

Q1 2019 RESULTS

26 April 2019



Safe harbor

Alternative performance measures and management estimates

This financial report contains a number of alternative performance measures (non-GAAP figures) to provide readers with additional financial information that is regularly reviewed by management, such as EBITDA and Free Cash Flow ('FCF'). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures and are not uniformly defined by all companies including KPN's peers. Numerical reconciliations are included in KPN's quarterly factsheets and in the Integrated Annual Report 2018. KPN's management considers these non-GAAP figures, combined with GAAP performance measures and in conjunction with each other, most appropriate to measure the performance of the Group and its segments. The non-GAAP figures are used by management for planning, reporting (internal and external) and incentive purposes. KPN's main alternative performance measures are listed below. The figures shown in this financial report are based on continuing operations and were rounded in accordance with standard business principles. As a result, totals indicated may not be equal to the precise sum of the individual figures.

Financial information is based on KPN's interpretation of IFRS as adopted by the European Union as disclosed in the Integrated Annual Report 2018 and do not take into account the impact of future IFRS standards or interpretations. Note that certain definitions used by KPN in this report deviate from the literal definition thereof and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS as adopted by the European Union. KPN defines revenues as the total of revenues and other income. Adjusted revenues are derived from revenues (including other income) and are adjusted for the impact of incidentals. KPN defines EBITDA as operating result before depreciation (including impairments) of PP&E and amortization (including impairments) of intangible assets. Adjusted EBITDA after leases ('adjusted EBITDA AL') are derived from EBITDA and are adjusted for the impact of restructuring costs and incidentals ('adjusted') and for lease costs, including depreciation of right-of-use assets and interest on lease liabilities ('after leases' or 'AL'). KPN defines Gross Debt as the nominal value of interest-bearing financial liabilities representing the net repayment obligations in Euro, excluding derivatives, related collateral, and leases, taking into account 50% of the nominal value of the hybrid capital instruments. In its Leverage Ratio, KPN defines Net Debt as Gross Debt less net cash and short-term investments, divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). The Lease adjusted leverage ratio is calculated as Net Debt including lease liabilities divided by 12 month rolling adjusted EBITDA excluding major changes in the composition of the Group (acquisitions and disposals). Free Cash Flow ('FCF') is defined as cash flow from continuing operating activities plus proceeds from real estate, minus capital expenditures (Capex), being expenditures on PP&E and software and adjusted for repayments of lease liabilities.

All market share information in this financial report is based on management estimates based on externally available information, unless indicated otherwise. For a full overview on KPN's non-financial information, reference is made to KPN's quarterly factsheets available on ir.kpn.com.

Forward-looking statements

Certain statements contained in this financial report 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", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" 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 the Integrated Annual Report 2018. All forward-looking statements and ambitions stated in this financial report that refer to a growth or decline, refer to such growth or decline relative to the situation per 31 December 2018, unless stated otherwise.

IFRS 16

KPN applies IFRS 16 using the full retrospective approach. The implementation of the standard had not been fully completed at the date of publication of KPN's restated figures, so that certain management estimates have been made with respect to 2018. The impact of the adoption of IFRS 16 is unaudited and may be subject to change until the publication of KPN's Financial Statements 2019.

Highlights Q1 2019

Solid start
new cost savings
program

€ 27m

net indirect opex savings¹

On track to realize
full-year outlook

Adjusted EBITDA after leases

-0.3% y-on-y

Q1 2019: € 563m

Sale iBasis
completed

**FULL FOCUS
ON THE
NETHERLANDS**

¹ Indirect opex after leases, adjusted for the impact of restructuring costs and incidentals

STRATEGY 2019 2021

The best **converged smart infrastructure.**

Focus on **profitable growth** segments.

Acceleration of **simplification** and **digitalization.**

Strong start to converged infrastructure roll-out

Started accelerated
FttH roll-out

11 new projects
up and running

Ramping up for
+1m FttH households

Future proof
technology

Up to
10 Gbps
Symmetrical

Partnering with Nokia to
deploy latest technologies
G-PON & XGS-PON

‘Outstanding’
rating in mobile
P3 test

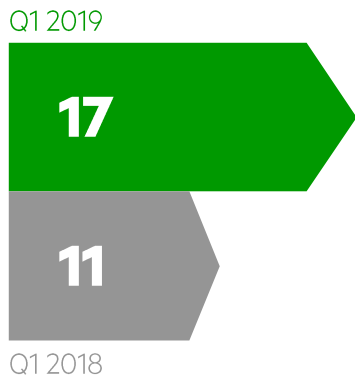
961 points

2018: 940 points

Continuously improving customer experience

record-high NPS in both segments

Consumer NPS¹



Business NPS¹



Reputation award²



¹ 2018 restated as result of recalibration of relative weights of underlying businesses, source: Kantar TNS

² Industry adjusted, source: Reputation institute

Brand strategy

one strong powerful brand: KPN

**Quality &
time-to-market**

Accelerate on
convergence

**Signature
features** of all
brands under
one brand

EFFICIENT OPERATING MODEL

Solid results in Consumer Fixed

Converged
households

+14k

Broadband
base¹

+1k

Fixed ARPU

€ 46 +5.4%
y-on-y

¹ Corrected for migrations to, and new customers of, small business proposition launched in Q4 2017 (8k)

Solid KPN brand

in competitive mobile market

Postpaid ARPU
under pressure

€ 17 -5.0%
y-on-y

Q1 2018: € 18

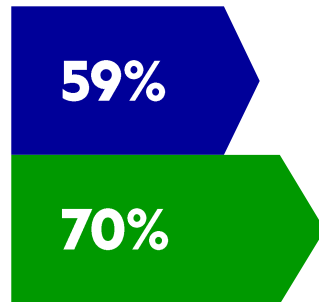
Stabilizing postpaid
base KPN brand

-1k net adds
KPN brand

Q4 2018: -8k

Converged
postpaid base

All brands



KPN brand

Strategic actions impacting Business revenue

migrations accelerating, core IT services growing

Adjusted revenues y-on-y growth trend

	Q1 2019
Communication Services	-7.6%
Mobile service revenues	-8.8%
IoT	5.8%
Broadband & Network Services	-1.7%
Fixed voice	-15%
Other	-3.6%
IT Services (a.o. security, cloud, workspace)	-3.5%
Professional Services & Consultancy	3.6%
Total revenue	-4.9%

Strategic actions

50% SME base migrated¹

Q4 2018: 41%

Revenue y-on-y trend Q1 2019

considerably

impacted by migrations & 'value over volume'²

¹ Migrated from traditional fixed voice and legacy broadband services

² Based on management estimates

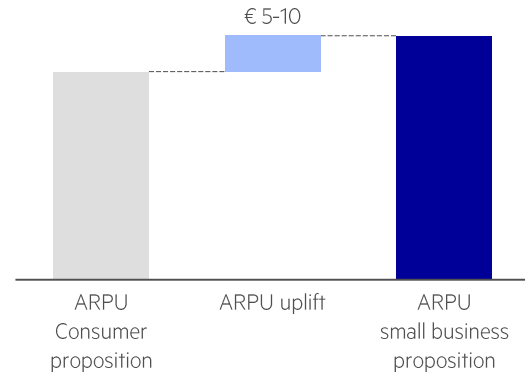
Solid progress small business migrations

value accretive

Strong **converged**
penetration

33% of small business
broadband base

ARPU **accretive**
migrations



Lean and digital operations

Cost to serve
KPN EEN

>25%

lower by 2021

KPN EEN significantly
lowers complexity

-75%

of IT systems
by 2021

Simplified end-to-end
organization



New management
structure & accelerate
integration of recent
acquisitions

STABILIZED END-TO-END ADJUSTED EBITDA AL MID-2020

IFRS 16

four financial KPIs introduced

**Adjusted
EBITDA
after leases**

(‘Adjusted EBITDA AL’)

**Adjusted
indirect opex
after leases**

Free cash flow¹
(‘FCF’)

Leverage ratio

‘Net debt (excl. all leases)’
divided by
‘Adjusted EBITDA AL’

¹ Including repayments of lease liabilities

Financial highlights Q1 2019

Adjusted revenues

€ 1,362m

-2.9% y-on-y

Q1 2018: € 1,402m

Adjusted EBITDA
after leases

€ 563m in line with
last year

-0.3% y-on-y

Q1 2018: € 565m

Free Cash Flow

(excl. TEFD dividend)

€ 69m impacted by
intra-year phasing

-43% y-on-y

Q1 2018: € 121m

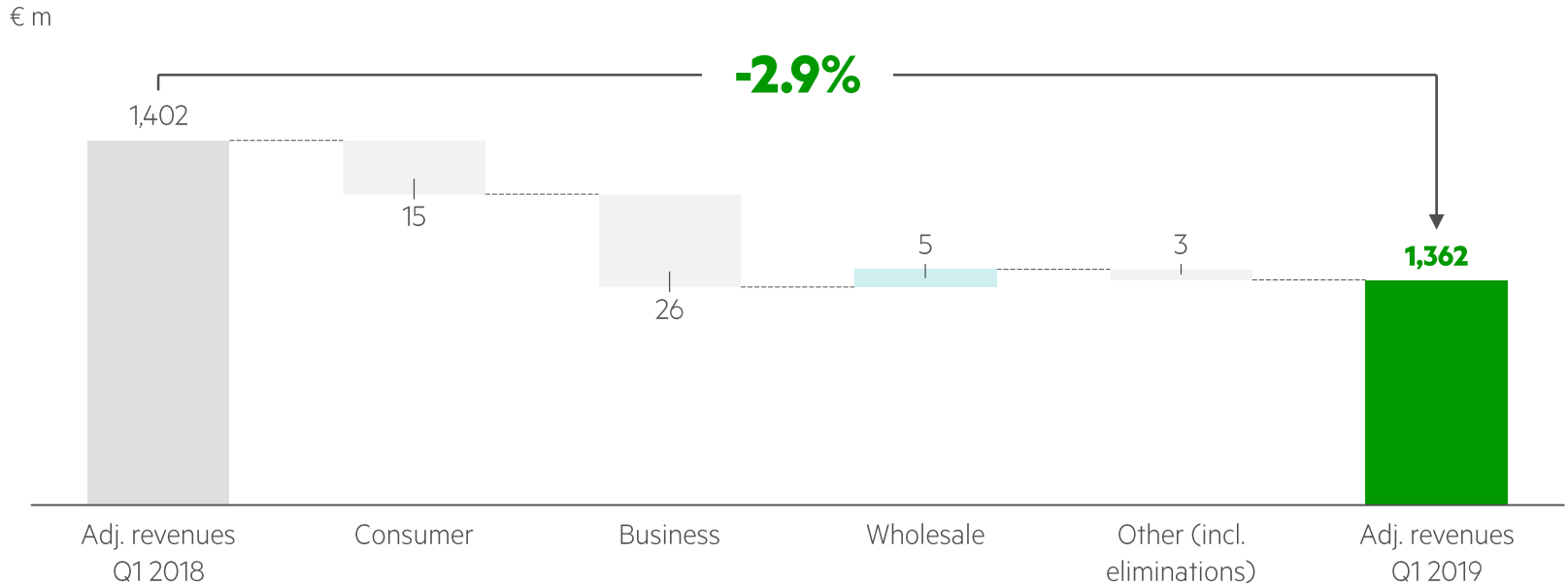
Financial performance Q1 2019

key P&L metrics

€ m	Q1 2018	Q1 2019	Δ y-on-y
Consumer	744	728	-2.1%
Business	533	506	-4.9%
Wholesale	152	157	3.0%
Other	-26	-30	13%
Adjusted revenues¹	1,402	1,362	-2.9%
Adjusted direct costs ¹	321	309	-3.8%
Adjusted indirect costs after leases ¹	516	489	-5.2%
Adjusted EBITDA after leases¹	565	563	-0.3%
Reported			
EBITDA	598	570	-4.7%
EBIT	216	189	-12%
Net profit	99	89	-10%

¹ Adjusted for the impact of restructuring costs and incidentals

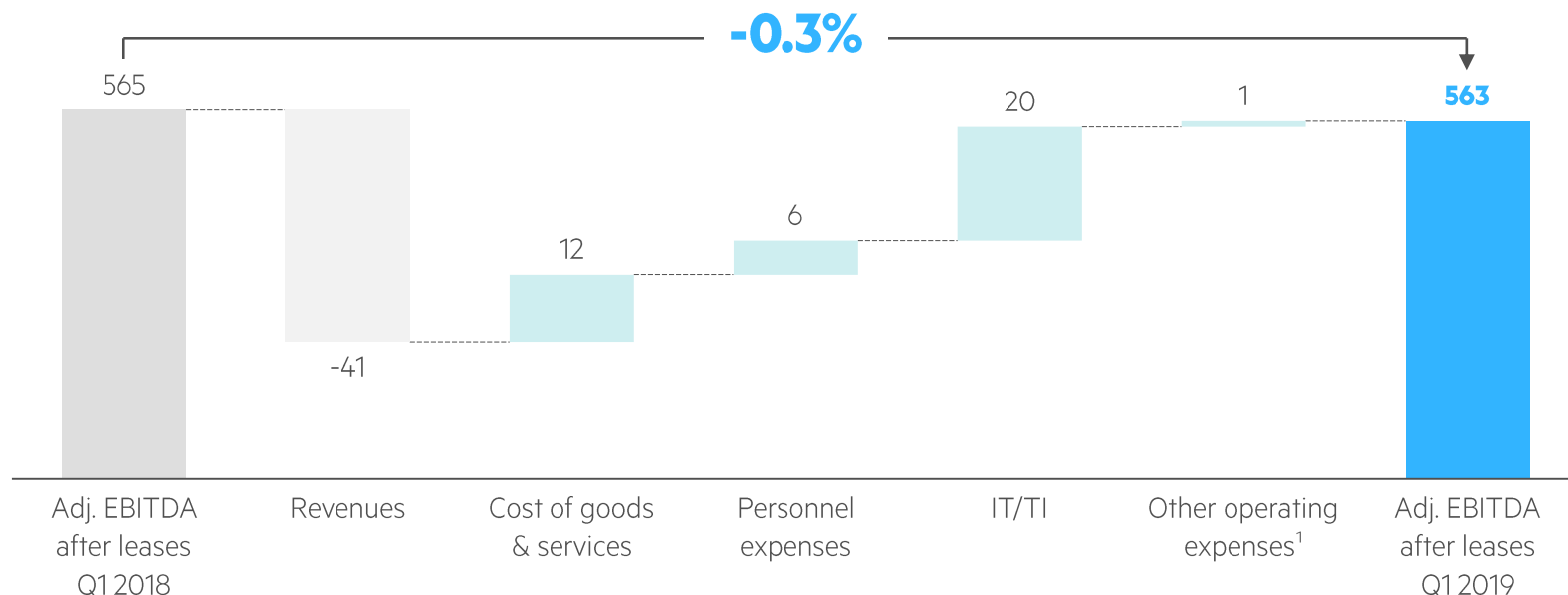
Adjusted revenues declined y-on-y



Adjusted EBITDA AL in line with last year

supported by simplification and digitalization

€ m



¹ Incl. lease-related expenses

Net indirect opex savings

Solid start new cost savings program¹

€ 27m
net savings in Q1 2019

Target 2019 – 2021: ~€ 350m

Basis for net opex reduction program
savings target

€ 2,015m

FY 2018 total adjusted indirect
operating expenses after leases¹

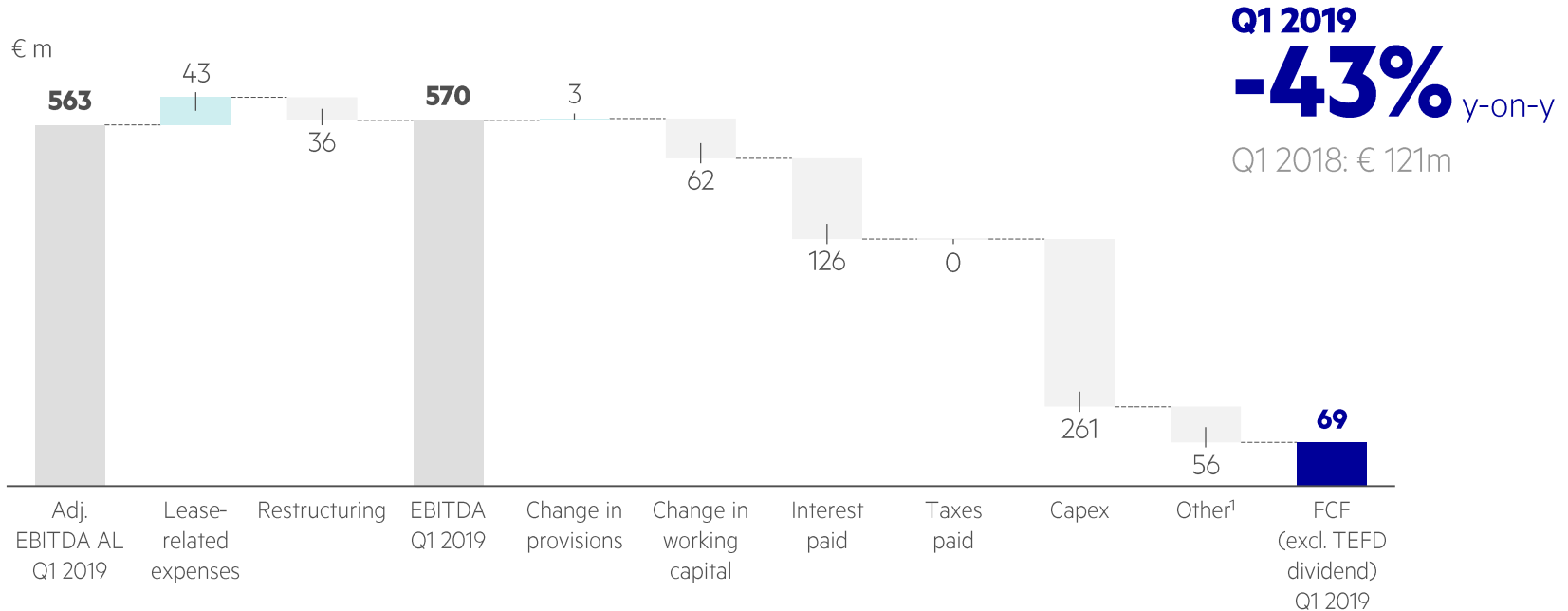
¹ Indirect opex adjusted for the impact of restructuring costs and incidentals

Financial performance Q1 2019 – FCF

y-on-y mainly impacted by restructuring & Capex

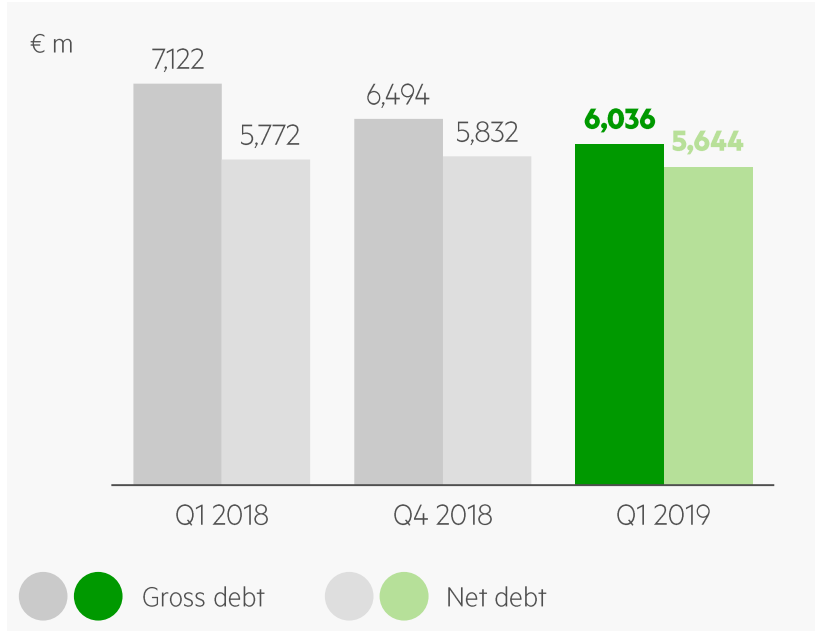
€ m	Q1 2018	Q1 2019	Δ y-on-y
Adjusted EBITDA after leases	565	563	-0.3%
Interest lease liabilities	9	8	-12%
Depreciation right-of-use asset	38	35	-7.5%
Restructuring	-13	-36	>100%
Incidentals	-	-	n.m.
EBITDA	598	570	-4.7%
Interest paid / received	-127	-126	-0.8%
Tax paid / received	-5	-	n.m.
Change in provisions	9	3	-65%
Change in working capital	-75	-62	-17%
Other movements (incl. TEFD dividend)	-4	1	n.m.
Net CF from operating activities	397	387	-2.4%
Capex	-236	-261	11%
Proceeds from real estate	4	-	-97%
Repayments of lease liabilities	-44	-57	29%
Free cash flow	121	69	-43%
TEFD dividend	-	-	n.m.
Free cash flow (excl. TEFD dividend)	121	69	-43%

FCF impacted by intra-year phasing in Q1



¹ Incl. repayments of lease liabilities

Solid financial position



Senior bond redeemed

€ 465m

7.5% coupon

EIB facility signed on 1 April 2019

€ 300m

for mobile network investments

Leverage ratio reflects leases as operational

rather than core financing instrument

Leverage ratio Q1 2019

Net debt excluding leases

Lease expenses considered opex

$$\frac{\text{Net debt (excl. all leases)}}{\text{Adjusted EBITDA AL}} = \mathbf{2.5x}$$

Q4 2018: 2.5x

< 2.5x
medium-term leverage

Lease adjusted Q1 2019

$$\frac{\text{Net debt incl. all leases}}{\text{Adjusted EBITDA}}$$

= **2.7x**
Q4 2018: 2.7x

Outlook 2019 and 2019 – 2021 ambitions

organic sustainable growth

	Outlook 2019	2019 – 2021 ambitions
Adjusted EBITDA AL	In line with 2018	Organic growth
Capex	€ 1.1bn	Stable at € 1.1bn annually
FCF (excl. TEFD dividend)	Front-end loaded restructuring charges leading to incidentally lower FCF compared with 2018	Three-year mid-single digit CAGR ¹ driven by EBITDA AL growth
Regular DPS	€ 12.5 cents	Progressive dividend, supported by FCF

¹ Three-year CAGR calculated from the end of 2018 to the end of 2021

ORGANIC
SUSTAINABLE
GROWTH

**Value
over
volume.**

**Lean
operating
model.**

INFORMATION PACK

CSR
Tax
KPI overview
Debt portfolio
Treatment of hybrid bonds
Fixed infrastructure
Spectrum



Doing business in a sustainable manner

Leading position in benchmarks

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM 



Reputation ranking¹

#1 Dutch companies

RepTrak Pulse 2019

Achievements in Q1 2019

Reuse & recycle KPN takes back customer's old mobile phones

Digital for life Teaching method for digital skills launched by KPN Mooiste Contact Fonds and Foundation Lezen & Schrijven

161 New KlasseContact placements in Q1 2019

¹ Industry adjusted, source: Reputation institute

Tax Q1 2019

Regions (€ m)	P&L		Cash flow	
	Q1 2018	Q1 2019	Q1 2018	Q1 2019
The Netherlands	-28	-24	-5	-
Other	-1	-	-1	-
Total reported tax	-29	-24	-6	-
Of which discontinued operations	-1	-	-1	-
Reported tax from continuing operations	-28	-24	-5	-
Effective tax rate continuing operations	22.0%	21.2%		

The effective tax rate for Q1 2019 was mainly influenced by corporate income tax rate adjustments, other one-off effects and the Innovation Box facility

- Without one-off effects¹ the effective tax rate would have been ~23% in Q1 2019

For the 2019, the effective tax rate is expected to be ~23% excluding one-off effects¹ and the potential impact of the intended Dutch corporate tax rate change

¹ Among others, tax law changes, settlements with tax authorities, impairments, revaluations

KPI overview

Consumer fixed

	Q1 2018	Q1 2019
Household base (k)		
F-M households	1,280	1,358
Fixed-only households	2,256	2,037
Total households	3,536	3,395
F-M penetration broadband base	43%	46%
Bundled	2,564	2,555
Not-bundled (BB-only)	395	379
Not-bundled (PSTN & Digitenne)	577	461
Total households	3,536	3,395
Net adds (k)		
Broadband	-8	-7
IPTV	10	16
ARPU per household (€)	43	46

Consumer mobile

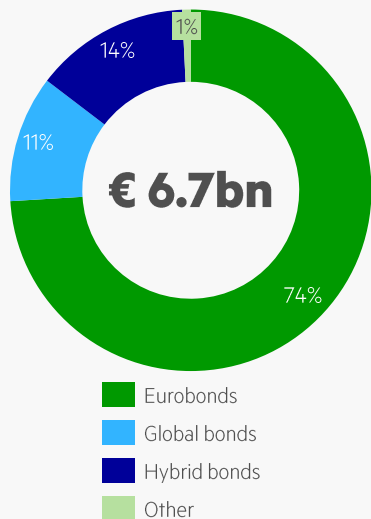
	Q1 2018	Q1 2019
Postpaid base (k)		
F-M postpaid customers	1,934	2,126
Mobile-only postpaid customers	1,721	1,480
Total postpaid base	3,655	3,606
F-M penetration postpaid base	53%	59%
Net adds (k)		
Postpaid	-20	-6
Prepaid	-50	-110
Postpaid ARPU (€)	18	17
Wireless service revenues (€ m)	208	198

Business

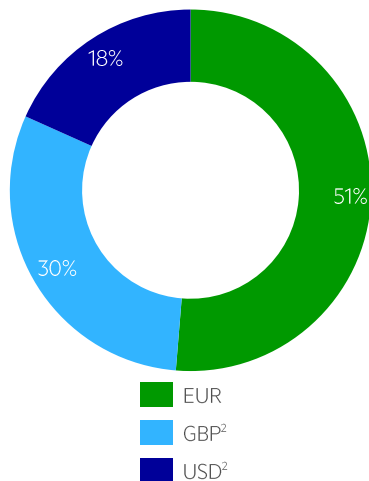
	Q1 2018	Q1 2019
Customer base (k)		
Mobile	1,858	1,829
Traditional Fixed voice	356	262
VoIP	503	562
Broadband	283	294
ARPU (€)		
Mobile	23	21
Traditional Fixed voice	48	49
VoIP	12	11
Broadband	73	73

Debt portfolio

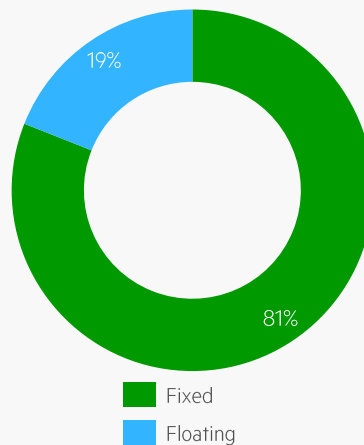
Nominal debt¹
by type



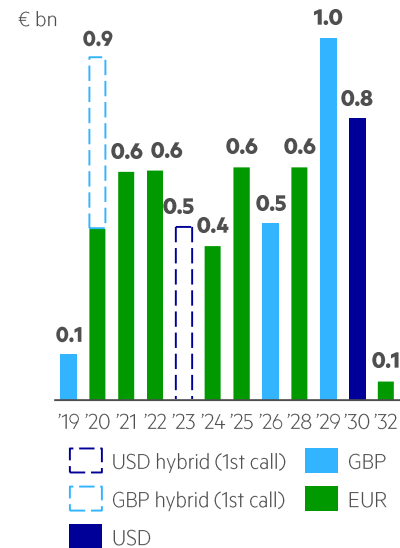
Nominal debt
by currency



Fixed vs. floating
interest³



Bond redemption
profile



1 Based on the nominal value of interest bearing liabilities after swap to EUR, including GBP 400m hybrid bond and USD 600m hybrid bond

2 Foreign currency amounts hedged into EUR

3 Excludes bank overdrafts

Treatment of hybrid bonds

KPN & credit rating agencies

Each tranche of the hybrid bonds is recognized as 50% equity and 50% debt by the rating agencies

Definition of KPN net debt includes: '[...], taking into account 50% of the nominal value of any hybrid capital instrument'

- Hybrid bonds are part of KPN's bond portfolio
- Independent of IFRS classification
- In line with treatment by credit rating agencies

IFRS

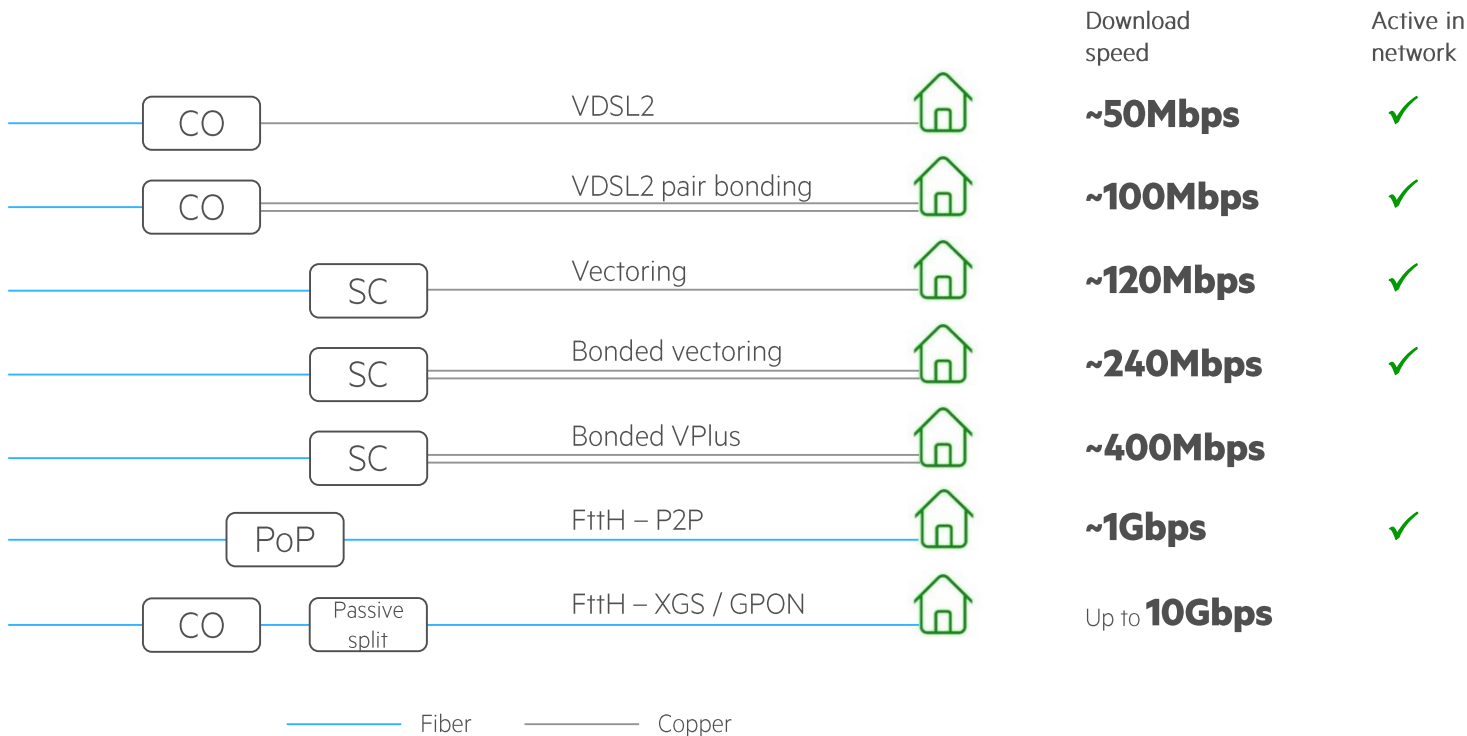
GBP and USD tranche have 60 years specified maturity, accounted for as financial liability

- Coupon payments treated as regular bond coupon, hence expensed through P&L, included in FCF

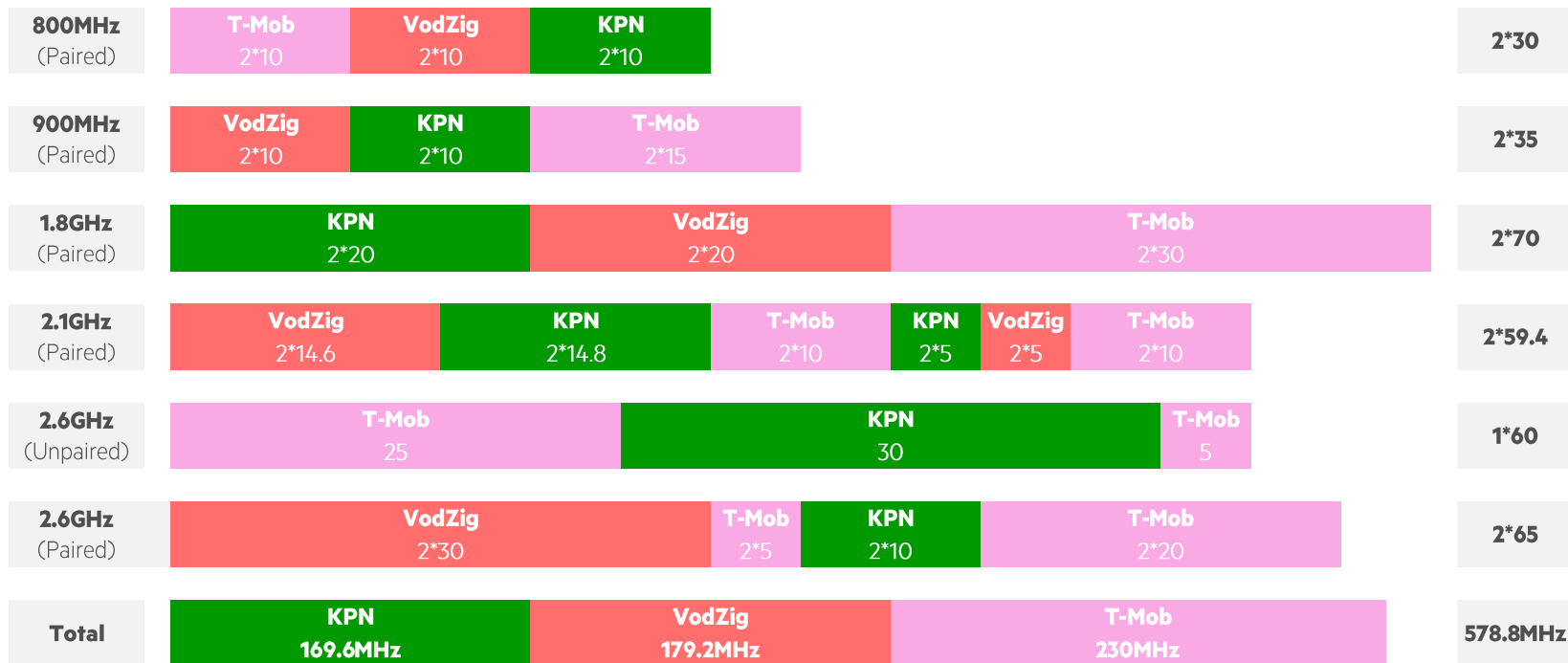
Tranche	Nominal	KPN net debt	Maturity	Rates (swapped) ¹	IFRS principal	IFRS coupon
GBP 0.4bn 6.875%	€ 460m	€ 230m	60 years (1st-call Mar-2020)	6.777%	Liability	Interest paid (incl. in FCF)
USD 0.6bn 7.000%	€ 465m	€ 233m	60 years (1st-call Mar-2023)	6.344%	Liability	Interest paid (incl. in FCF)
Total	€ 925m	€ 463m				

¹ USD tranche has semi-annual coupon payments (March / September); GBP tranche has annual coupon payments in March

Fixed infrastructure



Spectrum in The Netherlands



T-Mobile including Tele2



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