15. KONINKLIJKE PTT NEDERLAND (KPN)

15.1 COMPANY INFORMATION

Exhibit 30 – KPN at a glance

Shareholders	Public company since June 1994 Netherlands Government 31.4% BellSouth 9.42%
CEO	A J Scheepbouwer
Year Established	1989
Revenue 2001	€12.9 billion
Headquarters	Groningen, The Netherlands
Branches	Den Haag, The Netherlands
Customers 2000	25 million
Employees 2001	49,100

(Source: Paul Budde Communication, based on company data)

Royal Koninklijke PTT Nederland (KPN) is an international telecommunications company that offers business and residential customers a full range of fixed and mobile telephony, data, Internet, broadband and managed telecommunications services. KPN is the largest Dutch telecommunications company, and operates in a number of European countries on its own and in partnership with other companies.

KPN is focusing on four growth areas: Mobile, Data/IP, Internet, CRM and media services (ICM), and the fixed network. The company seeks to expand in these areas with an emphasis on Germany, the Netherlands and Belgium through its own organic growth, acquisitions, joint ventures and co-operation with strong partners like NTT DoCoMo and Qwest. The company is focussing on its core businesses and has been disposing of assets and activities that are unrelated to these businesses.

15.1.1 History

On 1 January 1989, the Netherlands Postal and Telecommunications Services became Royal KPN Nederland NV (KPN). The year 1994 saw the listing of KPN on the Amsterdam Stock Exchange and, just over a year later, on the New York Stock Exchange. The State gradually reduced its number of shares in the company. KPN's two most important operating companies, PTT Post and PTT Telecom were increasingly in conflict with the rise of the Internet and electronic communications. The companies were therefore demerged in 1998 and each went their separate way. PTT Post merged with the Australian company TNT and became TNT Post Group, and PTT Telecom became Royal KPN NV.

15.1.2 Subsidiaries

KPN has a number of subsidiaries in its key market areas of mobile, data, Internet and CRM, and some other business areas.

Interests in the following companies were sold during 2001:

- Cesky Telecom (Czech Republic);
- Pannon GSM (Hungary);
- Eircell (Ireland);
- *eircom* (Ireland);
- Pantel (Hungary);
- UMC (Ukraine);
- Telkomsel (Indonesia).

The following interests are expected to be sold in 2002:

- Euroweb;
- Infonet;

- Vision Networks;
- Mobile Telesystem (MTS) (Ukraine) – 16% sale for US$55 million announced in November 2002, subject to regulatory approval;
- KPN Belgium, the wholly owned subsidiary, was sold to Scarlet in December 2002. Negotiations for the sale of Planet Internet Belgium to Scarlet were also underway.

Exhibit 31 – Key subsidiaries

Subsidiary	Country of activity	Holding
Mobile:		
• KPN Mobile	Netherlands	85.0%
• E-Plus	Germany	77.4%
Data, Internet, CRM:		
• KPN Telecommerce	Netherlands	100.0%
⇒ Plant Internet (ISP)	Netherlands	100.0%
⇒ Planet Internet Belgium (ISP)	Belgium	100.0%
⇒ Het Net (free ISP)	Netherlands	100.0%
⇒ XS4All (ISP)	Netherlands	100.0%
⇒ XS4All Belgium (ISP)	Belgium	100.0%
⇒ HCC Net (ISP)	Netherlands	70.0%
⇒ SNT (CRM to companies)	Netherlands	50.0%
⇒ KPN Call Centres	Netherlands	50.0%
⇒ KPN Telemedia (directories)	Netherlands	100.0%
⇒ KPNQwest	Global	44.3%
⇒ Infonet Netherlands	Netherlands	17.4%
⇒ PanTel	Hungary	72.5%
⇒ Euroweb (ISP)	Europe	51.0%
Other:		
• KPN SatCom (satellite)	Netherlands	100.0%
⇒ Station 12 (satellite)	Netherlands	65.0%
• KPN Valley	Netherlands	100.0%
• KPN Research	Netherlands	100.0%

(Paul Budde Communication based on company data)

15.1.3 Year 2001 results

The year 2001 was the most difficult in KPN's history. The company was badly hit by the industry downturn in 2000 and was unable to adequately service the debt it had run up on its previous acquisition spree (see *Chapter 15.2*, Paul's analysis). By mid-2001 the net debt amounted to €22.8 billion, and after the merger with Belgacom had fallen through, the KPN share price slumped to €2.03, an all-time low, and to a series of downward adjustments in credit ratings.

Reported revenue for the year decreased by 5% to €12.8 billion. This is a bit misleading as it includes the sale of non-core assets of €497 million in 2001, whilst the corresponding figure in 2000 was €2.35 billion. Ignoring these abnormal items, operating revenue increased 11%. This led to an operating loss of €14.4 billion before tax (positive €2.7 billion in 2000) and a net loss of €7.5 billion (positive €1.9 billion in 2000).

The underlying growth of operating revenues in 2001 occurred in all core segments. The increase in mobile customers as well as the full year inclusion of the results of E-Plus, and higher transit volumes in Carrier Services were major contributors, despite lower prices and a deterioration of market sentiment.

International revenue was 22% of the total compared with 15% in 2000.

Depreciation, amortisation and impairment charges increased to €17.8 billion (€3.1 billion in 2000). This recognised an impairment charge of €13.7 billion on the goodwill of E-Plus, as well as Hutchison 3G UK (€135 million), PanTel (€57 million), Cesky Telecom (€182 million) and other impairments of €38 million.

Restructuring charges relation to cost improvement measures were €676 million.

Table 50 – Revenue for years ending December – 1997-2001

Year	Revenue (€ billion)
1997	NLG15.70
1998	7.94
1999	9.13
2000	13.51
2001	12.86

(Source: Paul Budde Communication, based on company data)
Note: Data for 1997 is for telecom services only.

Table 51 – Revenue by segment – 2001

Segment	Proportion	Annual change
Fixed network	41%	+8%
Mobile (includes asset sales)	32%	-20%
IP/Data	11%	+19%
Internet, call centres, media	5%	+13%
Other	11%	+5%

(Source: Paul Budde Communication, based on company data)

15.2 COMPANY ANALYSIS (UPDATED DECEMBER 2002)

By Paul Budde

15.2.1 Decade of poor management

15.2.1.1 No leadership

While KPN is not the only telco to get it awfully wrong, it spent a long time failing to show any leadership in extricating itself from the mess. Companies such BT and AT&T have, for better or for worse, were taking far more decisive action in an effort to address their problems.

In what can only be perceived as megalomania, KPN embarked on a money-spending spree in a quest to become Europe's third-largest telco. In an ill-considered and far too costly move, it bought itself into a range of companies such as Pannon Hongarije, Cesky Telekom, Eircom, etc.

In the process it ran up debts of a massive €24 billion and is now facing huge financing charges, accumulated through the purchase of the German mobile operator E-Plus (€10.6 billion in cash) and the ridiculous price it paid for Universal Mobile Telecommunications Services (UMTS) licences (€8.9 billion in cash). These substantial financing charges have crippled profitability and weakened the liquidity of the company.

In an effort to recoup some of this money, it now finds itself involved in fire sales, recovering only a fraction of the money it invested in these organisations.

15.2.1.2 No business focus

The company's bad management was a reflection of a decade of unfocused business activities. I doubt that KPN actually knew where it was headed. It concentrated on defending its turf and taking advantage of the telco legislation to delay competition, hamper its competitors – annoying and frustrating its customers in the process.

All this in the name of 'looking after shareholders value'! While some of the aforementioned monopolistic behaviour may perhaps have added a certain amount of value for the shareholders, it

definitely did not add value to KPN's business. And in the process, the company racked up a €24 billion debt! This is high, even for the telecoms industry.

It amazes me that the market is accepting the demise of colossi such as KPN so tolerantly. Management is murmuring about dotcom, global meltdowns, September the 11th – they are blaming everyone and everything but themselves. And they are getting away with it.

Most CEOs, COOs, CFOs and the like regularly receive multi-million dollar bonuses. For what? Are they being rewarded for generating multi-billion dollar debts; for causing a total collapse of their share prices; for sacking tens of thousand of employees and for creating a legion of dissatisfied customers?

15.2.1.3 Nationalisation back on the agenda

After a decade of over-extension and high-risk tactics, the company realised that it had to reorganise itself. The previous CEO, however, failed to show the leadership that was required in such a situation, with the result that the company now finds itself in very reduced circumstances. KPN will need to refocus on its main strength – building a world-class network for residential users, schools, government and business. Governments around the world are slowly beginning to recognise the fact that a world-class high-speed network will be the basis of any country's success and future in this century. In fact, the Dutch Parliament is even contemplating nationalising the network, believing it to be far too important to the country's well-being to allow it be run down by a potentially incapable telco (the Dutch Government retains a 31% shareholding in the national carrier).

15.2.1.4 Blindly following the 3G hype

I find it incomprehensible that a company the size of KPN should have made such incredibly poor decisions, especially regarding Third generation mobile system (3G). At that time several analysts (including myself) vociferously rejected the hype from vendors and financiers. Since 1999 we have maintained that 'WAP=Crap' and that the probability of billions in extra revenue from mobile data applications on new 3G systems was very much exaggerated.

In August 2002 the company announced a €1.2 billion write-down on its 15% interests in the UK 3G assets in mobile company Hutchison 3G and that its shares were up for sale. This was in the context of an overall review of its wireless activities, particularly its 3G ventures. It announced it would continue with its German and Benelux 3G activities, but the UK venture was considered non-core. The CEO acknowledged that there didn't appear to be any interested buyers, however.

Prospects for the Germany market received a boost in September 2002 when one of KPN's competitors, France Telecom's MobilCom, was set for bankruptcy as the French parent abandoned the troubled operator.

15.2.1.5 iMode isn't replicable in Europe

In an effort to resolve its abysmal financial position following the 3G purchases, the company linked up with NTT DoCoMo, in trying to sell iMode in the European market. Ever since the beginning of the iMode success story we have presented our rationale as to why iMode will not work outside Japan (different culture, different lifestyle, different Internet environment, to name just a few reasons). It was ridiculous for KPN to expose itself to such an unnecessary risk – and it should have recognised a further warning sign when Nokia indicated it would not build iMode phones.

And the drama is not finished yet, as KPN's E-Plus subsidiary will still go ahead with the launch of an iMode service in Germany. Valuable management resources were lost to the company at a time when it desperately needed to refocus on its core business.

KPN Mobile and E-Plus, KPN Telecom's Dutch and German subsidiaries, were converting €14 billion into equity. This significantly diluted DoCoMo's holdings with the Dutch cellular company, worth

some US$3.3 billion. KPN also called on NTT DoCoMo to inject more capital into it and maintain the Japanese operator's 15% voting interest. In December 2002, NTT DoCoMo announced its stake in KPN Mobile was to be cut to 2% per cent from 15% after it rejected KPN's offer to buy more shares when the company converts its loans from its parent company, KPN Telecom, into equity. This represents an important shift for DoCoMo and KPN with implications for commitment to i-mode. But i-mode's future in Europe is not good in the absence of successful business models and real customer demand.

15.2.2 Remedial attempts

15.2.2.1 Narrower regional focus

Statements in late 2002 that it had abandoned its European ambitions and will now only concentrate on the Benelux and Germany have a very hollow ring. Still looking at greener pastures, instead of putting its house in order? What are the realities in Belgium, after the recent blow? The realities were only accepted when KPN Belgium was sold to Scarlet in December 2002. What changes does it have in mind in Luxembourg, and what does it matter? I would have hoped that being a niche player in Germany would have taught them some lessons about this market.

By 2002, it was clear that the company's strategy focussed on more cost cutting via job cuts and the reassessment of non-core assets.

15.2.2.2 Cost cuts not enough

It is highly unlikely that the current cost-cutting exercises and the sale of a few assets are going to do the job for KPN. To put it into perspective, the company expects annual savings of some €700 million by 2003 through the job cuts. Some 8,000 jobs had been cut by third quarter 2002. Job cutting is certainly necessary, but it is not the whole solution. Furthermore, valuable human resources are needed to turn the company around. Job cuts generally result in a decline in a company's morale, and good morale is what will be needed to turn this company around. At best the company might stabilise 'the disaster' but it won't get rid of it.

Far more decisive action needs to be taken. It is a pity that the Belgacom merger didn't eventuate, as that could have created a suitable 'good news' mood to function as a catalyst for change. But with or without a merger, nothing less than a massive restructuring will suffice. Understandably, lots of attention has been given to the financial situation, since the company could run out of cash by 2004. KPN has not come up with a vision of where it wants to be, nor has it come up with any longer-term strategy on how to turn the company around.

15.2.2.3 Massive write-down on E-Plus

It was good to see that the company did bite the bullet in March 2002 and took a massive €12.4 billion goodwill write-down on its stake in Germany's E-Plus. While this resulted in the largest-ever annual loss by a Dutch firm, it also sets the company on a much better financial footing for the future. The reality is that the mistakes of the previous years have cost the company dearly and it much better to face the music and clear the decks. This also makes it much easier to quit E-plus all together to find another partner in the venture.

The company was in deep troubles with its E-Plus network. Subscriber numbers, market share and revenue were down. The competition from (and between) T-Mobile and Vodafone was squeezing the others out of the market. Currently E-Plus and Viag Interkom are the biggest players in the market that is competing for the leftovers. All the mobile operators received a boost in September 2002 when MobilCom, the troubled mobile operator owned by France Telecom and a 3G licence holder in Germany, headed for bankruptcy.

mm2O has indicated it will sell Viag if it can't make it profitable, and KPN was in no position to buy them out. In January 2002, it was obliged to take full control of E-Plus, following the decision by US operator, BellSouth, to exercise its 'put' option on its 22.51% stake. The transaction increases the net debt burden of KPN by close to another billion euro, to a total of around €24 billion. BellSouth apparently didn't want to be part of yet another disaster in the market. Consolidation in the mobile market in Germany is long overdue and more casualties are expected there.

KPN was set to play a key role in the consolidation of the saturated German market, where six operators, which paid a total of €51 billion for their third generation mobile licences, compete.

15.2.2.4 Positive signs in the network

Despite the disastrous situation around KPNQwest (for an analysis see separate report: *KPNQwest* at *www.budde.com.au*), there where also some positive developments on the network side, which I see as the company's core business. In late May 2002, the company announced its fibre to the home pilots, which it expects to start later on in the year. Initially, it plans to offer speeds of 10Mb/s, but at a later stage this will be upgraded to 100Mb/s or even 1Gb/s. While the current DSL service is appropriate for always-on high-speed Internet access, for new services like Video On Demand (VoD) or videophone, Fibre-To-The-Home (FTTH) will be more appropriate.

Another piece of good news came with the news in September 2002 that one of KPN's German 3G competitors, MobilCom, was headed for bankruptcy and abandonment by its parent France Telecom.

The future for KPN lies in infrastructure, and by 2010 this infrastructure will be 90% IT based and will include data centres, data storage, content hosting, CRM, etc.

15.2.2.5 Positive signs in the finances

In November 2002 the company reported the first quarterly net profit since 2000. A €68 million quarterly net profit is nothing huge, but, it signalled a great turnaround on KPN's disastrous financial problems in 2001. The third quarter 2002 results also showed that net debt had fallen to €13.9 billion. At the peak, debt levels were €24 billion.

The third quarter 2002 results showed 1% growth in fixed network revenues (€1.63 billion) and 10% in mobile revenues (€1.24 billion), with mobile revenues expected to exceed fixed network revenues in 2003. The numerically small rise in fixed network revenues belies the significance of the traffic that KPN controls. Nonetheless, mobile is touted as key by the company.

The progress can be attributed to a €5 billion cash call and asset sales of non-core activities, as well as jobs and cost cutting. KPN also increased its profit and sales forecasts and sold its directories unit for €500 million to a syndicate led by British private equity group 3i and investment bank Veronis Sulher Stevenson.

15.2.2.6 Dogged pursuit of mobile

Much of its future focused remained on mobile, however. It planned to convert €14 billion worth of shareholder loans into equity to recapitalise its mobile operations, including its German arm E-Plus, which was rumoured to be eyeing parts of struggling rival MobilCom (owned by France Telecom), or even mmO2. KPN wants E-Plus to be the clear Number 3 mobile player in Germany, and €2.1 billion was reserved to pay down E-Plus' revolving credit facility. It was re-capitalising its Dutch and German activities as part of this growth strategy, which included targeting high value customers with higher Average Revenue Per User (ARPUs), GPRS use, and less handset subsidisation.

15.2.3 Long term strategies

15.2.3.1 Two minutes to midnight

There is money to be made in telecommunications, but only when KPN has restructured itself so that it can actually tap into these new revenue streams will the company be able to turn itself around – not just financially but, more importantly, in a business sense. This means concentrating on customers and seeing competitors in the market as collaborators, not as enemies who need to be frustrated, bullied and sued at every opportunity.

So, given a forward-looking vision, the company can be turned around – but it had better start soon. An important part of this turnaround could well be (as was predicted in 1998 by Wim Dik, one of the company's previous CEOs) a takeover of the company by one of its competitors. While the environment for such takeovers was much healthier in 1998 than it is today, this is still a very real option.

15.2.3.2 Where is the vision and where are the strategies?

What is required is decisive action from decisive leaders, and so far we haven't seen any of this. The longer the company waits to restructure and refocus on its core business the higher the cost will be.

There is now a new leadership in place and the company has a unique opportunity to move in the right direction. However, there will need to be a bit of a revolution before it can surface as a leaner and meaner entity. It is to be hoped that the new leaders can develop a vision for the future and that they will see fit to concentrate on their core business. The company should rid itself of its bureaucratic culture, cease its navel-gazing and start thinking markets and marketing, not technology and engineering.

While the present focus on finance is certainly important, I see it as only part of the story. The financial market (which I consider to be at least partly to blame for some of KPN's current problems) has welcomed the successful emission as a sign that the company has turned the corner, but I disagree with them on this. Where is the business vision? Where is the essential business reorganisation?

15.2.3.3 Key strategies

Key ingredients of this new vision and direction should be:

- separating its fixed network from its wholesale business;
- the fixed access network should become a separate business (could be sold off);
- the company should become the preferred network operator for all types of access, coax cable, copper twisted pair, satellite, optical or wireless. Extra selling points and revenue earners will include: network resilience, security, high capacity, network intelligence and dynamics and it should be highly flexible in nature;
- opening up the network to smaller, nimbler applications and service software developers (ISPs, ASPs, Home Network Developers) and to content and service creators, who can develop software and services directly onto the network;
- delivering new services tomorrow, not in six weeks time (and without the compulsory 12-month, fixed term contract);
- a new wholesale business model is needed that allows revenue to be gained by the network in exchange for open access to the network. Permission-based models should be promoted to its potential wholesale and corporate customers;
- on an ongoing basis, new concepts, business models and products are needed for new types of services and content.

15.3 OPERATIONS

KPN provides the full range of fixed and mobile telephony, data, Internet, retail and wholesale services.

15.3.1 Fixed network services

KPN is the oldest and largest supplier of fixed-network telecommunications services in The Netherlands. Fixed lines form the most important access path into the Internet and KPN is making them suitable for broadband applications. KPN has an extensive sales and distribution network that serves business and residential customers. To maintain its leading position in the Netherlands, KPN intends to extend the range of services it offers by promoting broadband services. KPN is also concentrating on the quality of its service provision, on increasing the capacity of the network and on improving efficiency in order to reduce costs.

Towards the end of 1999, KPN constructed Lambda, a new fibre optic network that interconnects the major urban districts in The Netherlands. The network is a stepping-stone for KPN to develop further as a provider of services to other Internet service providers and telecom operators active in The Netherlands.

KPN launched an Asymmetrical Digital Subscriber Line (ADSL) broadband service called MxStream in 2000.

Table 52 – Fixed network statistics – 1999-2001

Year	Channels (000)		
	PSTN	ISDN	ADSL
1999	6,570	3,430	140
2000	6,920	2,960	10
2001	7,330	2,280	0

(Source: Paul Budde Communication, based on company data)

15.3.2 Mobile communication

KPN is aiming to become a leading player in the European mobile telecommunications industry by building on the market position of KPN Mobile in the Netherlands and the positions of E-Plus in Germany and KPN Orange in Belgium (sold to Scarlet in December 2002). KPN is continuing to develop new technologies such as GPRS and UMTS.

Table 53 – Mobile subscribers – 1998-2001

Year	Mobile subscribers (million)		
	Netherlands	Germany	Belgium (sold Dec 2002)
1998	2.2	2.1	Na
1999	3.5	3.8	0.1
2000	4.8	6.7	0.6
2001	5.2	7.5	1.0

(Source: Paul Budde Communication based on company data)

Table 54 – E-Plus prepaid and contract subscribers – 1998-2001

Year	Prepaid (000)	Contract (000)	Total (000)
1998	574	1,481	2,055
1999	1,260	2,519	3,779
2000	3,628	3,033	6,661
2001	4,368	3,113	7,481

(Source: Paul Budde Communication based on company data)

Table 55 – KPN Mobile prepaid and contract subscribers – 1998-2001

Year	Prepaid (000)	Contract (000)	Total (000)
1998	603	1,560	2,162
1999	1,864	1,615	3,479
2000	3,179	1,666	4,845
2001	3,486	1,739	5,225

(Source: Paul Budde Communication based on company data)

With its partners NTT DoCoMo and BellSouth, KPN Mobile aims to:

- develop innovative services and applications;
- exploit economies of scale
- accelerate the creation of UMTS networks via shared investments.

KPN Mobile acquired UMTS licences in its key markets for mobile communications at a total cost of €9,871 million:

- **The Netherlands** – KPN Mobile acquired a UMTS licence in July 2000 for a price of €711 million;
- **Germany** – Jointly with Bell South KPN Mobile obtained a licence in Germany in August 2000 for a total price of €8.4 billion; 77.5% was paid by KPN Mobile;
- **United Kingdom** – KPN Mobile spent €1.5 billion on the acquisition of a 15% interest in Hutchison 3G UK Holdings, a company that holds a UMTS licence in the UK;
- **Belgium** – KPN Mobile purchased the remaining 50% interest in KPN Orange for approximately €1.0 billion (inclusive of the transfer of debts), making the company a wholly owned subsidiary, in February 2001; in March 2001 KPN Mobile has been awarded a UMTS licence in Belgium for the price of €150 million.

In 2000, KPN Mobile formed a strategic alliance with NTT DoCoMo. As a result, the Japanese telecom company gained a 15% share in KPN Mobile. For this stake, NTT DoCoMo invested € 4 billion in the Dutch mobile operator. In a joint venture with the Telecom Italia Mobile (TIM), KPN Mobile and NTT DoCoMo are concentrating on the development of i-mode services in Europe, drawing from demonstrated success in Japan.

In March 2002, KPN completed the acquisition of BellSouth's 22.51% stake in E-Plus in a share swap, taking KPN's holding in E-Plus to 100%, and BellSouth's holding in KPN to 9.42%.

15.3.3 Data communication

KPN offers IP/data services in various ways including through KPNQwest, its joint venture with Qwest of the United States. KPNQwest serves the fast-growing market for bandwidth and broadband/Internet-related services. KPN is the largest supplier of IP/data services in The Netherlands. With KPNQwest, KPN is one of the major providers of IP/data services to European business customers over its European fibre optic network. KPN has built various networks in The Netherlands in order to handle the growing volume of data communication efficiently. These networks use capacity that is available in KPN's Lambda fibre optic network.

Table 56 – Data statistics – 1999-2001

Year	Dutch cities connected	Leased lines (000)		
		Analogue	Digital	Flexistream
1999	35	111	39	269
2000	41	98	44	596
2001	43	85	52	751

(Source: Paul Budde Communication, based on company data)

For more information on KPNQwest, see separate report: *KPNQwest* at *www.budde.com.au*.

15.3.4 Internet, CRM and media services (ICM)

KPN's Internet, CRM and media services (ICM) have been combined in a company called KPN Telecommerce.

The company's ISPs include: Planet Internet, Het Net, XS4All and HCC Net (in which KPN owns a 70% stake). Together, they form the largest ISP in The Netherlands, measured in terms of the number of registered users. KPN estimates the number of registered Internet customers in the Benelux at 2.5 million, including 1.5 million active users.

KPN is the Benelux market leader for Internet services. In The Netherlands, KPN is market leader with Planet Internet and Het Net. In Belgium, KPN believes Planet Internet Belgium is the second ISP in terms of the number of registered customers. The Dutch Consumers' Association has among others named Planet Internet the best ISP in The Netherlands several times.

The Dutch incumbent is establishing a wide range of Internet content services and concluded agreements with a number of partners for the delivery of services via Internet portals. In association with Voetbal International, KPN operates VI Planet. The company has similar partnerships with PSV, Feyenoord and Ajax. They have also set up a portal for children called 'Disney Blast' in collaboration with Disney.

KPN is the leading provider of outsourced call centre services in The Netherlands, including services provided through the listed company SNT, in which KPN owns an interest of 50%. This association is being used to obtain valuable knowledge about the use of call centres for handling telephone calls and e-mail messages. KPN further provides Internet-related services such as hosting, toll-free 0800 numbers and premium-rate 0900 information numbers in The Netherlands and services like conference calls.

Table 57 – Internet subscribers – 1998-2001

Year	Internet subscribers
1998	300,000
1999	800,000
2000	1,400,000
2001	2,900,000

(Source: Paul Budde Communication based on company data)

15.4 OTHER DEVELOPMENTS

15.4.1 Year 2002

February

- KPN Mobile completed the sale of its 44.66% shareholding in Hungarian mobile operator Pannon GSM to Telenor for €603 million;
- Atos Origin signed a letter of intent to manage KPN End User Services business for a minimum period of six years;
- KPN agreed to sell its 50% interest in Teleprofs to the Vedior employment agency.

March

- KPN completed the acquisition of BellSouth's 22.51% stake in E-Plus in a share swap, taking KPN's holding to 100%;
- KPN reached agreement to become the sole owner of Contrado, the joint venture the two companies established in August 2000;
- KPN, through its subsidiary Everest Acquisition, increased its offer in its attempt to acquire all of EuroWeb International.

June

- KPN Mobile sold RAM Mobile Data (Netherlands);
- Wessels Stevin agreed to buy KPN Netwerk Bouw which builds network infrastructures.

July

- KPN took over the Dutch part of the KPNQwest Euro Rings and the Network Operations Centre (NOC) in The Hague.

August

- KPN took over the German part of KPNQwest Euro Rings including the connections to neighbouring countries;
- Atos Origin's agreed to take over of the activities of KPN's Software House;
- With the sale of Vision Networks Tsjechië, KPN completed the disposal of its cable activities except for a small interest in Poland;
- KPN reviewed its mobile operations. It wrote down the value of its Hutchison 3G venture in the UK, and announced its 15% share in the joint venture was for sale.

September

- KPN held talks to sell its yellow-pages division with three potential suitors;
- KPN agreed to purchase of the UK part of the KPNQwest network.

November

- Agreement signed with MTS (Ukraine) for 16% sale for US$55 million subject to regulatory approval.

December

- KPN Belgium sold to Scarlet.

15.5 CONTACT DETAILS

Koninklijke PTT Nederland
Stationsplein 7
9726 AE GRONINGEN
THE NETHERLANDS

Tel: +31 50 852 2822
Fax: +31 50 852 2688
Website: www.kpn.com