value Hutchison 3G UK	-1,166	-	-1,166	-
Adjustment to net realizable value Český Telecom	-38	-	-38	-
Impairment net asset value KPNQwest	-	-	-270	-
<b>Minority interest</b>				
Minority's share of impairment goodwill and tax effect SNT	-	14	-	14
<b>Total impact on profit or loss after taxes</b>	<b>-9,190</b>	<b>-9</b>	<b>-9,313</b>	<b>648</b>

# Operating expenses

## Further decrease

<i>Excluding exceptional items, € millions</i>	Q2 '02	Q2 '03	%
Salaries and social security contributions	499	437	-12%
Cost of materials	221	237	+7%
Work contracted out and other expenses	1,012	958	-5%
Other	257	164	-36%
<b>Total</b>	<b>1,989</b>	<b>1,796</b>	<b>-10%</b>

YTD '02	YTD '03	%
1,012	866	-14%
436	484	+11%
2,043	1,876	-8%
482	358	-26%
<b>3,973</b>	<b>3,584</b>	<b>-10%</b>

# Analysis operating expenses

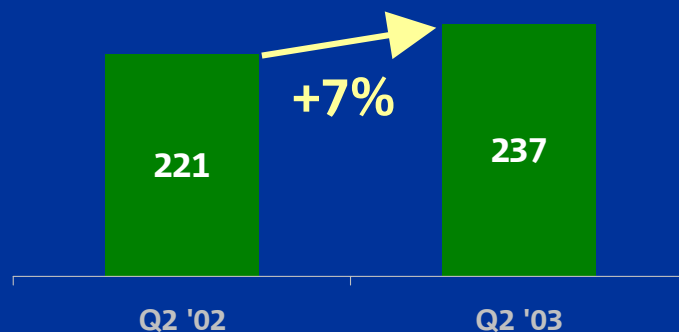
## Salaries & Cost of materials

### Salaries



- Deconsolidation and sale of non-core activities
- Lower number of personnel due to reorganisation

### Cost of materials

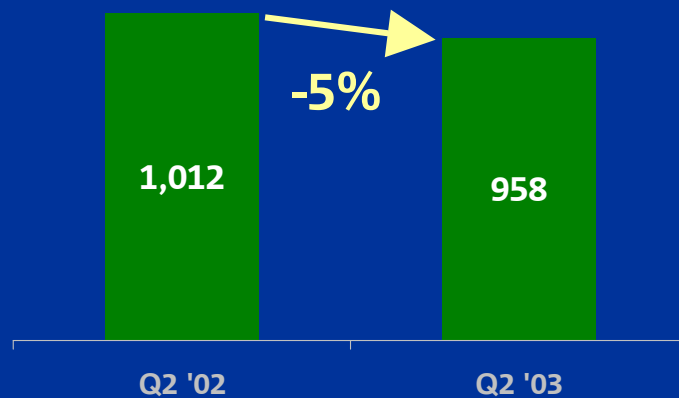


- Higher number of mobile handsets sold
- Partially offset by deconsolidation and sale of non-core activities

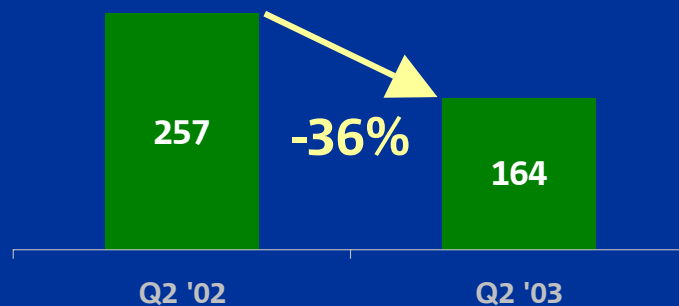
# Analysis operating expenses

## Work contracted out & Other

### Work contracted out



### Other



- Lower purchasing costs of traffic
  - Higher bonuses and dealer commissions
  - Deconsolidation and sale of non-core activities
- 
- Lower due to deconsolidation and sale of non-core activities

# Depreciation and amortization

Excluding exceptional items, € millions	Q2 '02		Q2 '03		%	
	Depr.	Amort.	Depr.	Amort.	Depr.	Amort.
Fixed	340	7	321	5	- 6%	- 29%
- Fixed Networks	204	7	187	5	- 8%	- 29%
- Business Solutions	136	-	134	-	- 1%	
Mobile	200	101	190	70	-5%	- 31%
Other	34	7	36	4	6%	- 43%
<b>Total</b>	<b>574</b>	<b>115</b>	<b>547</b>	<b>79</b>	<b>- 5%</b>	<b>- 31%</b>

Excluding exceptional items, € millions	YTD '02		YTD '03		%	
	Depr.	Amort.	Depr.	Amort.	Depr.	Amort.
Fixed	679	15	641	10	- 6%	- 33%
- Fixed Networks	405	15	373	10	- 8%	- 33%
- Business Solutions	274	-	268	-	- 2%	
Mobile	382	192	384	141	1%	- 27%
Other	72	17	70	10	- 3%	- 41%
<b>Total</b>	<b>1,133</b>	<b>224</b>	<b>1,095</b>	<b>161</b>	<b>- 3%</b>	<b>- 28%</b>

# Taxes

<i>Reported<sup>1</sup>, € millions</i>	Q2 '03		YTD 2003	
	P&L charge	Payments (-) Receipts (+)	P&L charge	Payments (-) Receipts (+)
Divisions Fixed/Other	-75 <sup>1</sup>	+194 <sup>3</sup>	-186	+172
Dutch Mobile activities	-146	No <sup>2</sup>	-273	No <sup>2</sup>
German Mobile activities	-	No	-	No
Belgian Mobile activities	-	No	-	No
	<b>-221</b>	<b>194</b>	<b>-459</b>	<b>172</b>
	<b>Charge Q2</b>	<b>Cash in Q2</b>	<b>Charge YTD</b>	<b>Cash in YTD</b>

<sup>1</sup> Including exceptional of € 9 mn

<sup>2</sup> Losses of German mobile activities can temporarily be deducted from the Dutch mobile profits

This results in a postponed payment for Dutch mobile activities (excluding the effects from re-financing KPN Mobile)

<sup>3</sup> Cash inflow relates to refund of preliminary tax assessment 2002

# Net result affiliates

## Income from participating interests

<i>Excluding exceptional items, € millions</i>	Q2 '02	Q2 '03
UMC	2	-
Český Telecom	13	-
Infonet	-11	-3
Hutchison 3G UK	-7	-
KPNQwest	-	-
Other	4	4
<b>Total</b>	<b>1</b>	<b>1</b>

YTD '02	YTD '03
5	2
24	-
-11	-3
-13	-
-113	-
-13	1
<b>-121</b>	<b>0</b>

## Minority interests

KPN Mobile (2.16% NTT DoCoMo owned)	0	1
Other	5	1
<b>Total</b>	<b>5</b>	<b>2</b>

0	-3
6	11
<b>6</b>	<b>8</b>

# Cash flow

<i>€ millions</i>	Q2 '02	Q2 '03	YTD '02	YTD '03
<b>Net cash flow provided by operating activities</b>	<b>637</b>	<b>978</b>	<b>1,442</b>	<b>1,758</b>
<i>Capex</i>	-225	-267	-480	-465
<i>Sale of non-core assets</i>	-	242	603	845
<i>Other (including real estate)</i>	27	18	75	23
<b>Net cash flow from investing activities</b>	<b>-198</b>	<b>-7</b>	<b>198</b>	<b>403</b>
<i>Redemptions</i>	-3,514	-1,465	-3,519	-1,492
<i>Early redemptions</i>	-894	-1,643	-1,377	-1,696
<i>Other</i>	4	4	75	16
<b>Net cash flow used in financing activities</b>	<b>-4,404</b>	<b>-3,104</b>	<b>-4,821</b>	<b>-3,172</b>
<b>Changes in cash and cash equivalents</b>	<b>-3,965</b>	<b>-2,133</b>	<b>-3,181</b>	<b>-1,011</b>

# Free cash flow

€ millions	Q2 '02	Q2 '03	YTD '02	YTD '03
<b>Profit or loss after taxes</b>	<b>-9,269</b>	<b>183</b>	-9,617	953 <sup>1</sup>
Minority interests	-5	-16	-6	-22
Depreciation, amortization and impairments	8,123	664	8,845	1,309
Income from participating interests	1,203	-1	1,595	0
Results from sale of assets	-22	-11	-357	-461
Change in provisions and deferred taxes	762	70	808	176
<b>Net cash flow from operating activities before changes in working capital</b>	<b>792</b>	<b>889</b>	<b>1,268</b>	<b>1,955</b>
Inventory	12	-15	-18	-47
Receivables	-12	-13	75	7
Other current assets	120	78	24	-38 <sup>1</sup>
Current liabilities	-275	39	93	-119 <sup>1</sup>
<b>Change in working capital</b>	<b>-155</b>	<b>89</b>	<b>174</b>	<b>-197</b>
<b>Net cash flow from operating activities</b>	<b>637</b>	<b>978</b>	<b>1,442</b>	<b>1,758</b>
Capex	225	267	480	465
<b>Free cash flow<sup>2</sup></b>	<b>412</b>	<b>711</b>	<b>962</b>	<b>1,293</b>

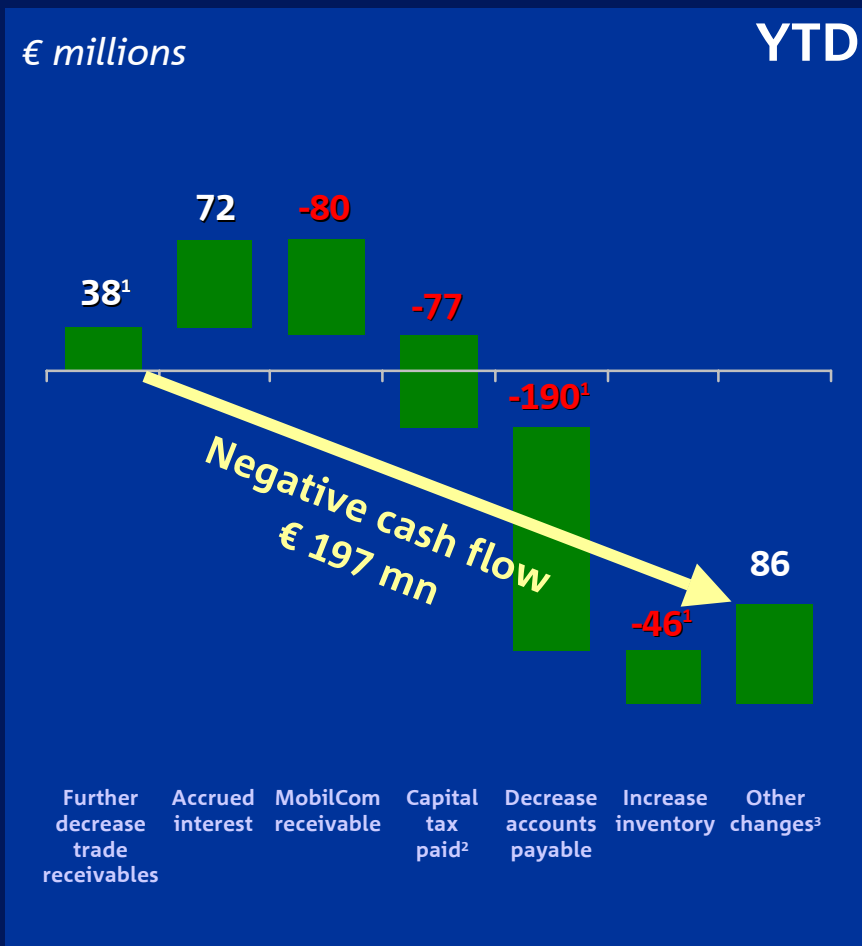
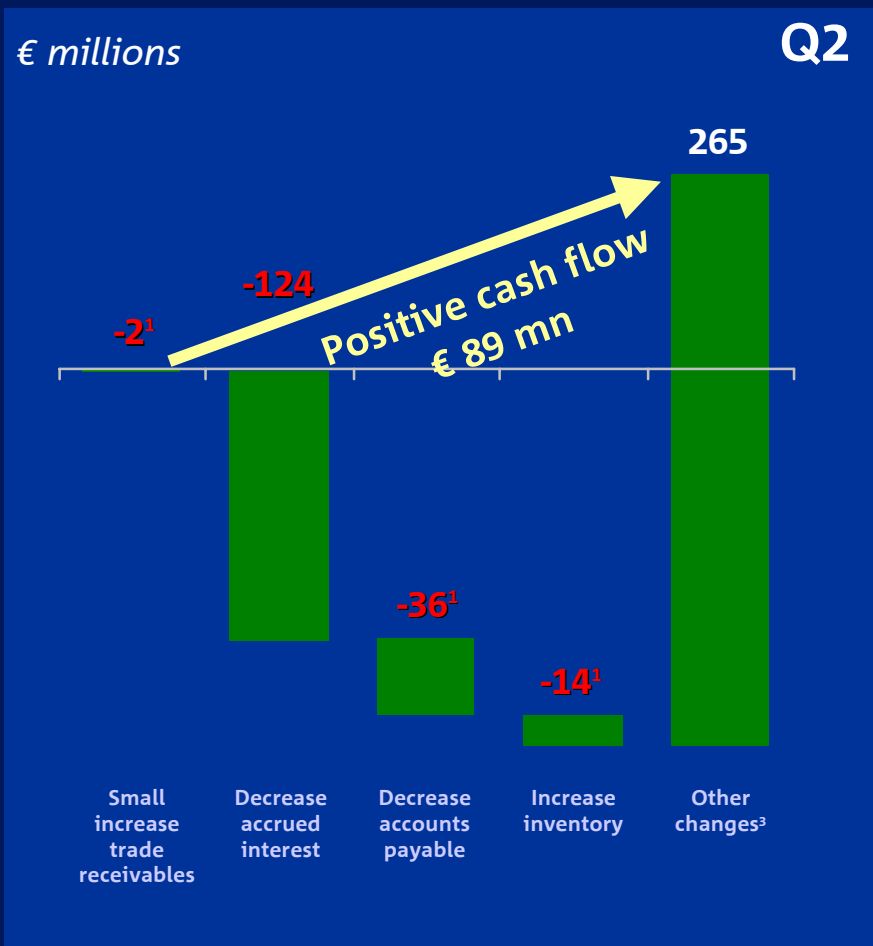
Changes in working capital in YTD '03 mainly relate to

- Positive effect on accrued interest due to lower interest payments
- Payment capital tax in Q1 '03 (- € 77 mn)
- Effects termination MobilCom agreement in Q1 '03
- Tax refund on preliminary assessment 2002 in Q2 '03 (€ 194 mn)
- Payment of pension shortfall 2002 in Q2 '03 (€ 52 mn)

<sup>1</sup> Including effect termination MobilCom agreement in Q1 '03

<sup>2</sup> Operational cash flow after Capex, interest, tax and restructuring expenses

# Working capital



<sup>1</sup> Change in balance position (includes non-cash effects)

<sup>2</sup> Related to Mobile re-structuring

<sup>3</sup> Including preliminary tax refund over 2002 (€ 194 mn) and payment pension shortfall 2002 (€ 52 mn)

# Capex

<i>Excluding exceptional items, € millions</i>	Q2 '02	Q2 '03	%
<b>Fixed</b>	<b>122</b>	<b>149</b>	<b>22%</b>
<i>% revenues</i>	7%	8%	
Fixed Networks	67	83	24%
<i>% revenues</i>	4%	5%	
Business Solutions	55	66	20%
<i>% revenues</i>	11%	13%	
<b>Mobile</b>	<b>91</b>	<b>117</b>	<b>29%</b>
<i>% revenues</i>	8%	9%	
KPN Mobile (NL)	8	36	>100%
<i>% revenues</i>	1%	6%	
E-Plus	49	64	31%
<i>% revenues</i>	9%	11%	
BASE	34	17	- 50%
<i>% revenues</i>	41%	21%	
Other	0	0	0%
<b>Other</b>	<b>12</b>	<b>1</b>	<b>&lt;-100%</b>
<b>Total</b>	<b>225</b>	<b>267</b>	<b>19%</b>
<i>% revenues</i>	7%	9%	

YTD '02	YTD '03	%
<b>184</b>	<b>227</b>	<b>23%</b>
5%	6%	
116	124	7%
3%	4%	
68	103	51%
7%	10%	
<b>215</b>	<b>223</b>	<b>4%</b>
10%	9%	
14	51	>100 %
1%	4%	
142	125	-12%
14%	11%	
54	47	-13%
35%	30%	
5	0	n.a.
<b>81</b>	<b>15</b>	<b>&lt;-100 %</b>
<b>480</b>	<b>465</b>	<b>-3%</b>
8%	8%	

# Acquisition MobilCom 3G assets

## Accounting treatment

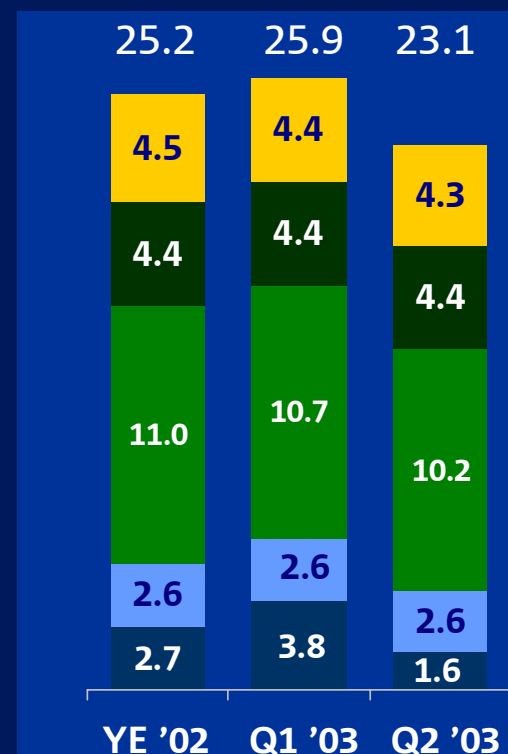
- An equal amount added to investments and provisions, related to expected dismantling of redundant sites
- No cash outflow since an equal amount to the purchase price (€ 20 mn) was received from MobilCom as a credit for licenses that were not included
- Licenses to be acquired not yet provided for

# Balance sheet

- Net profit contributes to group equity
- Decreasing total balance due to gross debt reduction

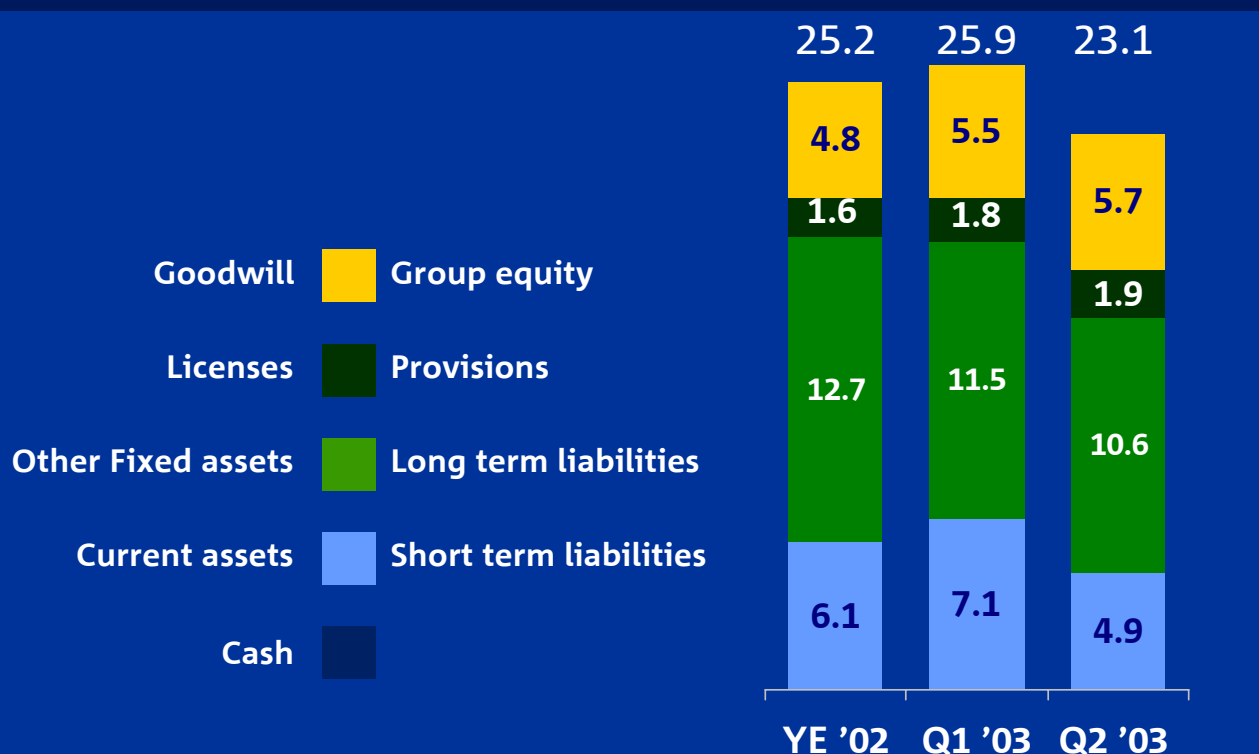
## Assets

€ billions



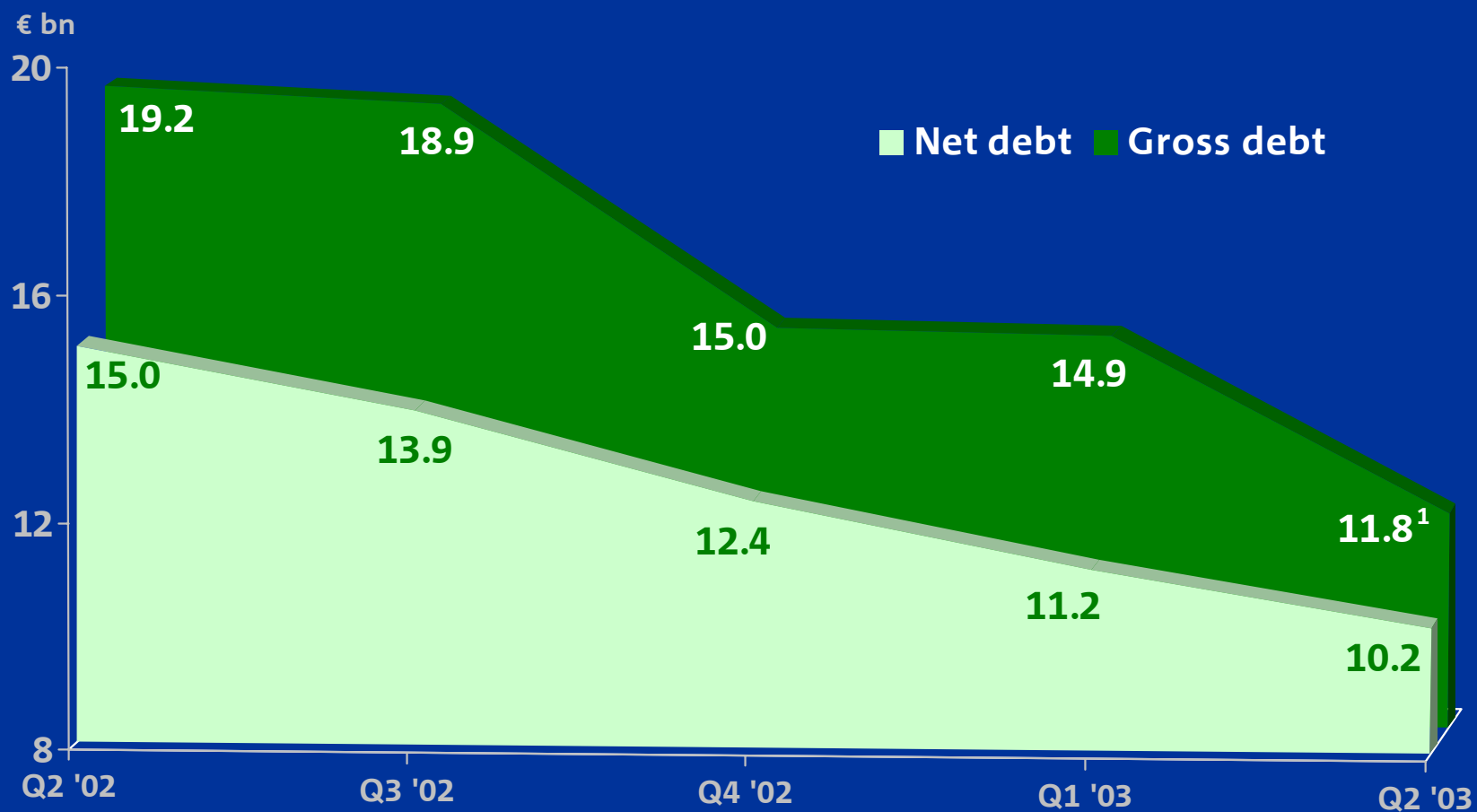
## Liabilities and equity

€ billions



# Further improved financial position

Reduction over 30% within last 12 months



<sup>1</sup> Including Subordinated Convertible Bond with full amount of € 1.5 bn, excluding early redemption of € 220 mn with settlement on July 3

# Debt summary

<i>€ billions</i>	<b>Q1 '03</b>	<b>Q2 '03</b>
Subordinated convertible bonds <sup>1</sup>	1.5	1.5
Subordinated loans (including BellSouth in Q1)	1.8	0.1
Eurobonds (including FRNs)	6.3	5.3
Global bonds	4.2	4.2
Other loans at Royal KPN <sup>1</sup>	0.8	0.4
<b>Consolidated debt</b>		
<i>E-Plus</i>	0.1	0.1
<i>Other</i>	0.2	0.2
<b>Total debt</b>	<b>14.9</b>	<b>11.8</b>
<i>of which short-term</i>	3.4	1.3
Cash and cash equivalents	3.78	1.64
<b>Total net debt</b>	<b>11.17</b>	<b>10.20</b>

<sup>1</sup> Amount outstanding as per June 30, excluding early redemption of € 220 mn with settlement on July 3

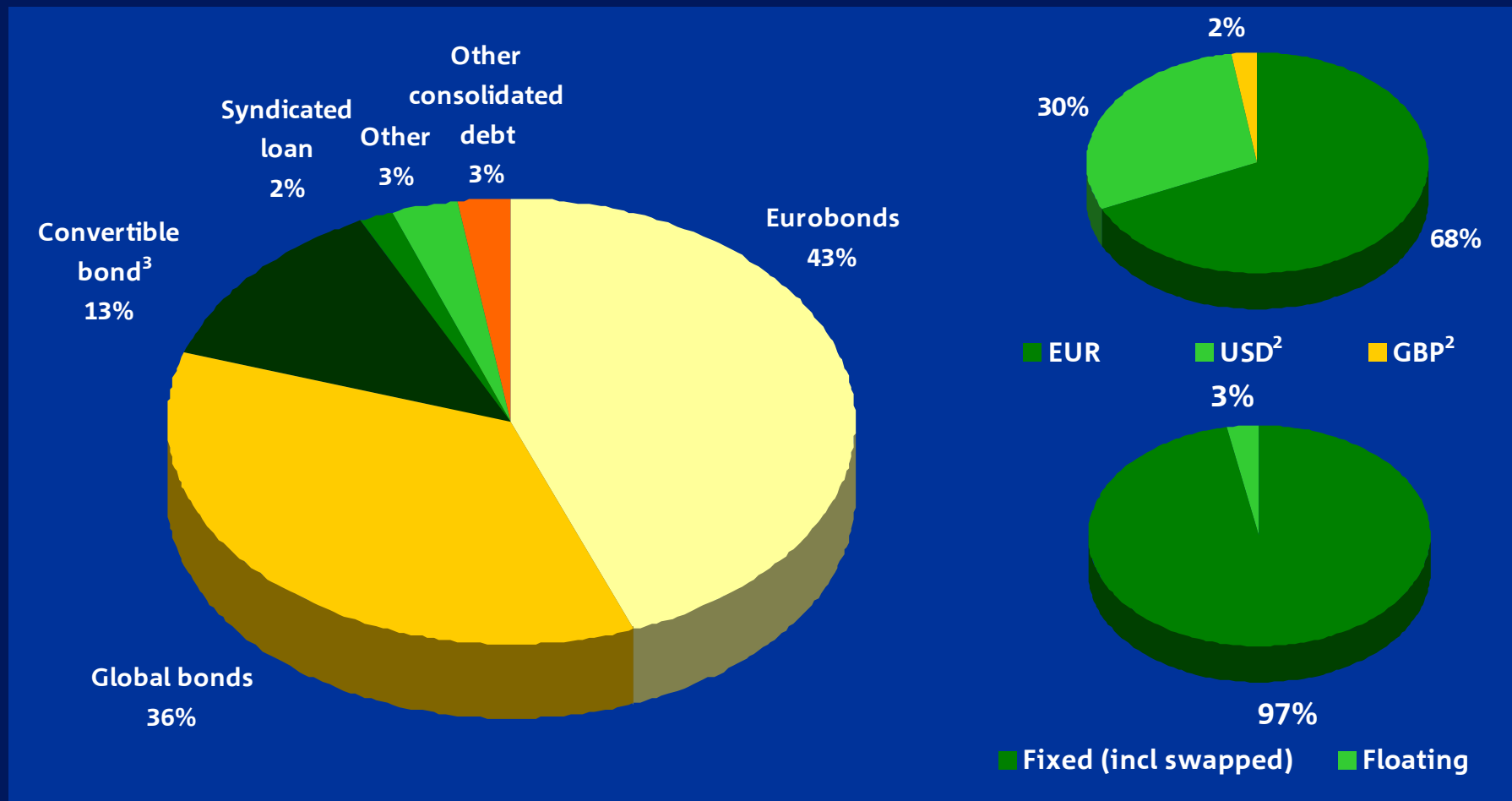
# Early redemptions

€ millions	Q2 '03	YTD '03
<b>Open Market Repurchases</b>		
<i>7.5% Global bond 2005 (EUR)</i>	-	27
<i>Subordinated convertible bond<sup>1</sup></i>	0	0
<b>Other</b>		
<i>Financial leases E-Plus</i>	0	26
<i>Private loans</i>	5	5
<i>BellSouth loan</i>	1,638	1,638
<b>Total</b>	<b>1,643</b>	<b>1,696</b>

<sup>1</sup> In June KPN redeemed early € 0.2 bn of the € 1.5 bn Subordinated Convertible Bond, which was settled on July 3

# Debt portfolio

Total gross debt Q2: € 11.8 bn<sup>1</sup>

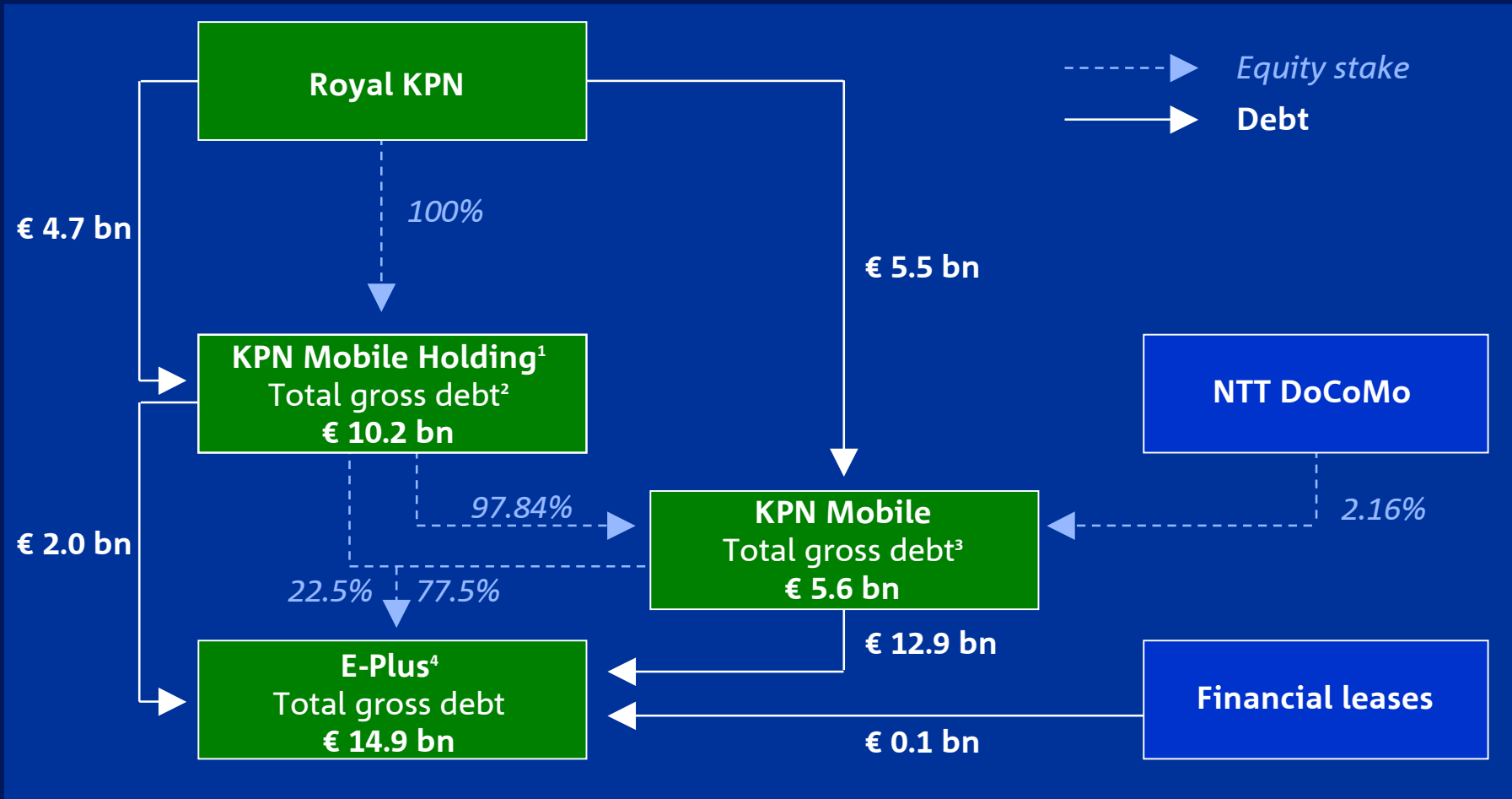


<sup>1</sup> Including money market, other short term funding

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

<sup>3</sup> Amount outstanding as per June 30 (€ 1.5 bn), excluding early redemption of € 220 mn with settlement on July 3

# Mobile structure



<sup>1</sup> KPN Mobile Holding includes GMI (which is financed via shareholder loans from Royal KPN of € 2.8 bn and owns 22.5% of E-Plus Holding)

<sup>2</sup> Including nearly 100% of external E-Plus financing (financial leases)

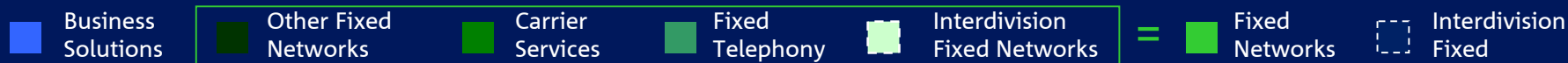
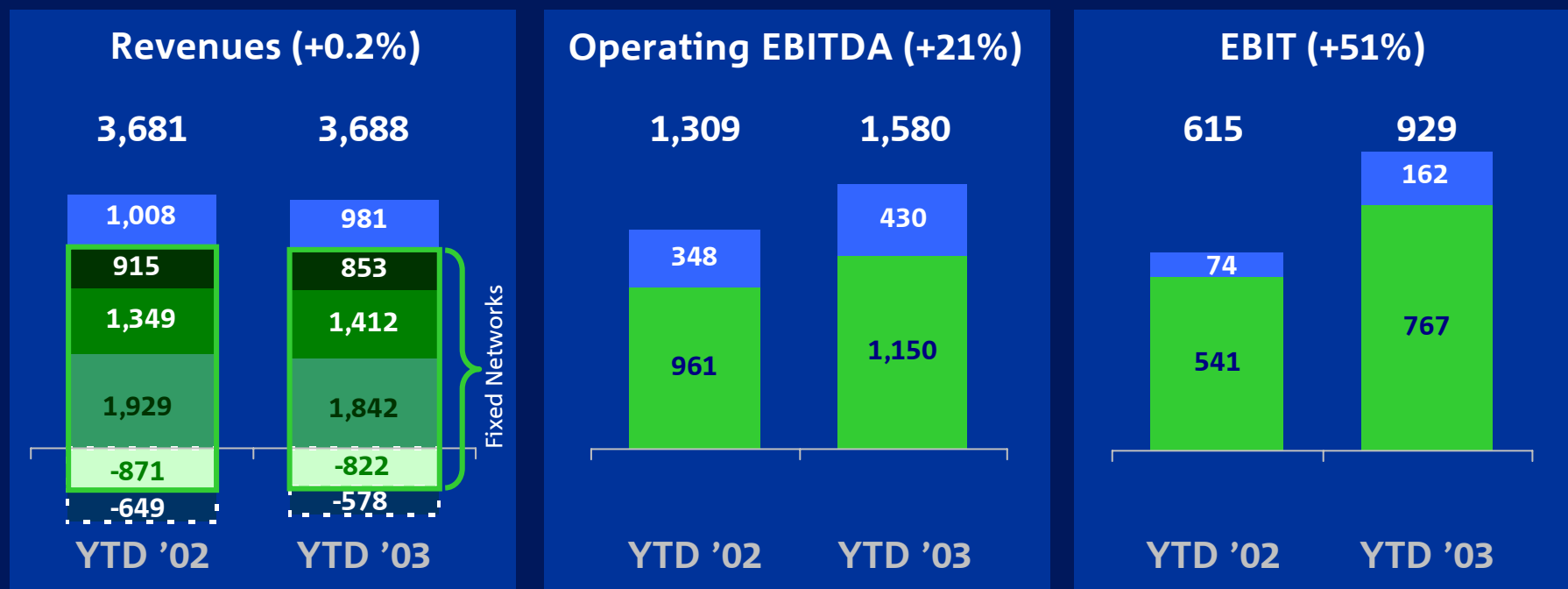
<sup>3</sup> Including 77.5% of external E-Plus financing (financial leases)

<sup>4</sup> E-Plus includes E-Plus Holding (gross debt € 2.0 bn) and E-Plus (gross debt € 12.9 bn)

# Fixed YTD

## Strong operating EBITDA and EBIT growth

(Excluding exceptional items, € millions)



- Fixed Telephony      Decrease in revenues due to direct billing of internet traffic by ISP's, migration to broadband, competition from CPS and mobile-substitution
- Carrier Services      Increase in revenues as result of higher wholesale volumes
- Business Solutions    Slight increase in revenues due to ADSL growth and other revenues
- Other                      Higher revenues from ISP's and SNT were more than offset by lower internal revenues (cost savings)

# KPIs Fixed Fixed Networks

		Q2 '02	Q1 '03	Q2 '03	YTD '03
<b>Market shares</b>					
<i>Local</i>		>85%	>80%	+/- 80%	+/- 80%
<i>National</i>		+/- 70%	>65%	+/- 65%	+/- 65%
<i>International</i>		+/- 55%	>50%	>50%	>50%
<i>Fixed to Mobile</i>		+/- 70%	>65%	+/- 65%	+/- 65%
<b>Channels</b>		<b>10,040</b>	<b>9,992</b>	<b>9,979</b>	<b>9,979</b>
<i>PSTN</i>		6,446	6,257	6,218	6,218
<i>ISDN 2/15/20/30</i>		3,594	3,735	3,761	3,761
<b>Call rate<sup>1</sup></b>		<b>3.48</b>	<b>3.09</b>	<b>2.90</b>	<b>3.00</b>
<b>Call duration<sup>2</sup></b>		<b>268</b>	<b>280</b>	<b>264</b>	<b>273</b>
<b>Minutes (in bn)</b>					
<b>BU Fixed Telephony</b>		<b>12.99</b>	<b>11.13</b>	<b>9.95</b>	<b>21.08</b>
<i>Local/National</i>		6.80	6.16	5.47	11.62
<i>Internet</i>		5.20	4.04	3.54	7.59
<i>International</i>		0.32	0.30	0.29	0.59
<i>Fixed to Mobile</i>		0.67	0.63	0.65	1.28
<b>BU Carrier Services, of which</b>		<b>8.77</b>	<b>10.92</b>	<b>10.85</b>	<b>21.74</b>
<i>Originating Internet (MIACO)</i>		1.44	1.98	1.63	3.60

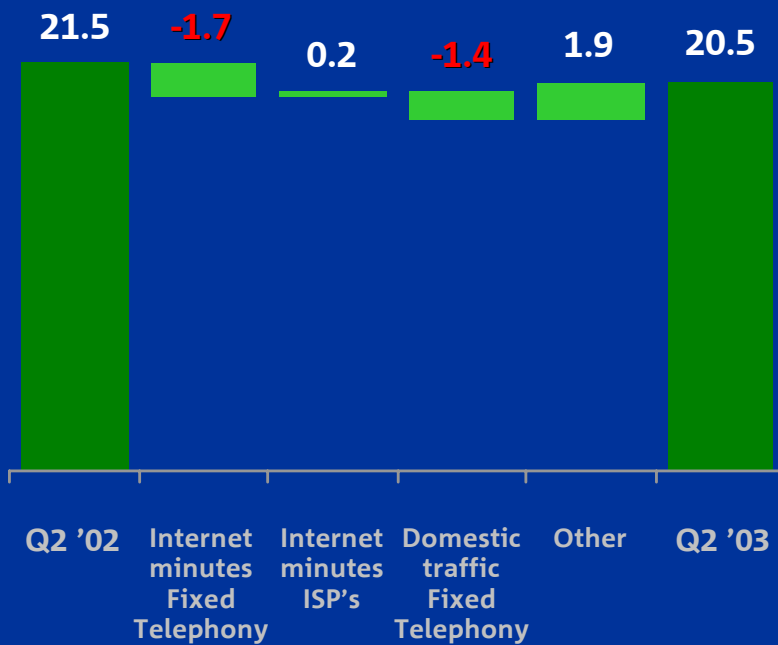
<sup>1</sup> Number of calls per channel per day

<sup>2</sup> Average duration per call in seconds

# Fixed Networks dynamics

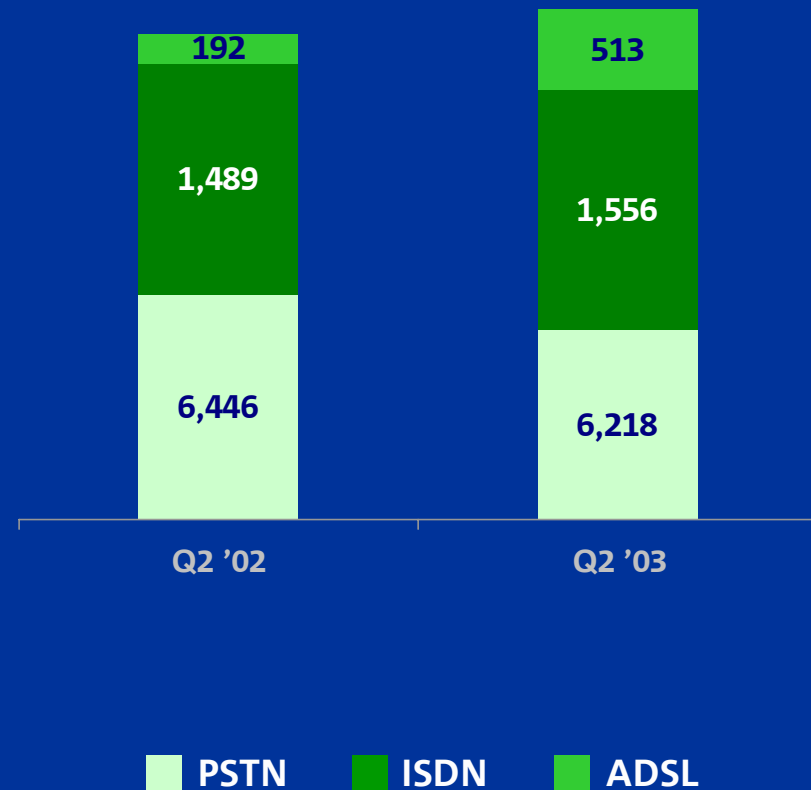
## Decrease in minutes; increase in connections

*billion minutes*



**Decrease of 4.7% in minutes**

*connections x 1,000*



# KPIs Fixed Business Solutions

		Q1 '02		Q1 '03	YTD <sup>3</sup> '03
<b>Leased lines (1,000)<sup>1</sup></b>		<b>106</b>		<b>91</b>	<b>82</b>
<i>Analogue</i>		63%		61%	63%
<i>Digital</i>		37%		39%	37%
<b>VAS</b>					
<i>Frame Relay (# ports)</i>		9,307		10,691	10,281
<i>Lan-I (# routers)<sup>2</sup></i>		5,961		5,961	6,206
<b>ADSL</b>					
<i>Installed</i>		175		418	513
<i>% Lite (254/64 kbit/s)</i>		-		39%	46%
<i>% Basic (768/128 kbit/s)</i>		88%		54%	47%
<i>% Extra (1536/256 kbit/s)</i>		12%		8%	6%

<sup>1</sup> As from Q1 2003, only leased lines with external revenues are stated. Figures 2002 are restated accordingly

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

<sup>3</sup> YTD = Q2

# KPIs Fixed

## Internet subscribers

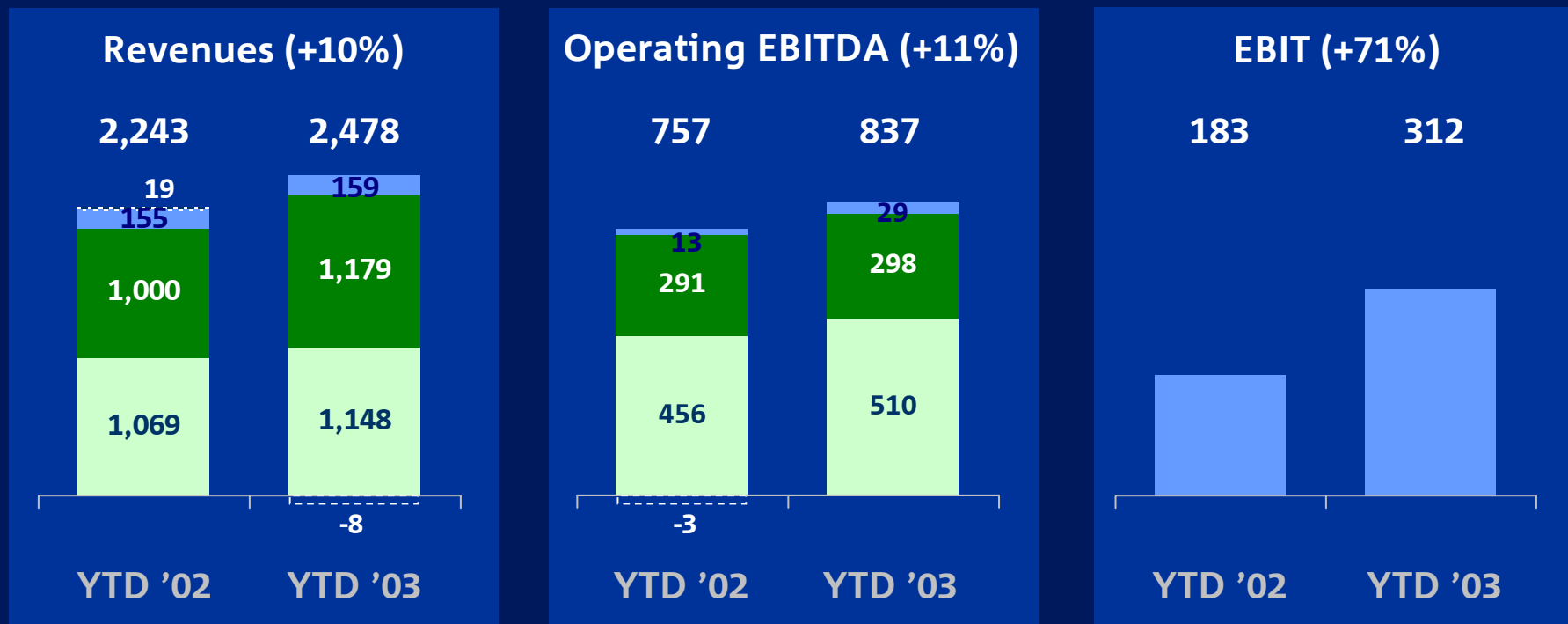
<i>X 1,000</i>		<b>Q2 '02</b>		<b>Q1 '03</b>	<b>YTD<sup>1</sup> '03</b>
<b>Active ISP customers</b>					
<i>Planet Internet</i>		662		727	740
<i>Het Net</i>		570		593	583
<i>XS4ALL</i>		136		165	166
<b>Total</b>		<b>1,368</b>		<b>1,486</b>	<b>1,489</b>
<b>Paying ISP customers</b>		<b>92%</b>		<b>99%</b>	<b>100%</b>
<b>Number of broadband subscriptions</b>					
<i>Planet Internet</i>		96		197	229
<i>Het Net</i>		-		24	34
<i>XS4ALL</i>		43		80	92
<b>Total</b>		<b>139</b>		<b>301</b>	<b>355</b>
<b>Local exchanges</b>					
<i>Number DSL enabled</i>		309		539	648
<i>Population reach</i>		65%		85%	87%

<sup>1</sup> YTD = Q2

# Mobile YTD

## Further increase in revenues, operating EBITDA and EBIT

*(Excluding exceptional items, € millions)*



■ KPN Mobile (NL)   
 ■ E-Plus   
 ■ BASE   
  Other

- KPN Mobile (NL)      Continued strong margin performance: 44%; revenue growth 7%
- E-Plus                Growth customer base to 7.7 mn
- BASE                  Continued improvement of operating EBITDA and operating EBITDA margin

# KPIs Mobile

## KPN Mobile (NL)

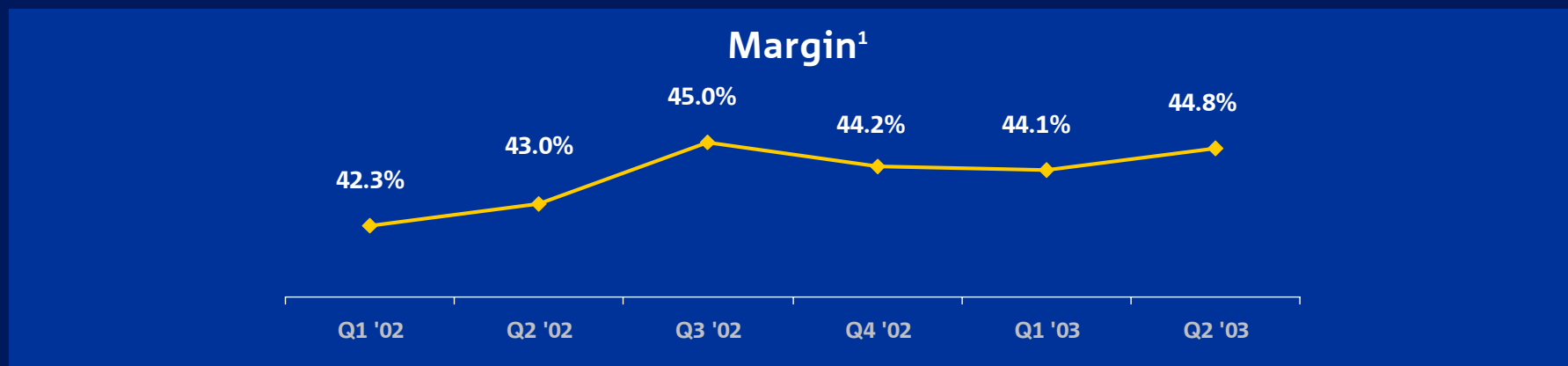
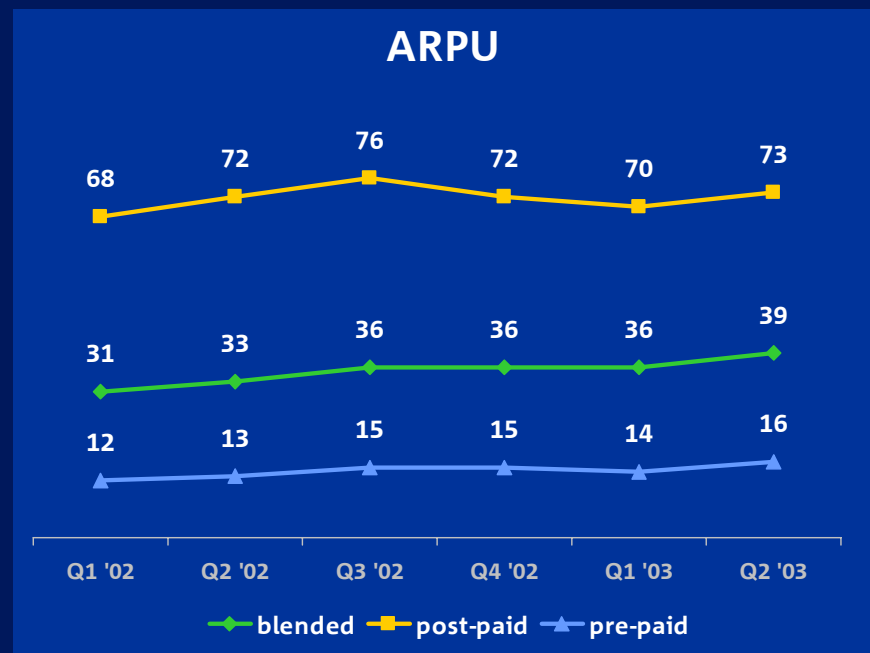
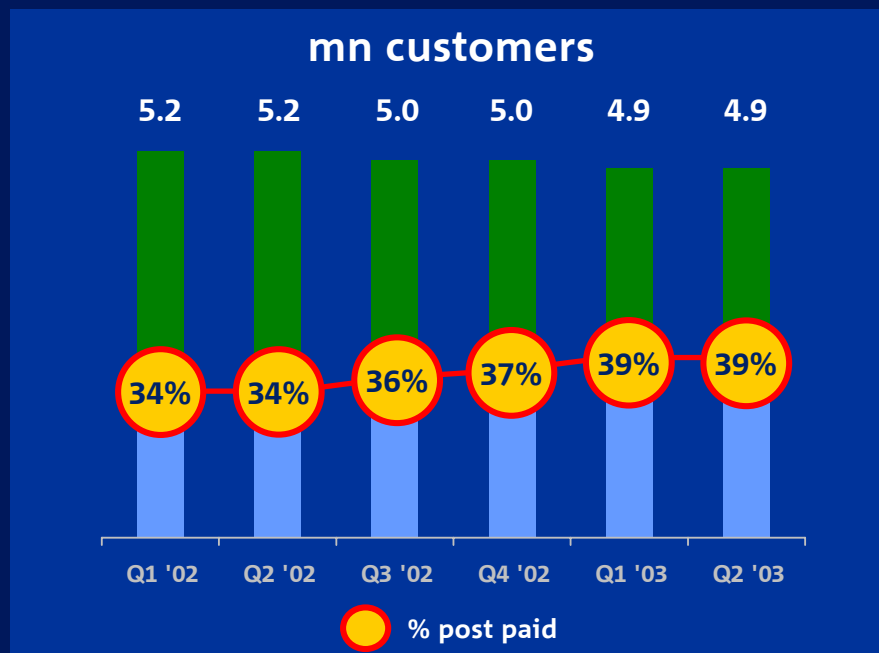
	Q2 '02
<b>Market share base</b>	<b>42%</b>
<b>Customers (1,000)</b>	<b>5,188</b>
<i>Post-paid</i>	1,774
<i>Of which i-mode</i>	12
<i>Pre-paid</i>	3,414
<b>ARPU (€)</b>	<b>33</b>
<i>Post-paid</i>	72
<i>Pre-paid</i>	13
<b>SAC (€)<sup>1</sup></b>	<b>107</b>
<i>Post-paid<sup>1</sup></i>	203
<i>Pre-paid<sup>1</sup></i>	1
<b>SRC (€)</b>	n.a.
<b>MoU (minutes)</b>	<b>121</b>
<i>Post-paid</i>	266
<i>Pre-paid</i>	47

Q1 '03	Q2 '03	YTD '03
<b>41%</b>	<b>41%</b>	<b>41%</b>
<b>4,908</b>	<b>4,919</b>	<b>4,919</b>
1,900	1,930	1,930
137	148	148
3,008	2,989	2,989
<b>36</b>	<b>39</b>	<b>37</b>
70	73	72
14	16	15
<b>134</b>	<b>125</b>	<b>127</b>
289	356	311
27	7	16
<b>274</b>	<b>279</b>	<b>275</b>
<b>126</b>	<b>136</b>	<b>131</b>
257	269	263
45	50	48

<sup>1</sup> 2002 numbers contain SRC elements, 2003 numbers do not

# KPN Mobile (NL)

## Improving customer mix



<sup>1</sup> Operating EBITDA margin

# KPIs Mobile

## E-Plus

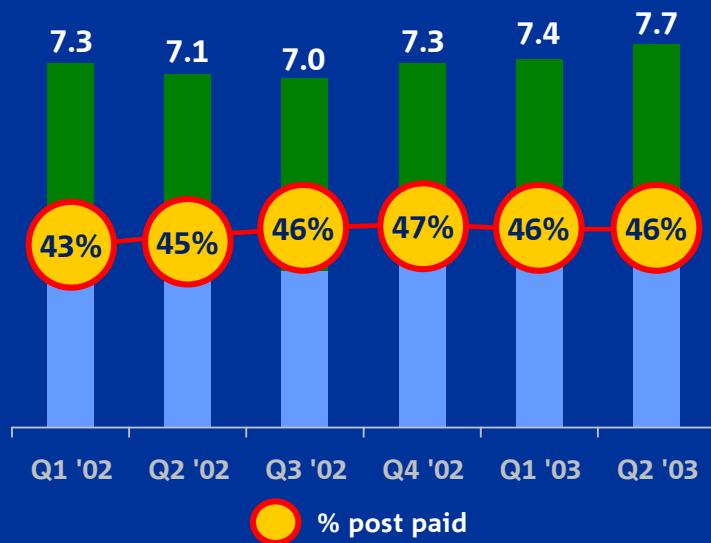
	Q2 '02
<b>Market share base</b>	<b>13%</b>
<b>Customers (1,000)</b>	<b>7,093</b>
<i>Post-paid</i>	3,193
<i>Of which i-mode</i>	55
<i>Pre-paid</i>	3,900
<b>ARPU (€)</b>	<b>24</b>
<i>Post-paid</i>	43
<i>Pre-paid</i>	9
<b>SAC (€)</b>	<b>125</b>
<i>Post-paid</i>	184
<i>Pre-paid</i>	36
<b>SRC (€)</b>	<b>n.a.</b>
<b>MoU (minutes)</b>	<b>77</b>
<i>Post-paid</i>	139
<i>Pre-paid</i>	28

Q1 '03	Q2 '03	YTD '03
<b>12%</b>	<b>13%</b>	<b>13%</b>
<b>7,446</b>	<b>7,716</b>	<b>7,716</b>
3,453	3,578	3,578
140	191	191
3,993	4,138	4,138
<b>23</b>	<b>24</b>	<b>24</b>
41	42	42
8	9	8
<b>141</b>	<b>142</b>	<b>141</b>
229	249	239
60	50	55
<b>167</b>	<b>167</b>	<b>167</b>
<b>73</b>	<b>79</b>	<b>76</b>
130	138	134
24	27	26

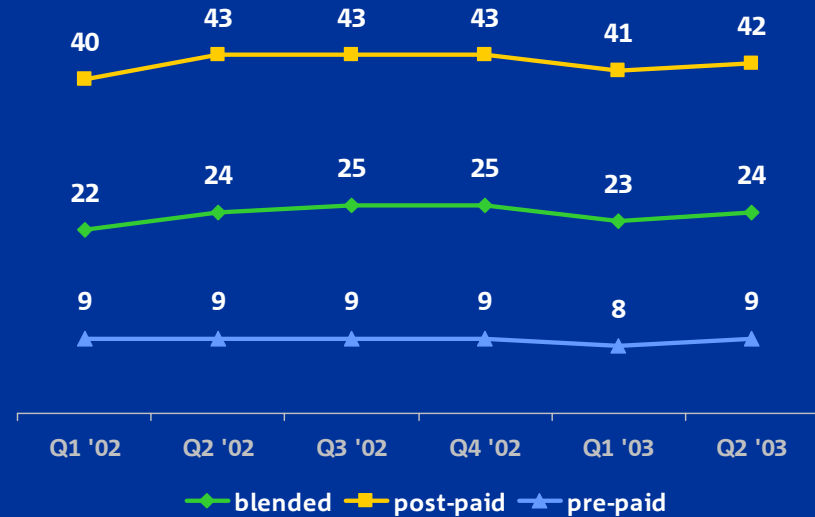
# E-Plus

## Growth customer base continues

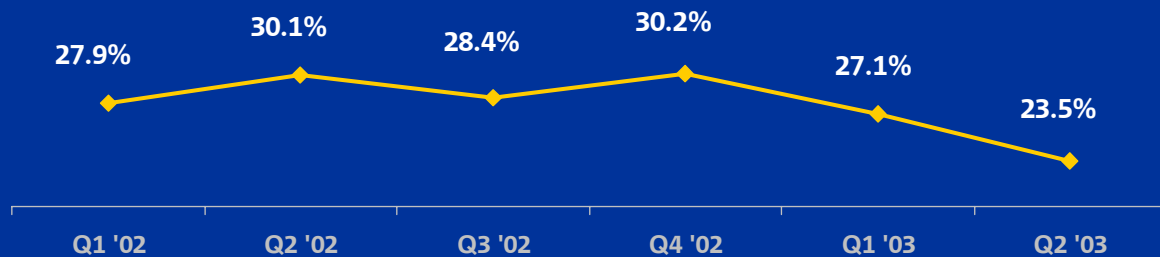
### mn customers



### ARPU



### Margin<sup>1</sup>



<sup>1</sup> Operating EBITDA margin

# KPIs Mobile

## BASE

	Q2 '02
<b>Market share base</b>	<b>14%</b>
<b>Customers (1,000)</b>	<b>1,115</b>
<i>Post-paid</i>	279
<i>Of which i-mode</i>	-
<i>Pre-paid</i>	836
<b>ARPU (€)</b>	<b>22</b>
<i>Post-paid<sup>1</sup></i>	53
<i>Pre-paid<sup>1</sup></i>	11
<b>SAC (€)</b>	<b>38</b>
<i>Post-paid</i>	63
<i>Pre-paid</i>	31
<b>SRC (€)</b>	<b>n.a.</b>
<b>MoU (minutes)</b>	<b>76</b>
<i>Post-paid<sup>1</sup></i>	202
<i>Pre-paid<sup>1</sup></i>	35

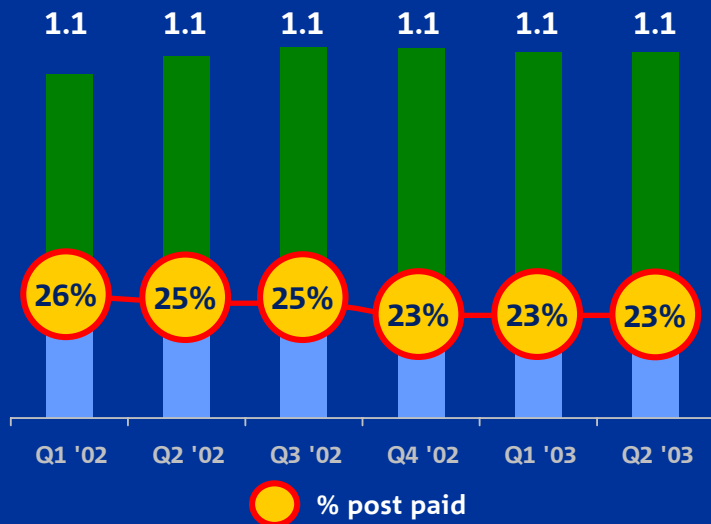
Q1 '03	Q2 '03	YTD '03
<b>14%</b>	<b>14%</b>	<b>14%</b>
<b>1,131</b>	<b>1,131</b>	<b>1,131</b>
261	255	255
8	14	14
870	876	876
<b>21</b>	<b>22</b>	<b>22</b>
56	61	58
10	11	11
<b>31</b>	<b>10</b>	<b>21</b>
61	-14	34
20	15	17
<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
<b>76</b>	<b>86</b>	<b>81</b>
208	234	221
36	42	39

<sup>1</sup> Restated to include visitor roaming

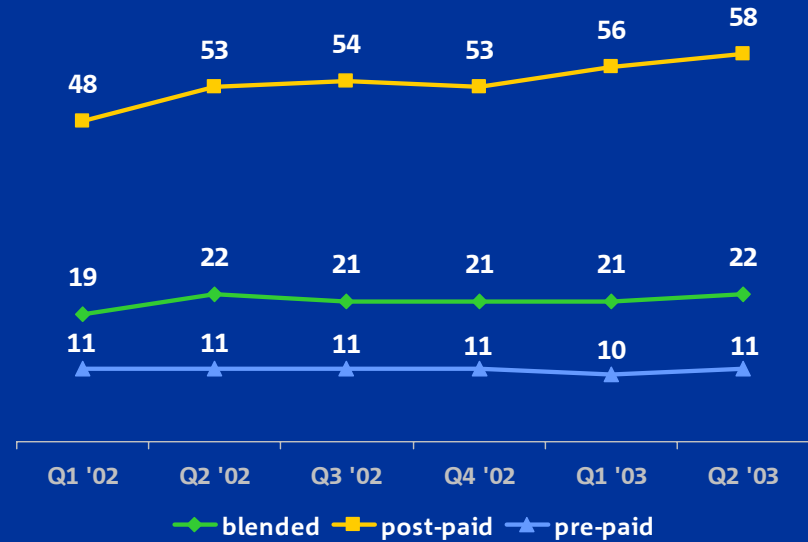
# BASE

## Improved ARPU

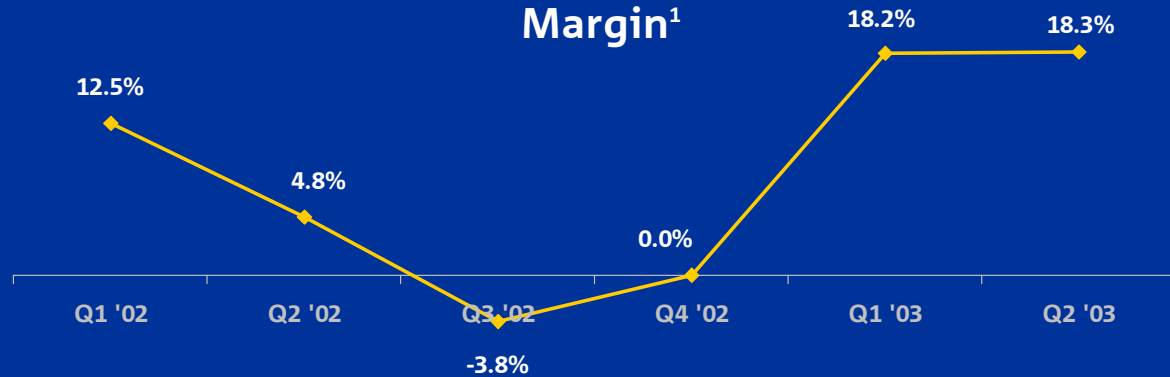
### mn customers



### ARPU



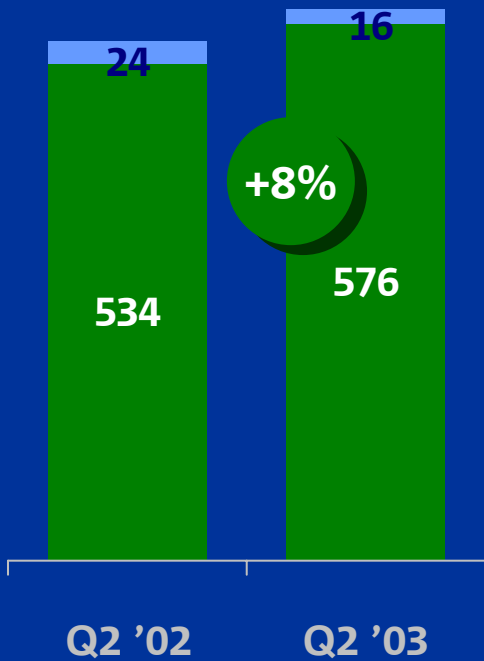
### Margin<sup>1</sup>



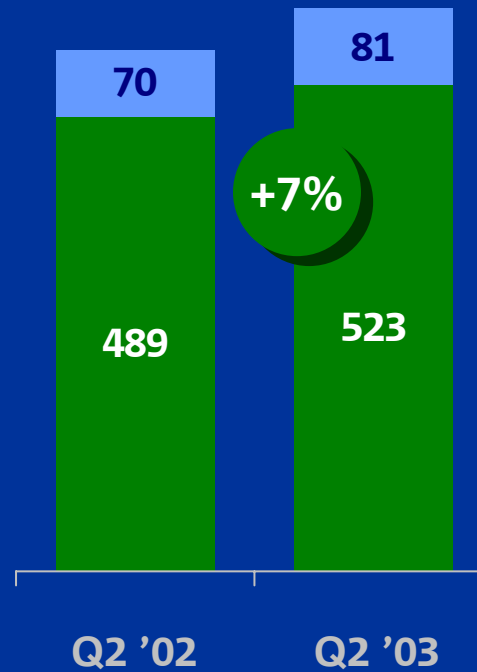
<sup>1</sup> Operating EBITDA margin

# Traffic and subscription revenues increase

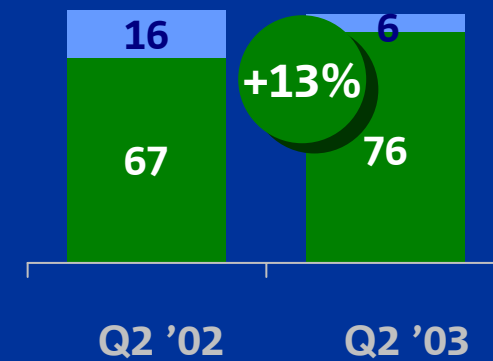
## KPN Mobile (NL)



## E-Plus

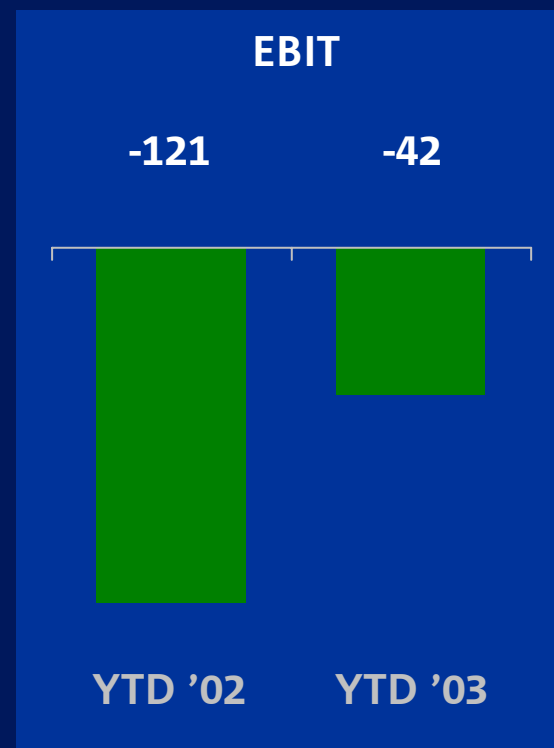
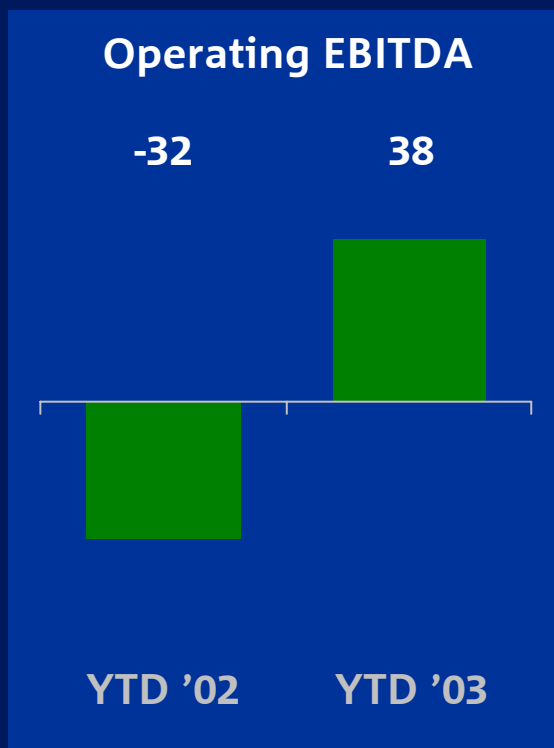
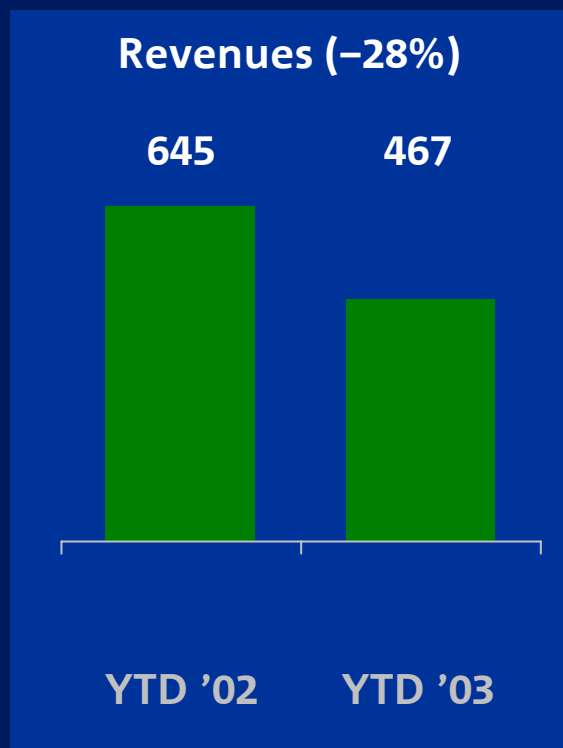


## BASE



# Other YTD

*(Excluding exceptional items, € millions)*



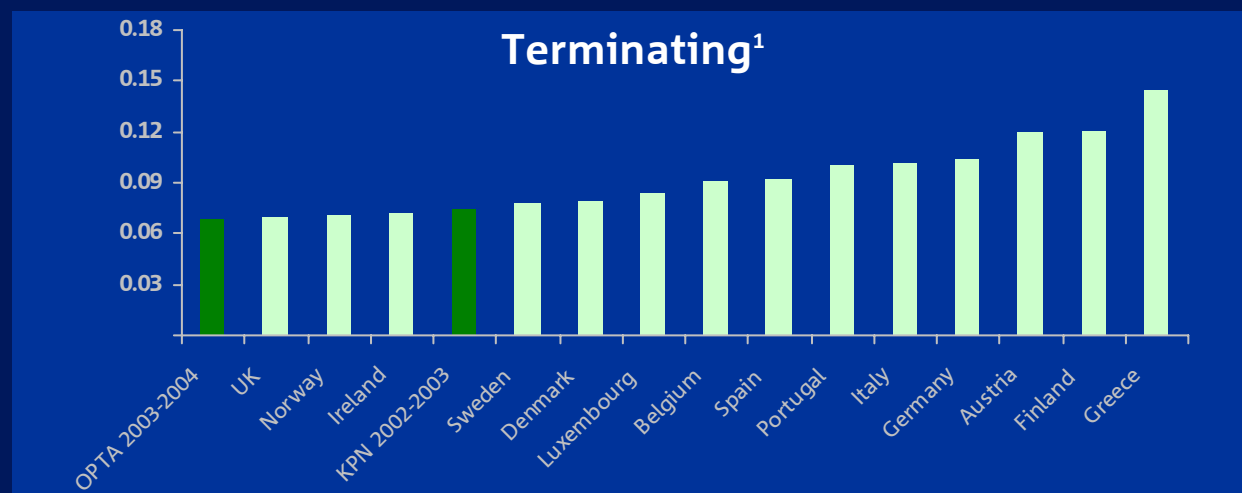
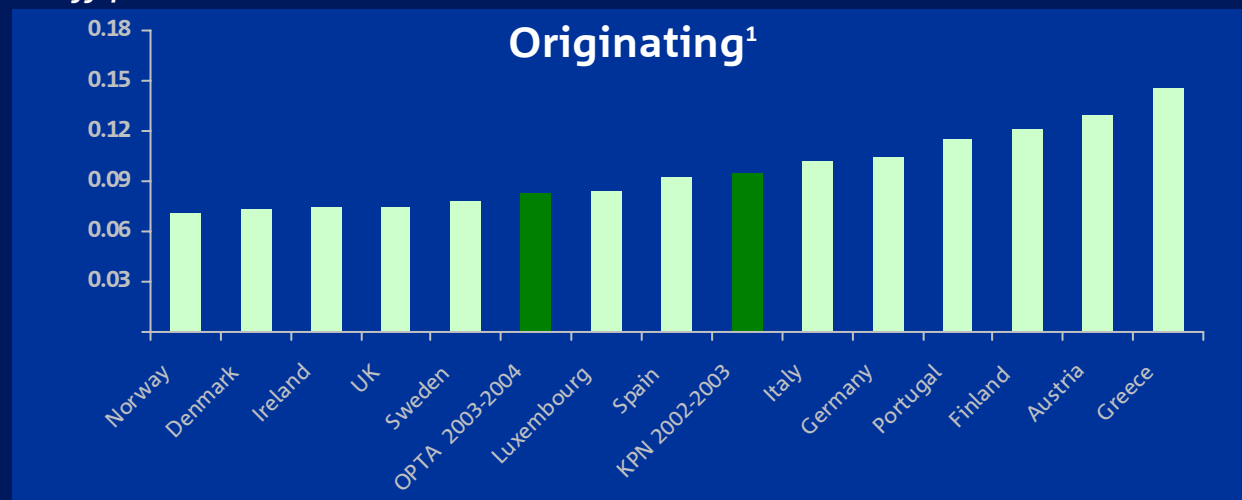
- Revenue decline due to sale of Directory Services and Network Construction and lower revenues from retail activities and Xantic
- Operating EBITDA increase due to cost reduction program, partially offset by sale of Directory Services

# New Telecommunications Act

- Based on the new EU Directives
- Introduction in The Netherlands delayed (to probably end 2003); hearing of sector players on August 28
- Market definitions and dominance test will be based on general competition law instead of current sector specific regulation
- Ex-ante remedies in case of dominance should be proportional to the nature of the market failure
- Discussions with regulator about definition broadband market
- New regulatory framework: power to the national regulators, after implementation in national law, to regulate fixed to mobile call termination rates of all operators

# Regulation Fixed Interconnection tariffs

Tariff per minute in eurocents

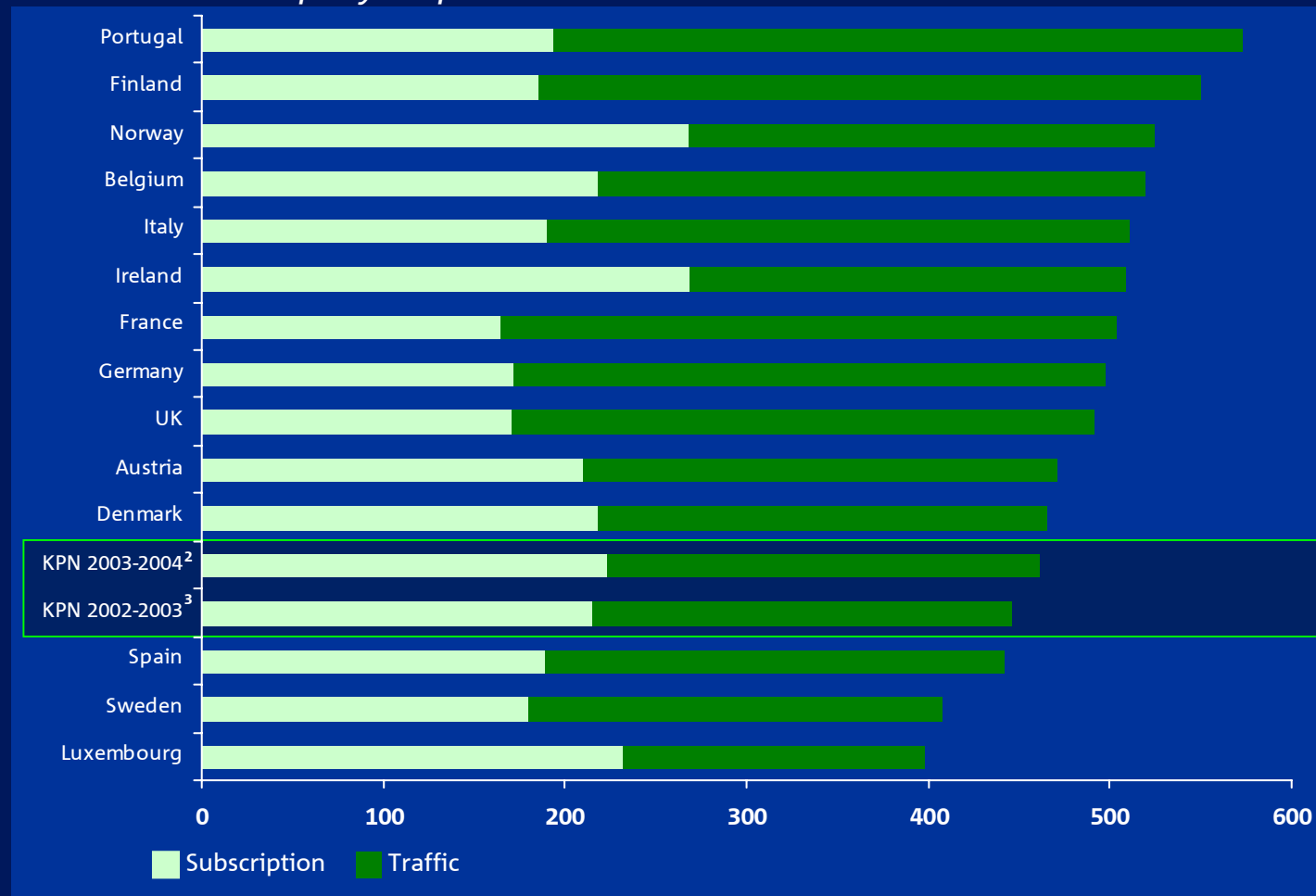


- On July 24, OPTA set new rates for origination (-10%) and termination (-5%)
- Originating tariffs were already in middle of EU range
- Terminating tariffs were already amongst the lowest
- KPN has lodged an appeal

<sup>1</sup> Source: Analysis

# Comparison retail tariffs<sup>1</sup> Consumer basket

Amounts in euros per year per subscriber



KPN's tariffs competitive in European context

Subscriptions in top end of the range

Traffic rates in bottom end of the range

<sup>1</sup> OECD retail basket including VAT

<sup>2</sup> After increase in international tariffs per May 15 and national tariffs per July 1 (+ 3.5%)

<sup>3</sup> Before increase in international tariffs per May 15 and national tariffs per July 1 (+ 3.5%)

# Regulation Fixed

## Restrictions on discount packages

On August 6, OPTA decided not to allow KPN any extra scope for discounts and savings packages

KPN objects to being restricted in offering attractive packages to customers

Existing schemes such as the discount package introduced on July 1 and 'Friends & Family numbers' may continue

# Regulation Mobile

## Other relevant developments

- International roaming
  - Pending investigation of excessive pricing by all UK and German operators; recent focus on UK
  - Under new regulatory framework, national regulators will have to investigate wholesale international roaming market and may regulate prices in case of dominance
  
- Dealer payments
  - NMa<sup>1</sup> fined all mobile operators for in total € 88 mn (Dec '02)
  - KPN considers its fine of € 31.3 mn disproportionate
  - KPN has appealed in March to NMa; decision expected end of this year
  - Total procedure may take several years

<sup>1</sup> Dutch competition authority

# Hutchison 3G UK

## Status funding call

KPN did not honour the funding call

Hutchison Whampoa issued a fair price notice under the shareholders agreement and started proceedings to establish whether the funding call notice was valid

25 April, 2003

May 27, 2003

June 2, 2003

November 10, 2003

KPN issued a default put option notice under the shareholders agreement

Trial

# Benchmarking

## Summary of metric definitions

Metric	Definition
Revenue growth	Total reported revenues -/- exceptional items for current period/ Total reported revenues -/- exceptional items for same period in prior year
Operating EBITDA growth	Reported operating EBITDA -/- exceptional items for current period/ Reported operating EBITDA -/- exceptional items for same period in prior year
PBT growth	Reported PBT -/- exceptional items for current period/ Reported PBT -/- exceptional items for same period in prior year
Operating EBITDA margin	Reported operating EBITDA -/- exceptional items for current period/ Reported revenues -/- exceptional items for current period
PBT margin	Reported PBT -/- exceptional items for current period/ Reported revenues -/- exceptional items for current period
Return on Invested Capital	NOPLAT -/- exceptional items for current period/ Unweighted average Invested Capital in current period
Free cash flow margin	FCF for the current period/Reported revenues for the current period FCF defined as: operating EBITDA less gross Capex
Total Shareholder Return	Share price at end of period x adjusted number of shares/Share price at start of period Time frame defined as 5 quarters from Q1 2002
Revenue per FTE	Total reported revenues -/- exceptional items for current period/ Unweighted average number of FTEs during the current period
Operating EBITDA per FTE	Reported operating EBITDA -/- exceptional items for current period/ Unweighted average number of FTEs during the current period