

Investor presentation

September 2016

Simplify

Innovate

Grow

Werken
met gemak.
Ook onderweg.

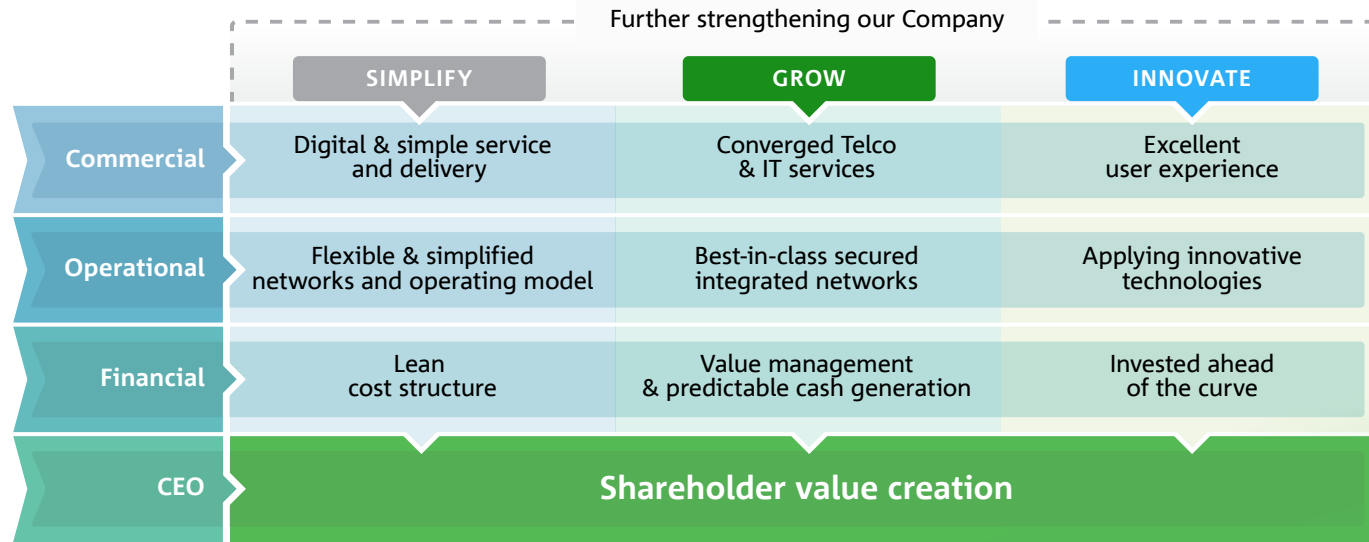
Contents

- 1 Strategy**
- 2 Performance**
- 3 Appendix**



Strategy

Strategic choices embedded in organization

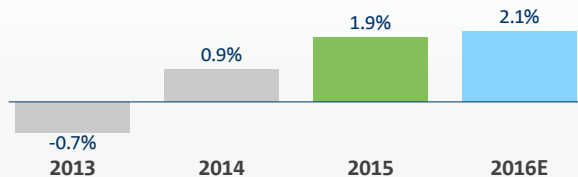


External environment reassuring

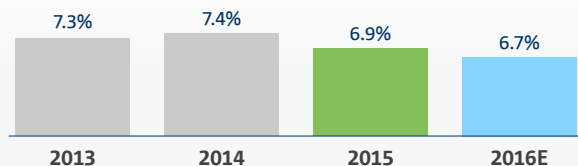
Macro-economy stabilizing with improving competitive position

IMPROVING MACRO-ECONOMY

GDP growth NL¹



Unemployment NL¹



COMPETITIVE ECONOMIC POSITION²






	'15-'16	vs. '14-'15
Germany	4	+1
The Netherlands	5	+3
United Kingdom	10	-1
Denmark	12	+1
Belgium	19	-1

¹ CBS and CBP (issued 2015)

² World Economic Forum; The Global Competitiveness Report 2015-2016 & 2014-2015

External environment reassuring (cont'd)

KPN strongly positioned as only integrated service provider

					
Fixed network	FttC, FttH	Coax	Wholesale KPN	N/A	Wholesale KPN
Broadband market share ¹	41%	43%	N/A	N/A	4%
TV product perception ²	●	◐	N/A	N/A	◐
TV market share ¹	29%	52%	N/A	N/A	2%
Mobile network	2G, 3G, 4G	MVNO	2G, 3G, 4G	2G, 3G, 4G	4G + MVNO
Mobile network quality ³	●	◐	◐	◐	◐
Mobile market share ⁴	44%	N/A	35%	21%	N/A
Fixed-mobile convergence	◐	◐	◐	○	○
Business market presence	SME, LE, Corporate	SME	SME, LE, Corporate	SME, LE	SME, LE
Business market capabilities	●	◐	◐	◐	◐
Trusted brand	●	◐	◐	◐	◐

¹ Telecompaper (Q4 2015)

² Independent market survey (Consumentenbond; Q3 2015)

³ Independent market survey (Q4 2015)

⁴ Total Dutch (Consumer and Business) mobile service revenue market share (Q4 2015)

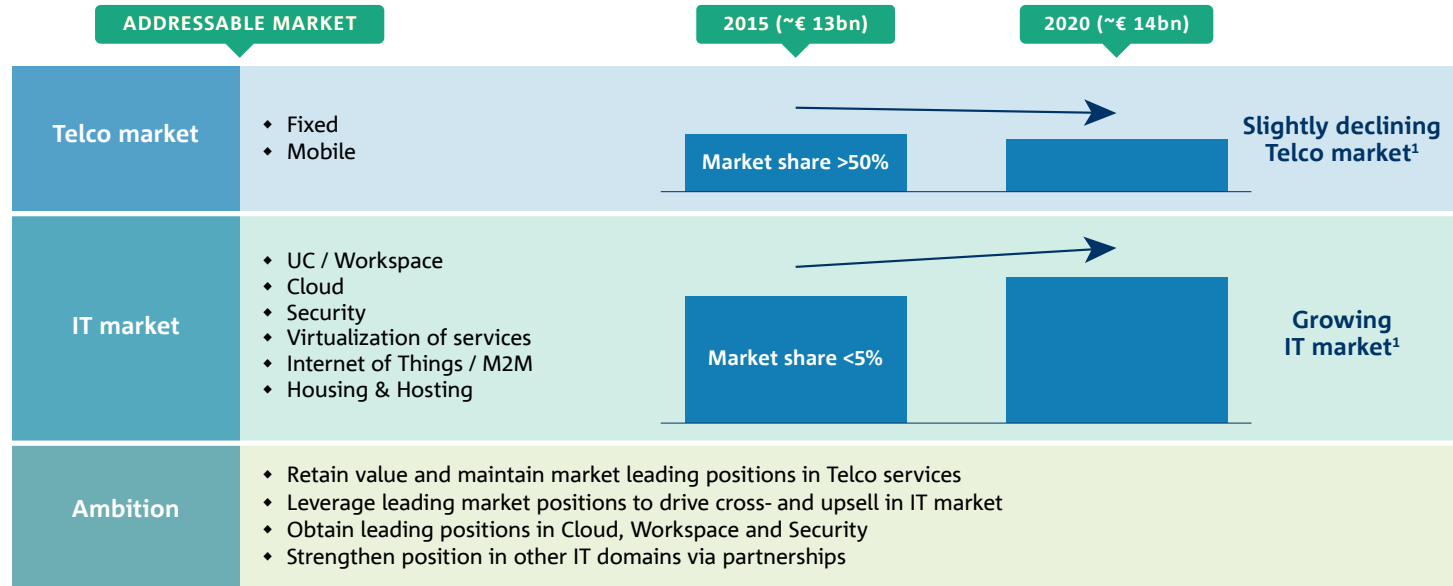
Transforming into Business ICT service provider



Improve profitability and stabilize revenues

Strengthening & deepening customer relations

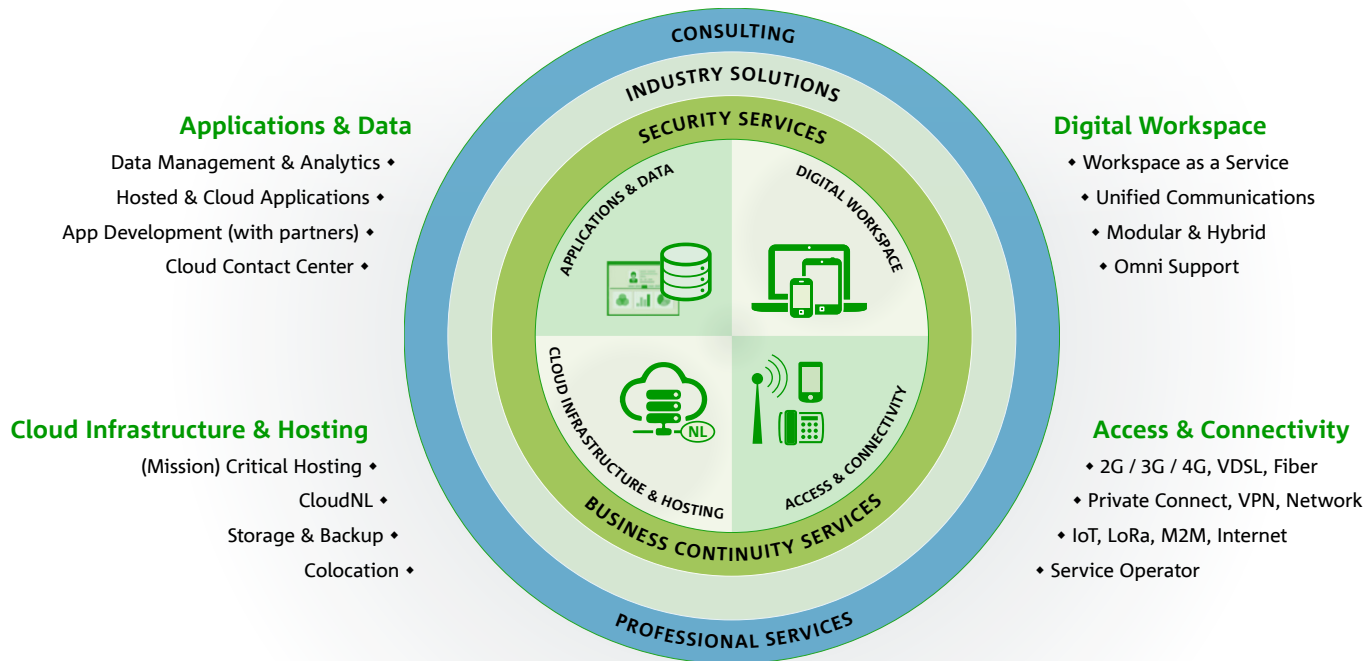
Leverage leading position in Telco to grow market share in IT



¹ Gartner, management estimates

KPN well positioned to deliver on customer needs

Standardized building blocks to deliver productivity



Finalizing transformation is key priority

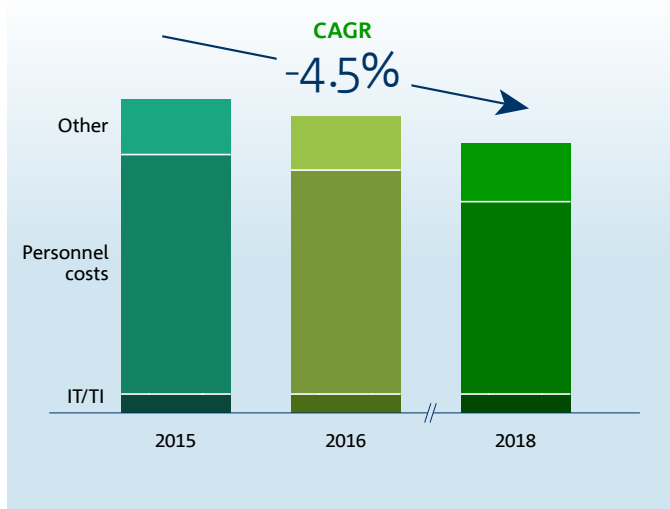
De-risk revenue profile and stabilize revenues in medium-term

		% y-on-y growth FY 2015	% of total revenues FY 2015		% of total revenues FY 2018
Mainly SME	Single play wireless	-10%	24%	Repricing ongoing	15-20%
	Traditional fixed	-21%	18%	Continued rationalization traditional voice	5-10%
	Multi play	37%	4%	Multi play seats picking up	10-15%
Mainly LE & Corporate	Network & IT services	-11%	23%	Economy slowly improving	25-30%
	Customized solutions	-5.2%	23%	Leverage position in Telco and grow IT	25-30%
	New services	30%	4%	Strong growth Cloud, IoT, M2M	10-15%

Finalizing transformation is key priority (cont'd)

Improve profitability by stabilizing revenues and reducing indirect costs

Reduce indirect costs

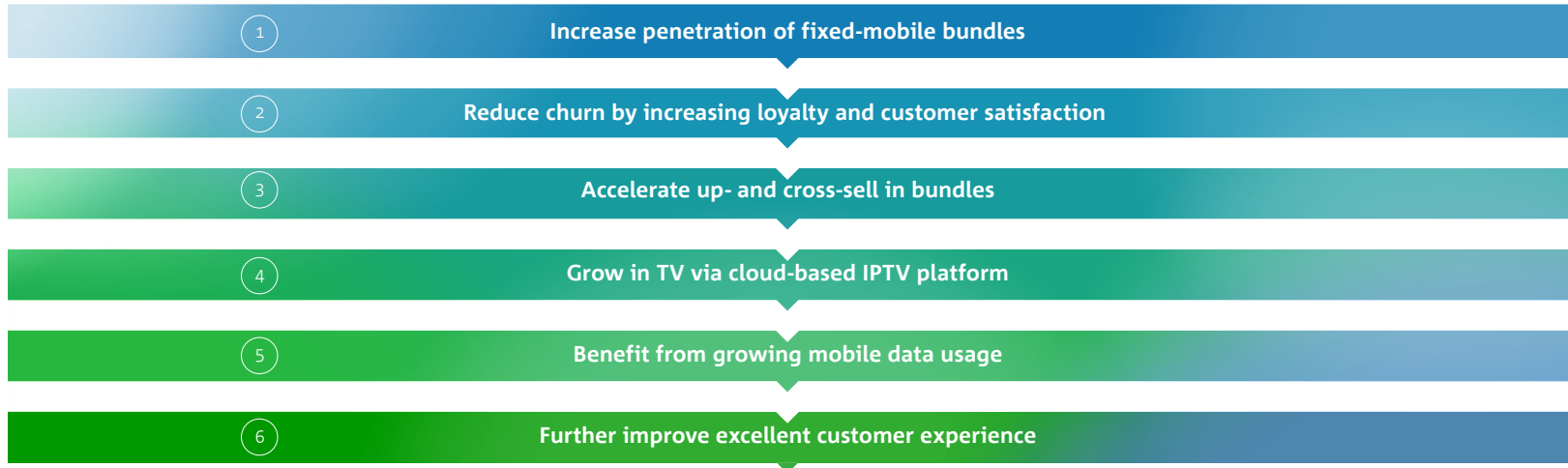


Simplification program

- Portfolio rationalization
- Automation of delivery and service
- Online self-care portal
- First Time Right
- Agile working environment
- FTE reductions in supporting roles

Key priorities for the coming years in Consumer

Consumer strategy centered around household

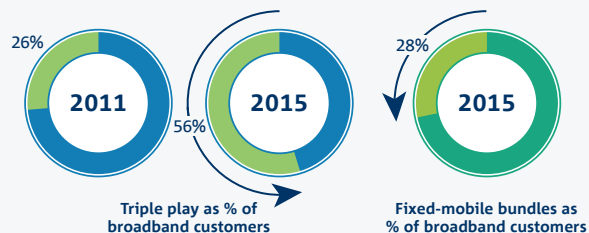


Grow revenues, increase loyalty and reduce cost to serve

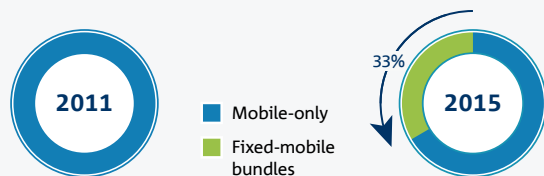
Successful bundling strategy...

Strong increase fixed-mobile penetration

Steady growth bundling in fixed

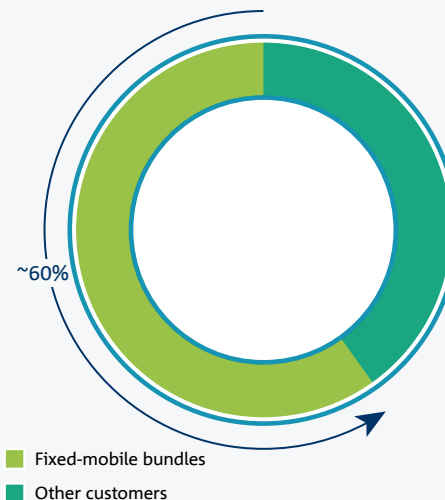


Strong growth bundling in mobile¹



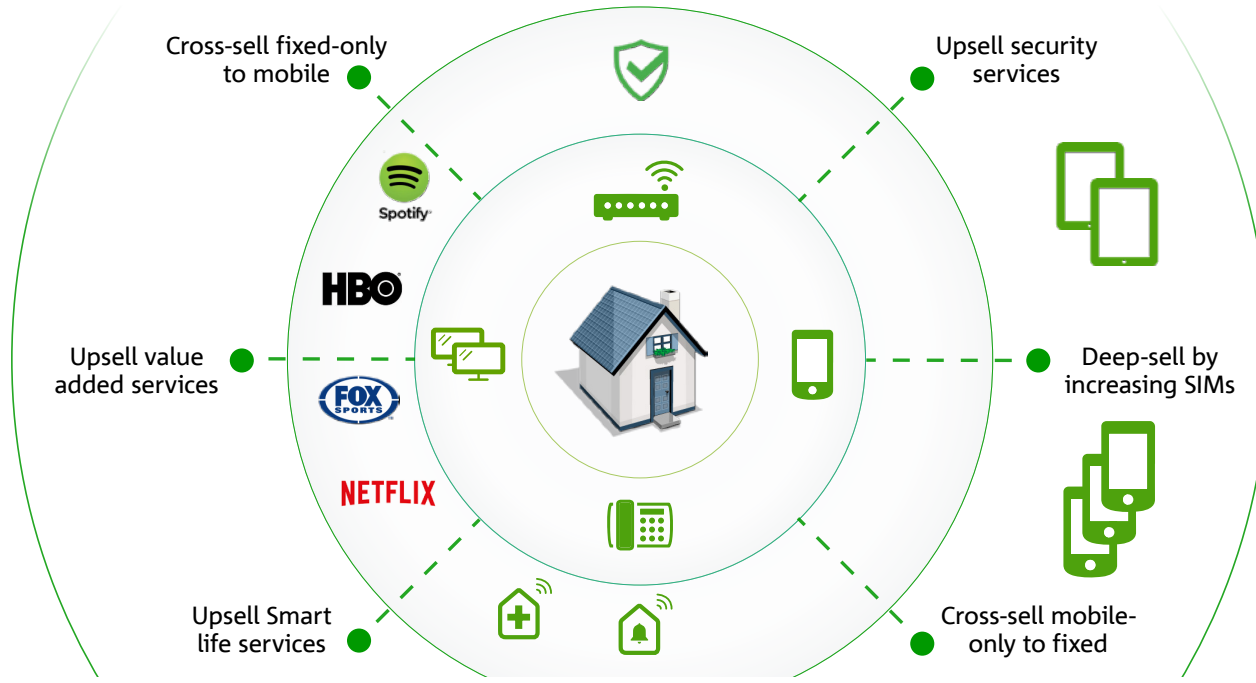
¹ Retail postpaid customers

Medium-term ambition



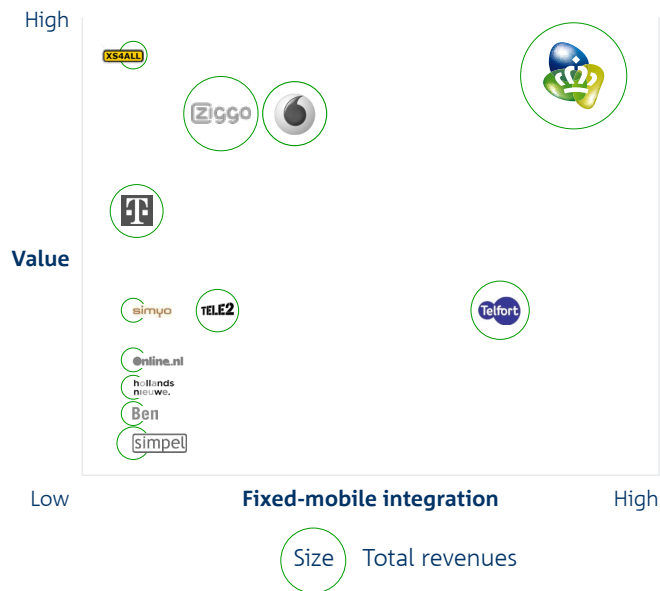
Household at center of service model in Consumer

Significant opportunities to increase share of wallet per household



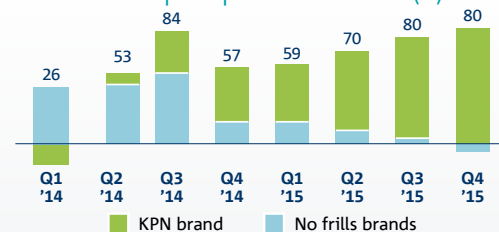
Strong competitive positioning in Dutch market

Covering all segments: focus on fixed-mobile bundling and high value

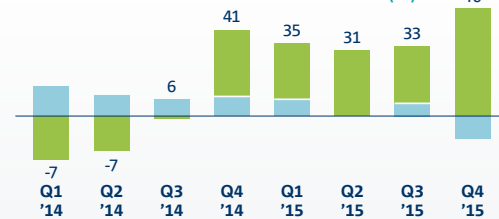


STRONG SHIFT TO HIGH VALUE KPN BRAND

Retail postpaid net adds (k)



Broadband net adds (k)



Content aggregation via smart partnerships

Revenue share model facilitating popular content via IPTV platform

Strong focus on partnerships to deliver rich content offering

Basic content

- ♦ Partnerships with broadcasters
- ♦ Attractive interactive functionalities for customers

Upsell content

- ♦ Revenue share model
- ♦ Access OTT services & Pay-TV packages via IPTV user interface

Exclusive content

- ♦ Smart partnerships
- ♦ Only available for KPN customers



Revenue share model

ILLUSTRATIVE

Contract content supplier

Non-exclusive agreement	✓
Integrated in IPTV user interface	✓
Consumer fee	€ 10
Revenue share KPN	50%



Expanding superior network position

1

Simplify operating model to improve customer experience and operational effectiveness

2

Expand superior access position by deploying innovative technologies and increasing fiber penetration

3

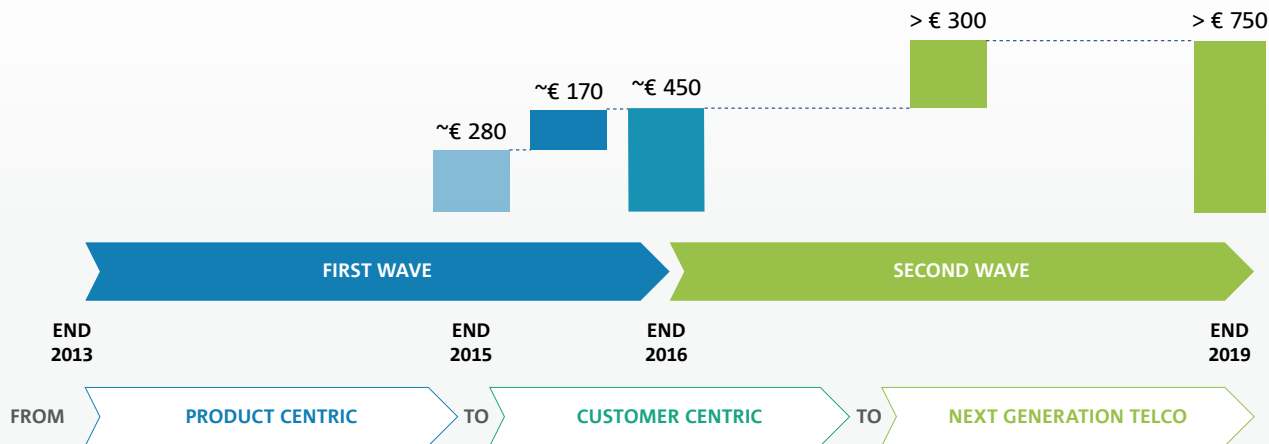
Finalize build of flexible and simplified integrated network

Ensuring best-in-class customer experience

Simplifying our operating model

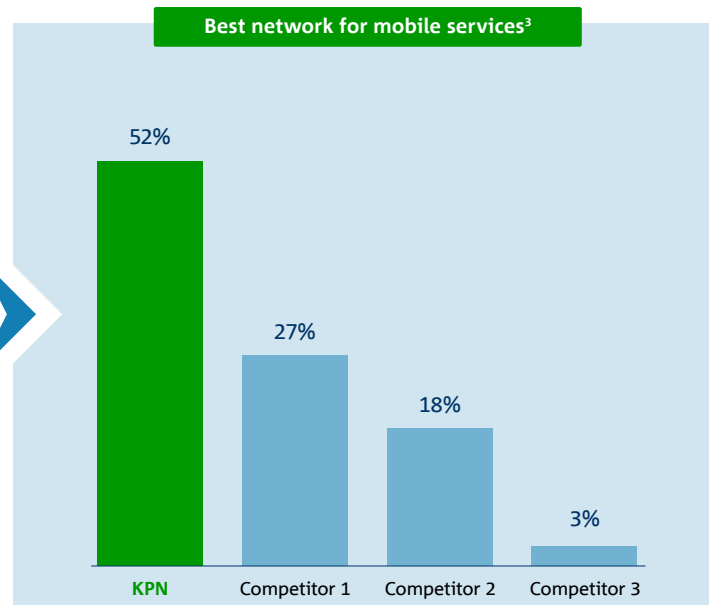
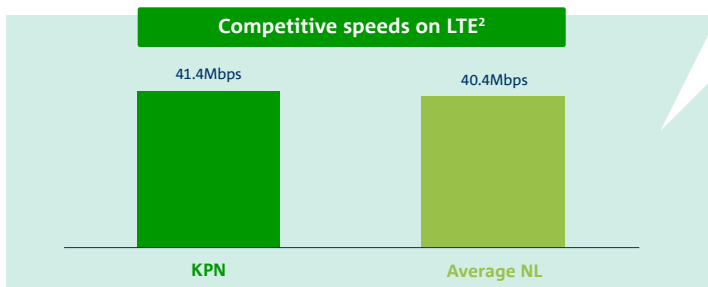
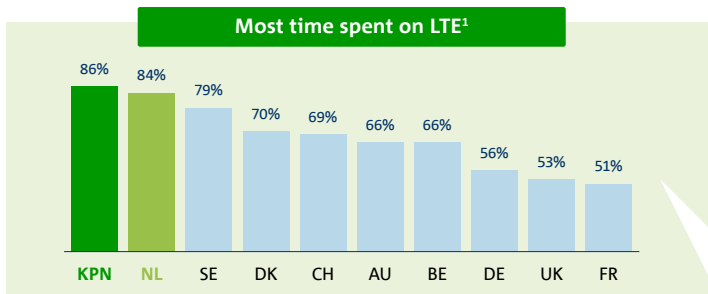
Second wave of Simplification program to deliver significant savings

SIMPLIFICATION PROGRAM RUN-RATE OPEX AND CAPEX SAVINGS (in m)



Best mobile access provider

Investment-led strategy enabling superior customer experience



¹ OpenSignal; The state of LTE (December 2015)

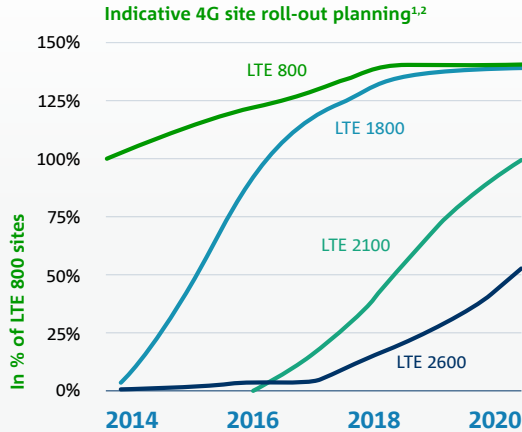
² Ookla (December 2015)

³ Independent market survey (Q4 2015)

Staying ahead of demand for mobile data

Fully utilizing spectrum position for excellent customer experience

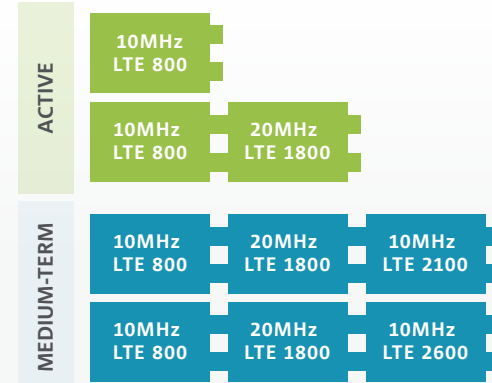
4G CAPACITY ROLL-OUT AHEAD OF DATA GROWTH



¹ Rebased to LTE 800 sites end 2014
² Excluding small cells



UTILIZING FULL SPECTRUM TO DEPLOY CARRIER AGGREGATION

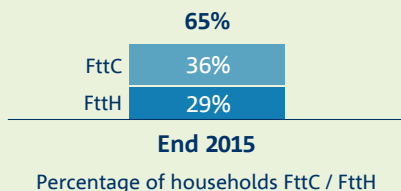


Increasing capacity and enabling
download speeds up to 400Mbps

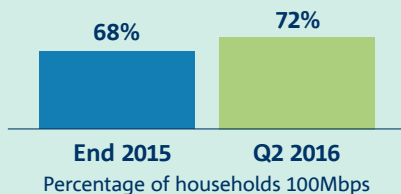
Best fixed access provider

Investment-led strategy enabling superior customer experience

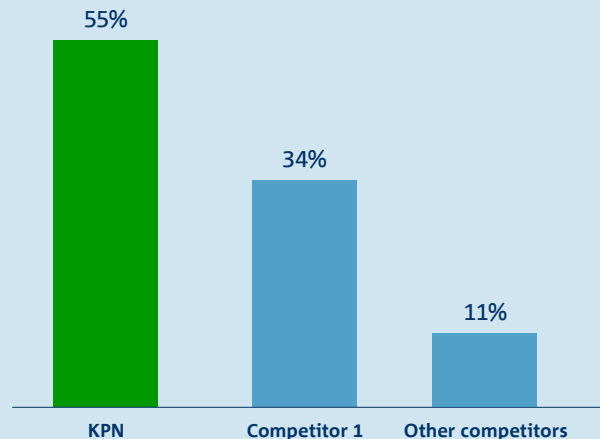
Rising FttC / FttH penetration



Driving coverage 100Mbps



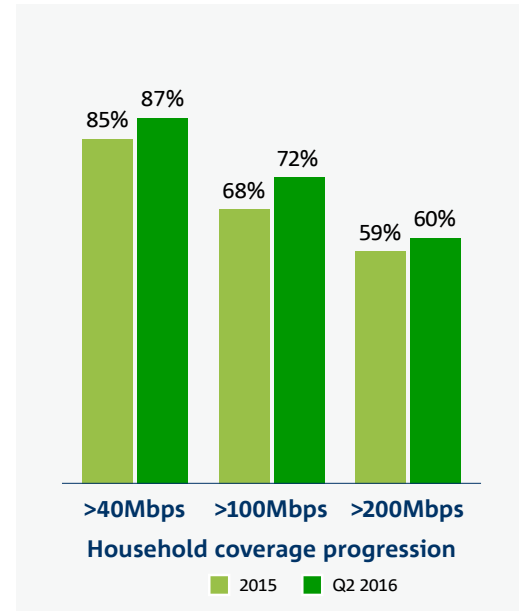
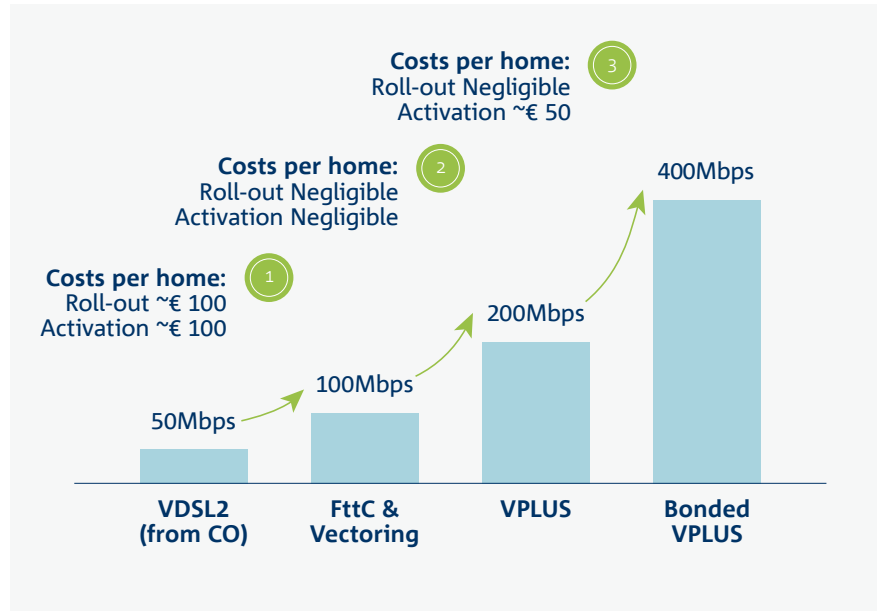
Best fixed network quality according to customers¹



¹ Independent market survey (Q4 2015)

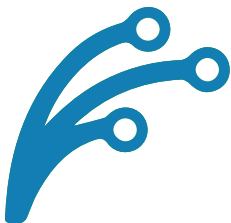
Ready to upgrade if demand changes

Cost and time efficient upgrades with FttC investments largely completed in 2016



Build flexible and simplified integrated network

Three steps to achieve objective



1

Rationalize

Simplify and reduce spend

Started 2010
Expected completion 2019



2

Decentralize

Content closer to customer

Started 2015
Expected completion 2017



3

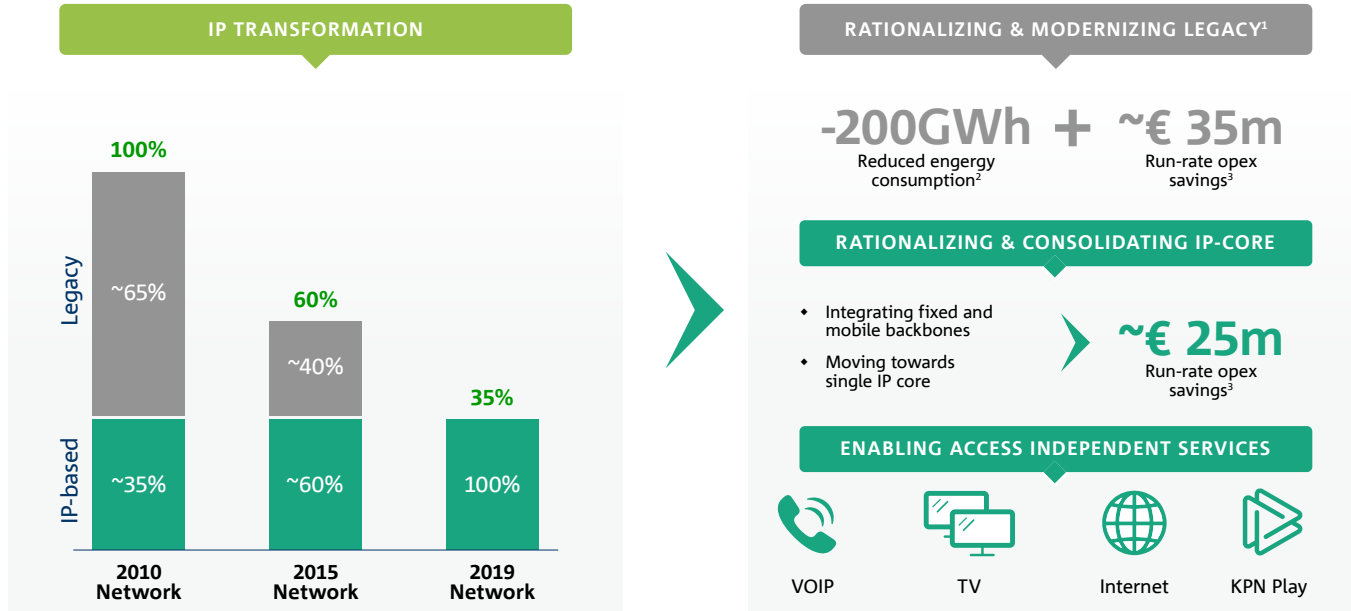
Virtualize

**Increase network
efficiency & effectiveness**

Scope mainly
2017 and onwards

Network rationalization to prepare for virtualization

Reducing complexity and associated costs to enable flexibility

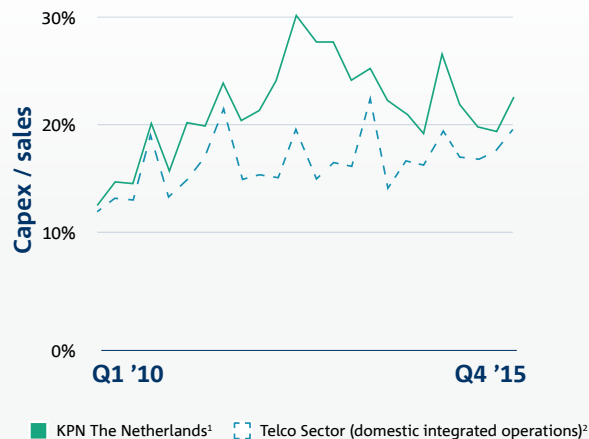


¹ Subject to regulatory approval
² Reduced energy consumption FY 2015 vs. FY 2010 level
³ Run-rate opex savings FY 2019 level vs. FY 2014 level

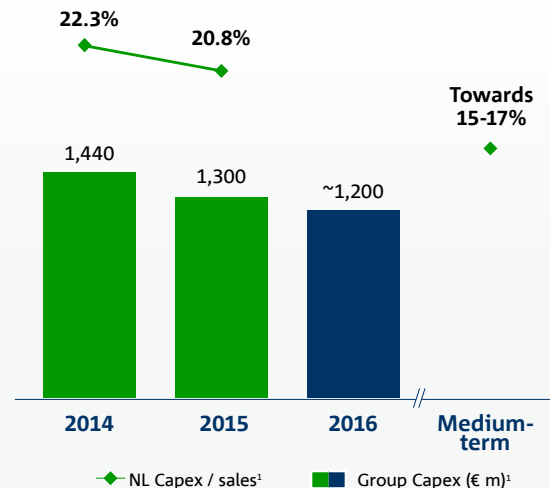
Ahead of the Capex curve

KPN built strong fundamentals in past years

KPN INVESTED AHEAD OF THE CURVE



REDUCING CAPEX



¹ Capex adjusted to include Reggefiber Capex before consolidation
² Euro Telco sector based on company reports, management estimates

Growing free cash flow to drive shareholder value

Developing towards highly cash generative company

Strong free cash flow potential

1 Grow revenues in Consumer, stabilize in Business

2 Rigorous focus on driving down costs

3 Capex levels trending down

4 Lower interest payments going forward

5 Limited cash taxes in The Netherlands

Solid financial position

- ♦ Committed to investment grade credit profile
- ♦ 15.5% Telefónica Deutschland stake provides additional financial flexibility

Commitment to growing shareholder returns

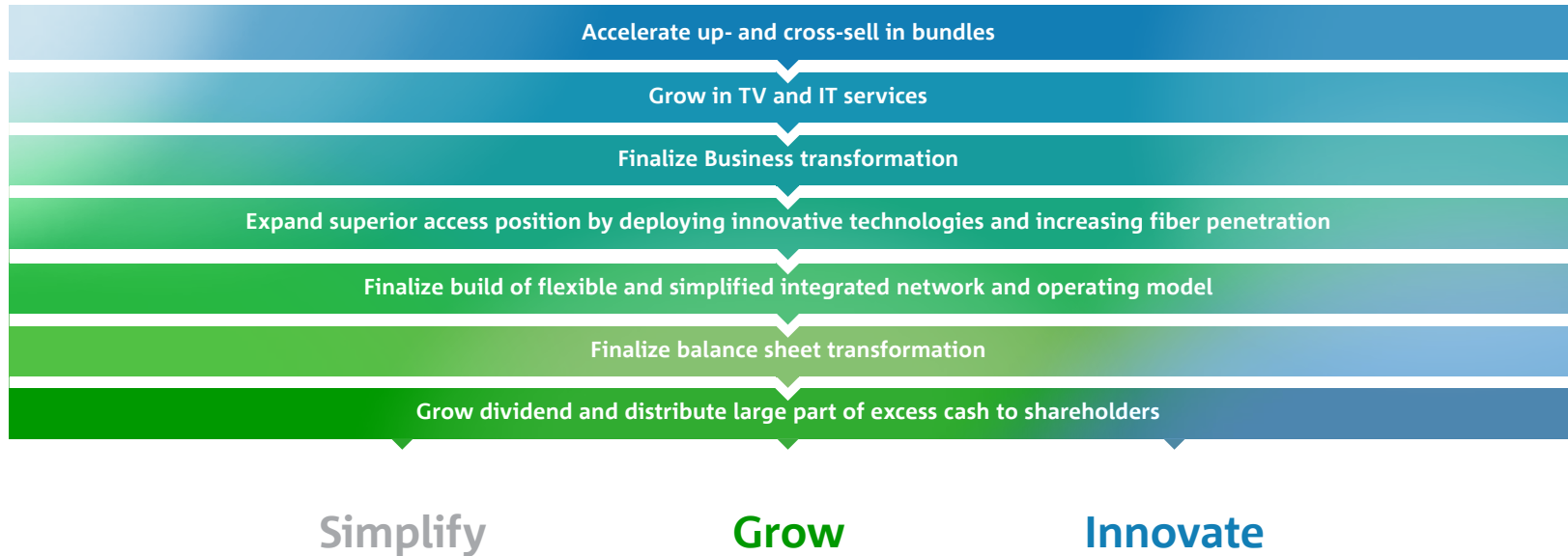
- ♦ Free cash flow growth to drive growing shareholder remuneration
- ♦ Intention to distribute large part of excess cash to KPN shareholders

Medium-term ambitions

Ambition for coming three to five years

Revenues	Consumer growing Business stabilizing
EBITDA	Adjusted EBITDA margin The Netherlands \geq 3%-points increase vs. 2015
Capex	Capex The Netherlands trending down towards 15-17% of sales
Dividend	Growing in line with free cash flow growth profile
Excess cash	Potential additional shareholder remuneration via 15.5% stake in Telefónica Deutschland

Key priorities for the coming years



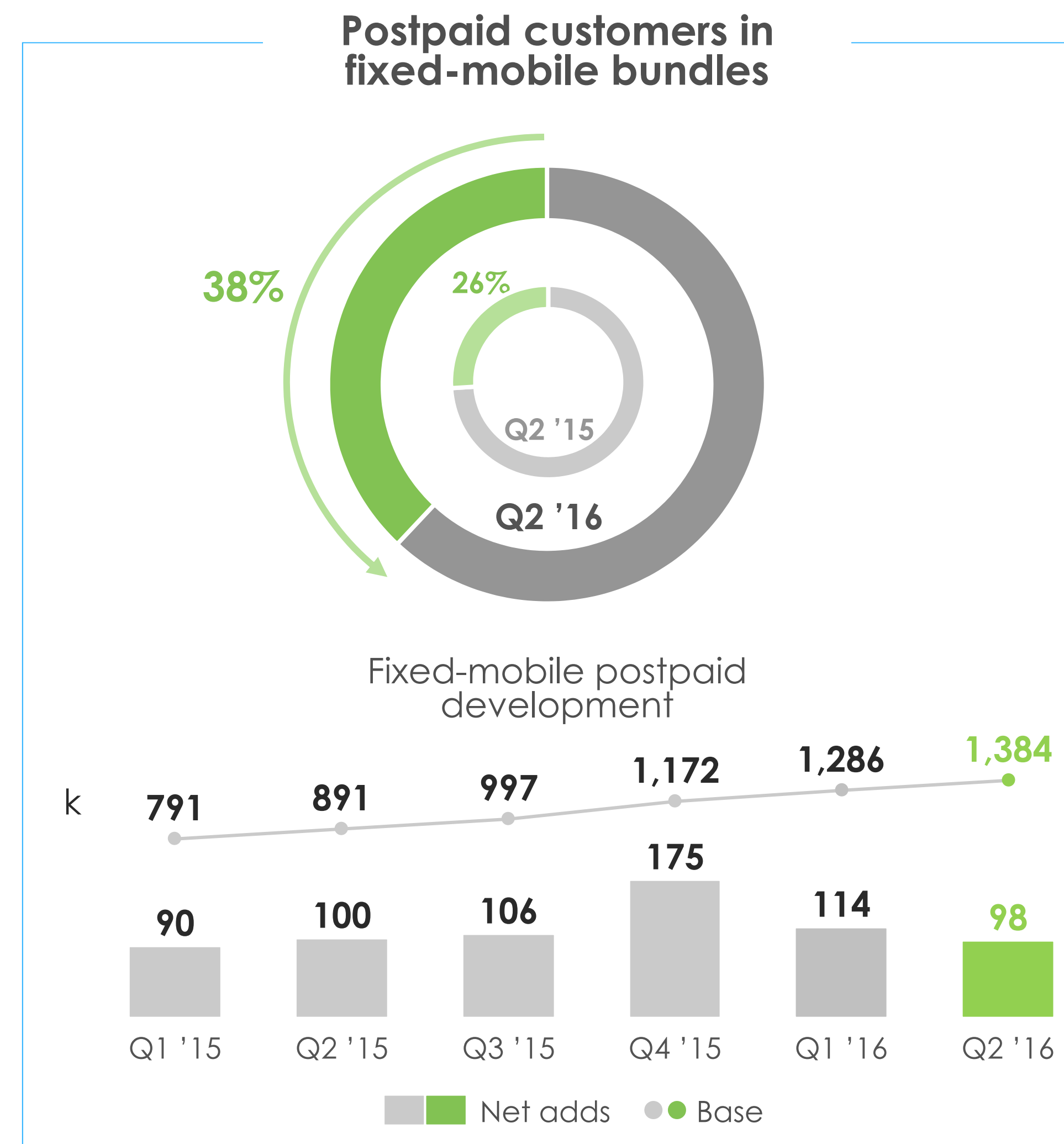
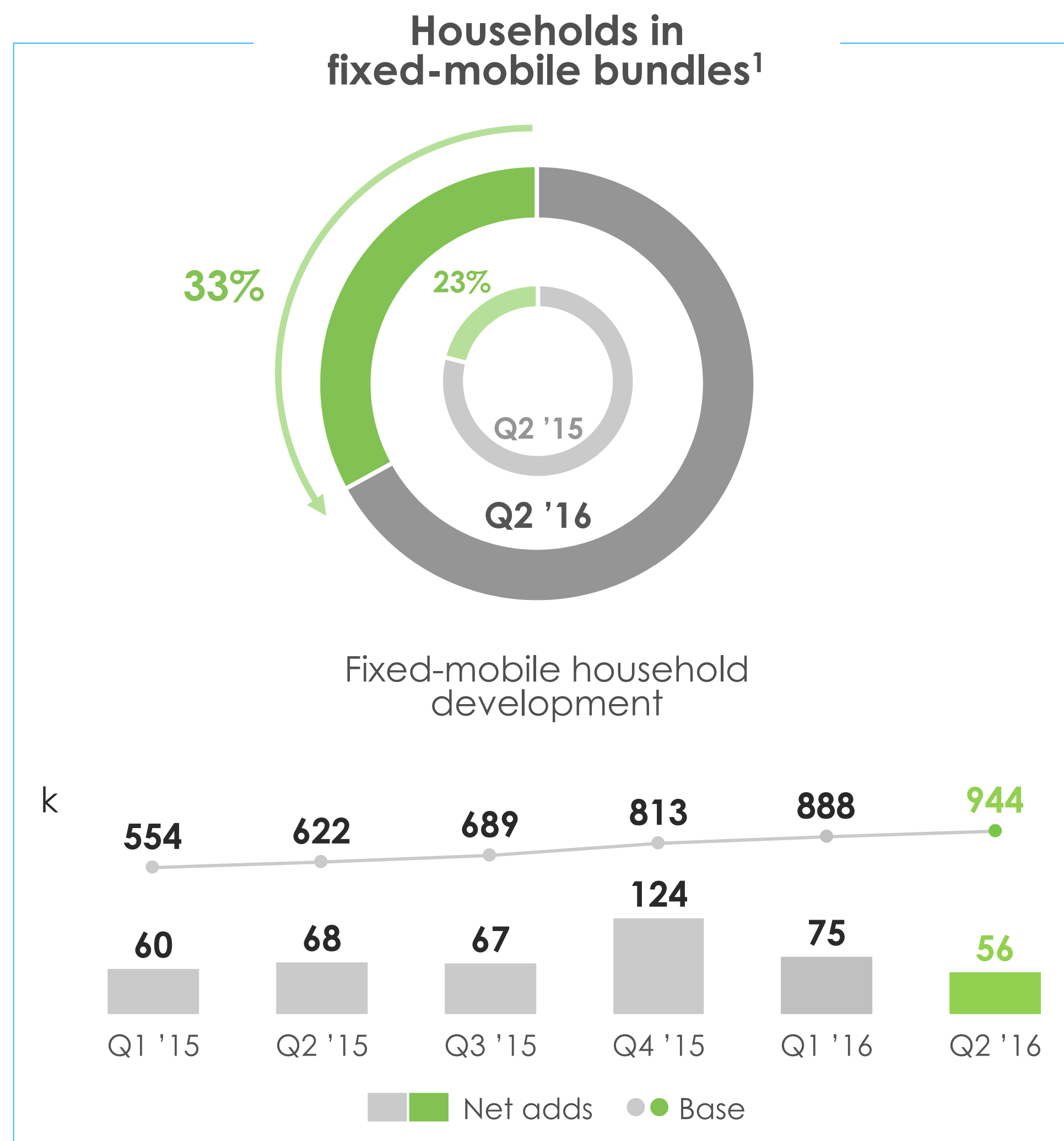
Contents

- 1 Strategy
- 2 Performance
- 3 Appendix



Increasing penetration of fixed-mobile bundles in Consumer

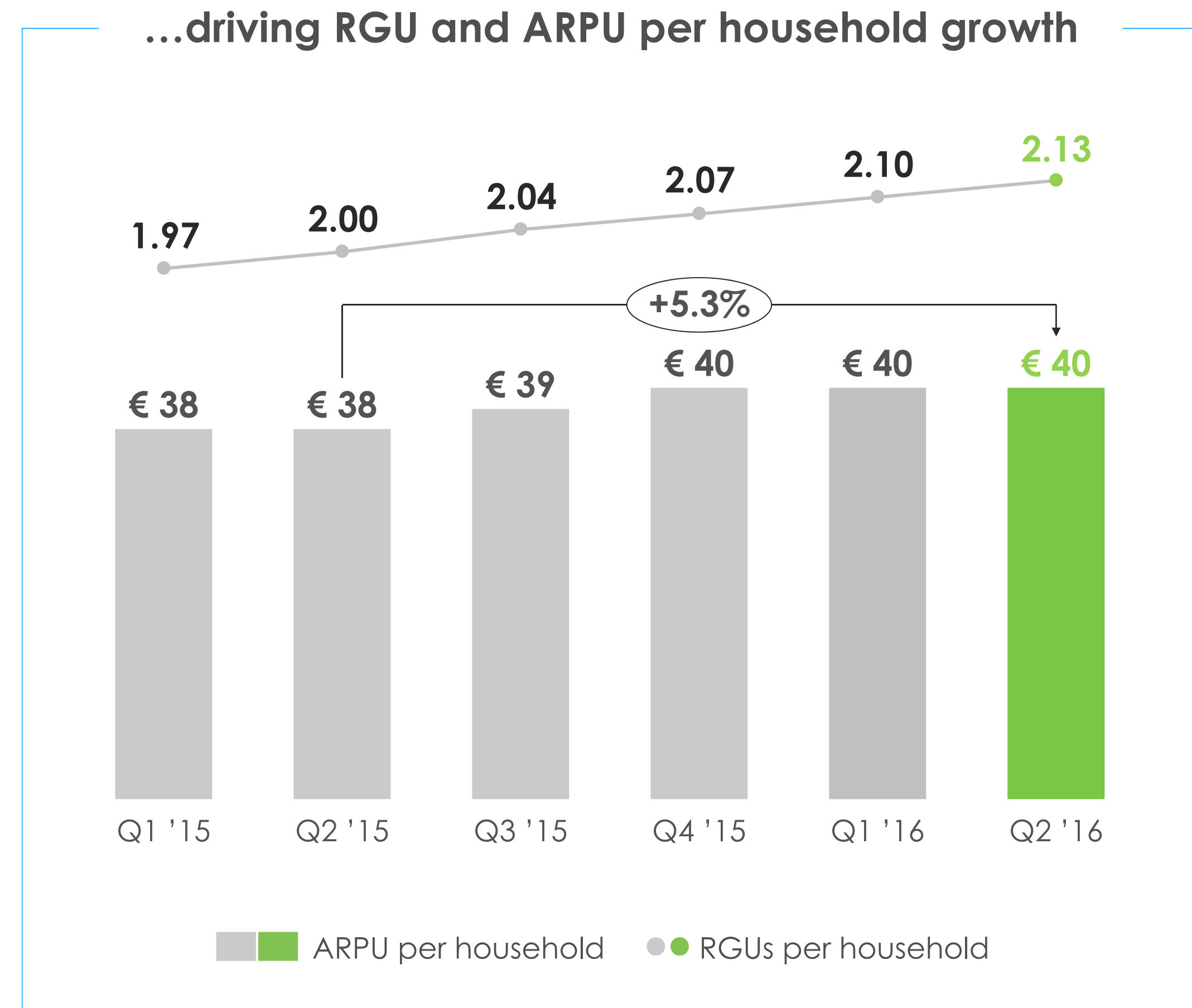
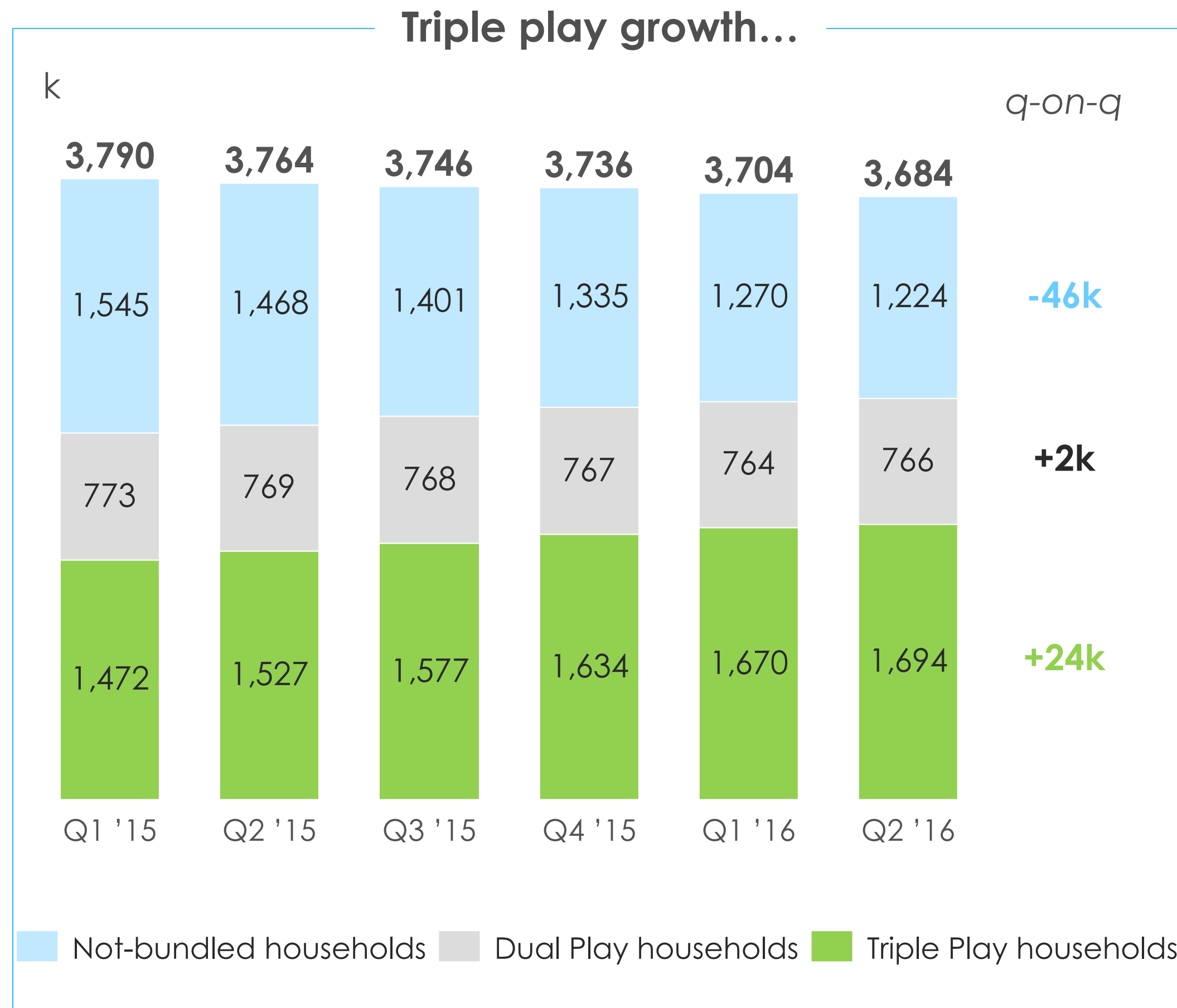
Continued growth



1. As % of broadband customers

Strong growth bundled services within residential households

Increasing share of wallet drives growing ARPU per household

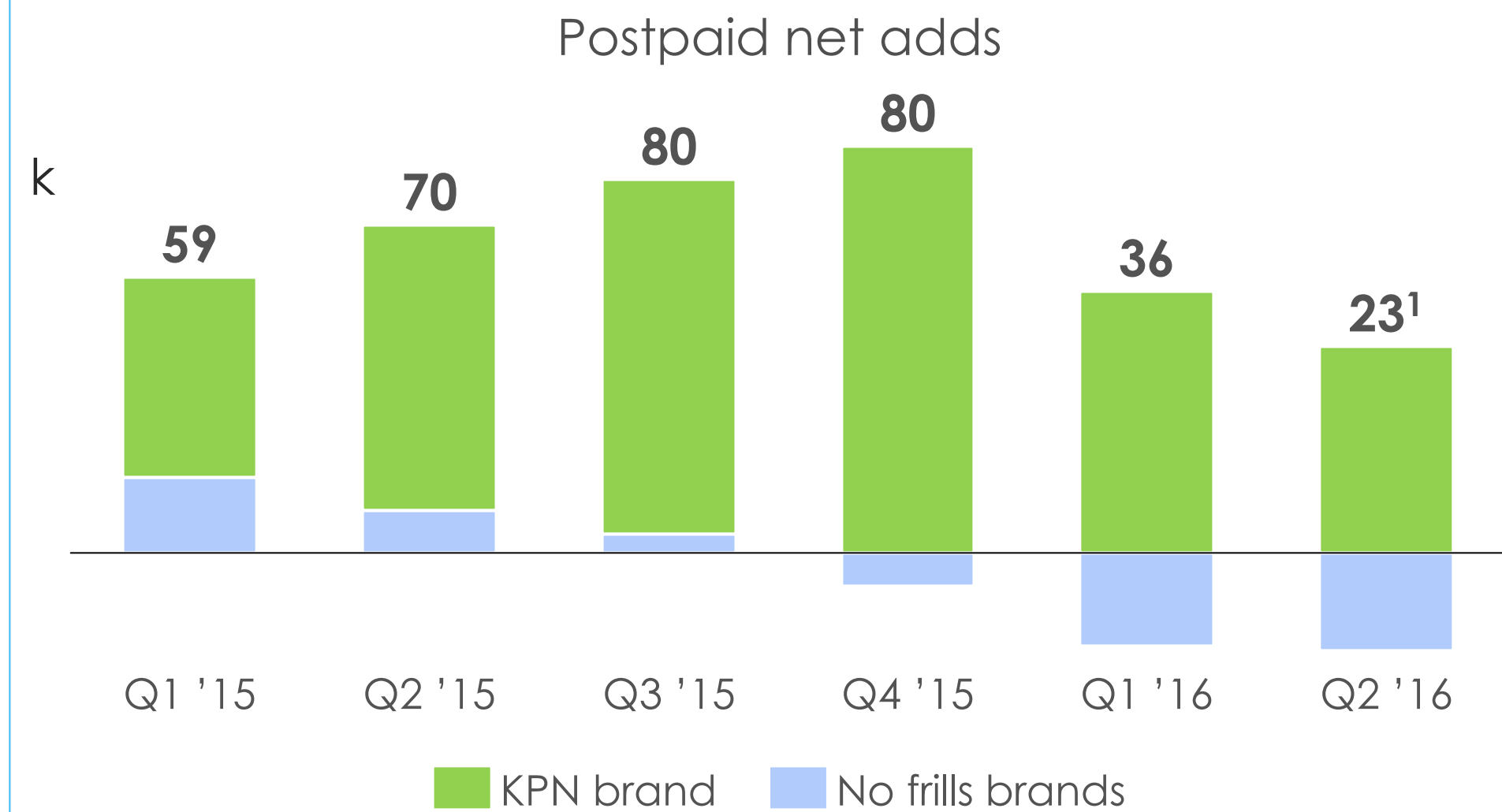


Value focus in Consumer mobile

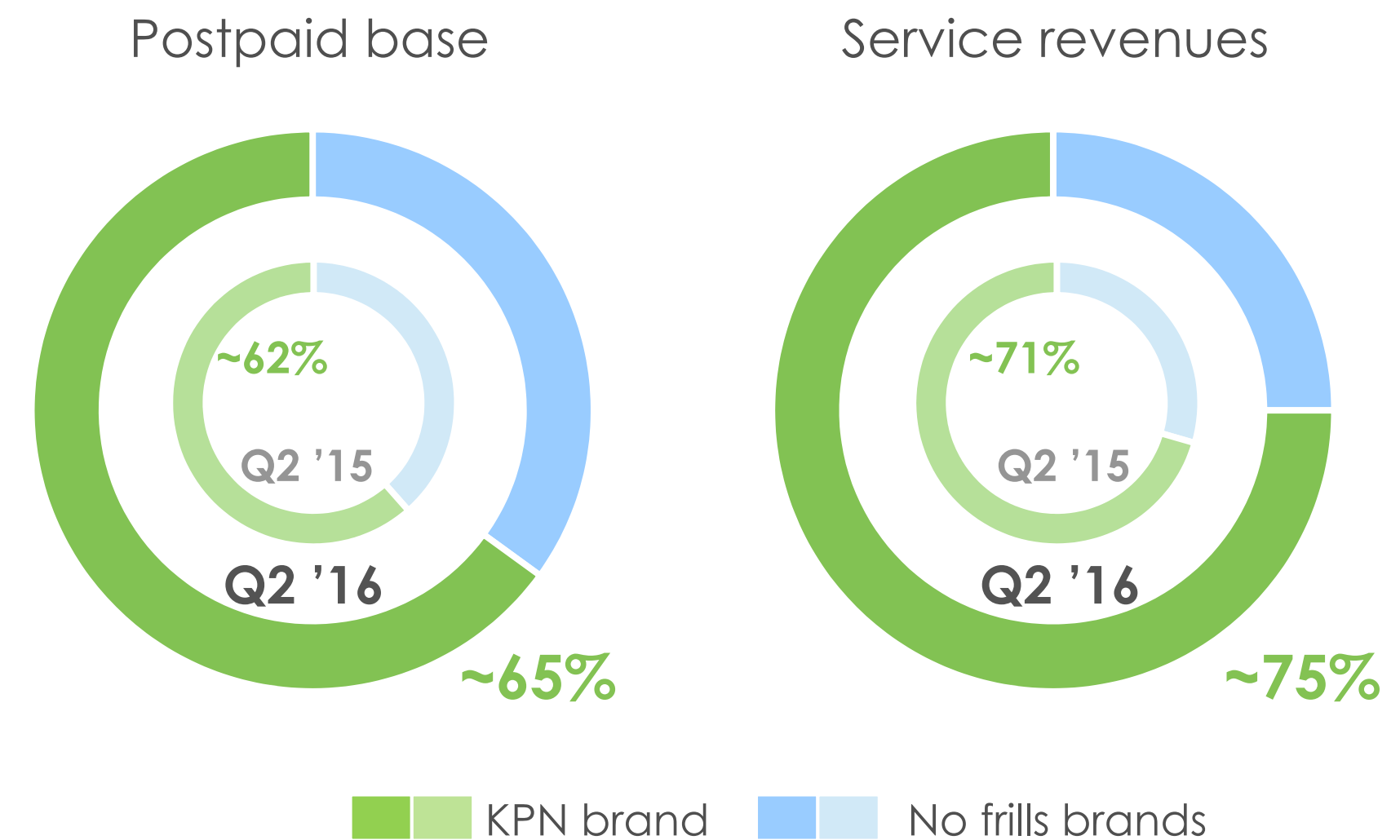
Strong competitive position driven by high value KPN brand and fixed-mobile bundling



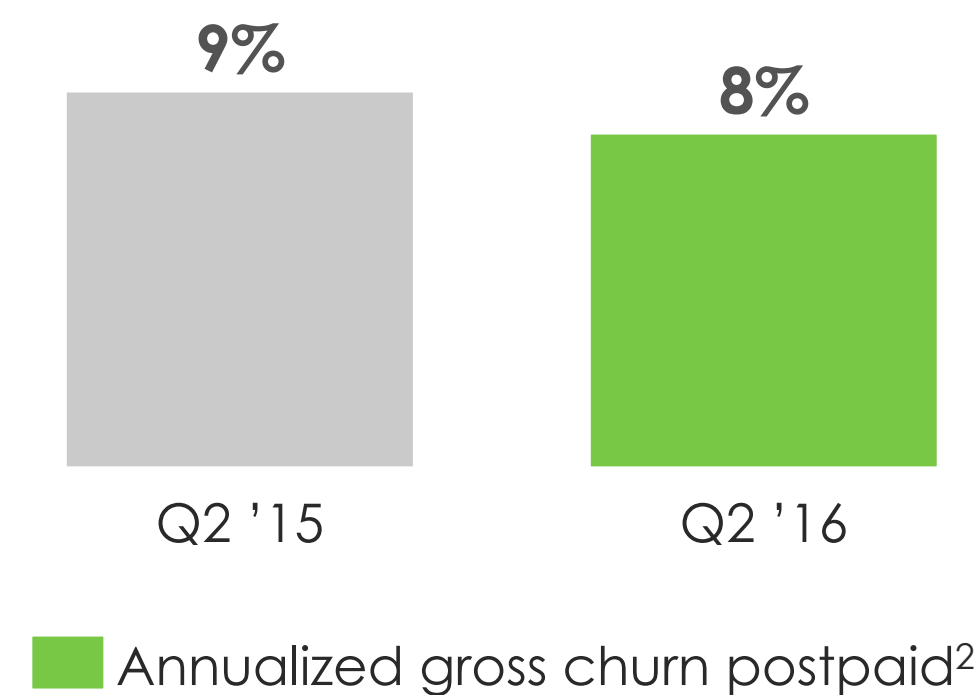
Focus on high value KPN brand



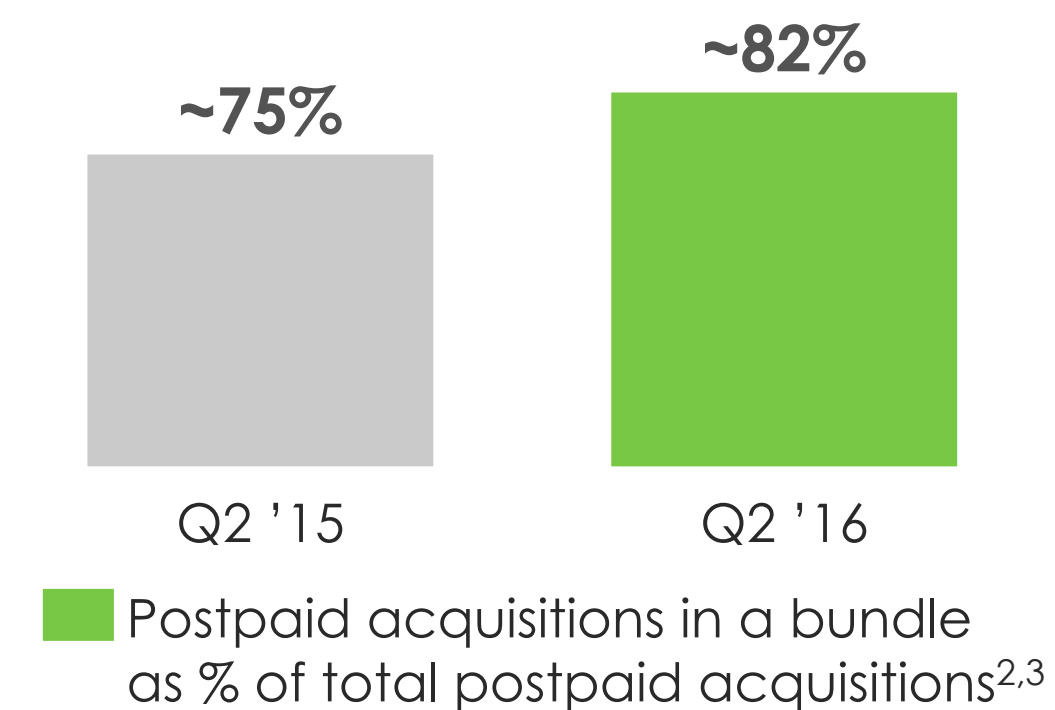
Customer mix shifting towards high value KPN brand



Low churn reflects loyal customer base



Up- and cross-sell key growth drivers



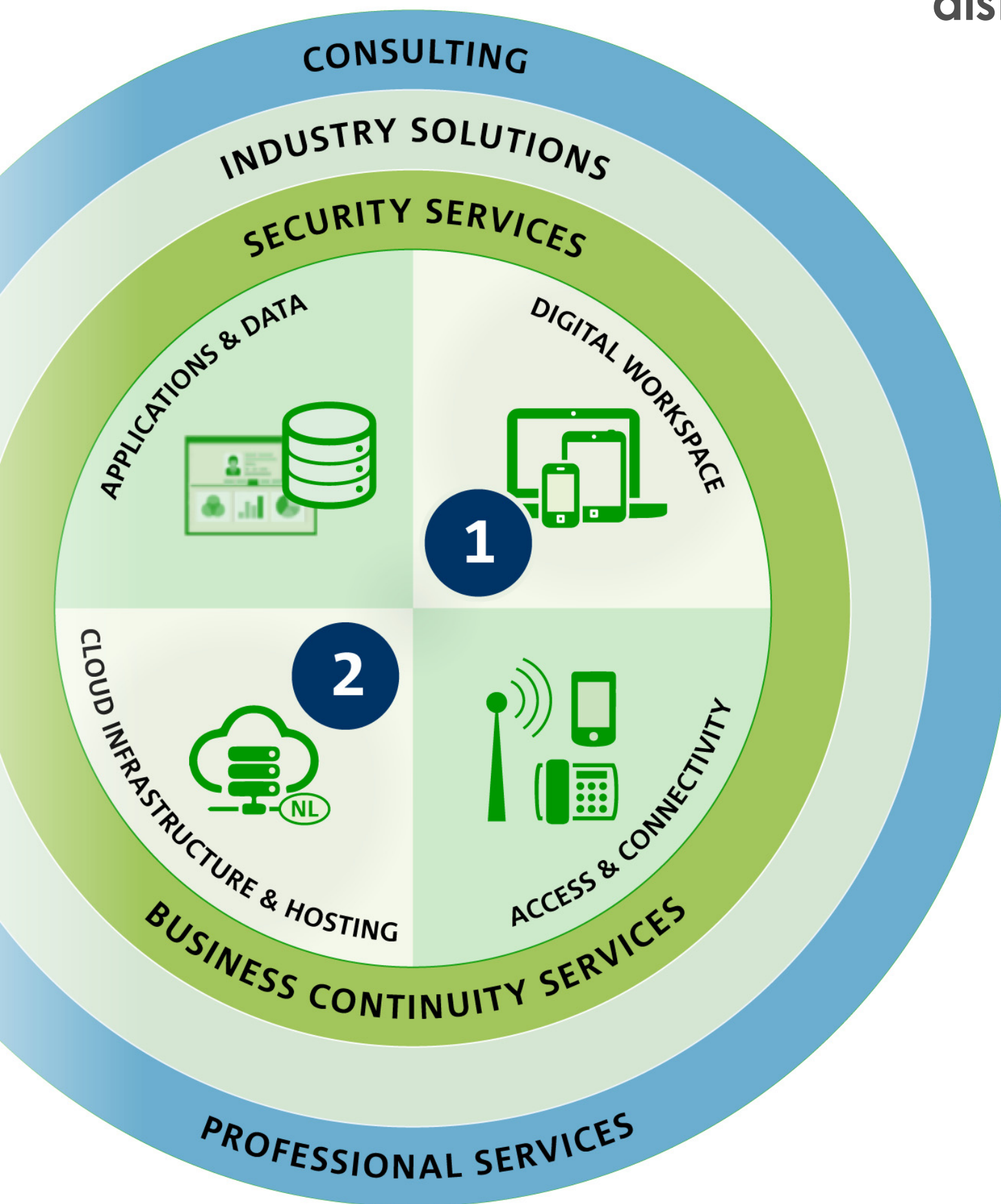
1. Reported net adds of +1k were adjusted for a 22k one-off impact for KPN brand related to migration to new order management IT platform
2. KPN brand
3. Bundle includes fixed-mobile bundles and multiple SIMs within a mobile-only household; management estimates

On track to deliver on key priorities in Business

Simplifying portfolio and organization



Leveraging strong market positions and distribution reach for growth in IT



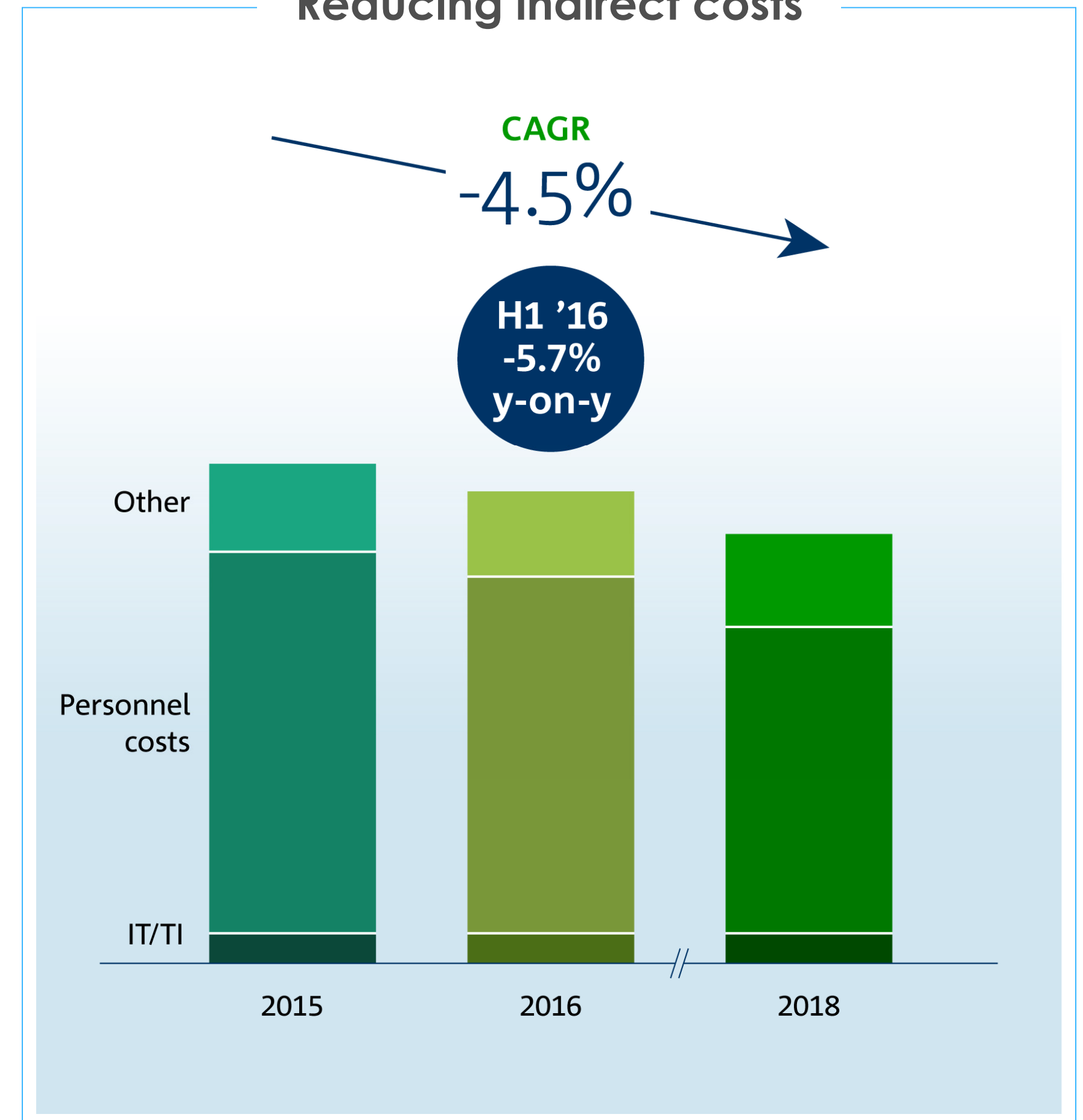
1

New multi-year contract with large corporate client for hosting services on top of >10,000 workspaces

2

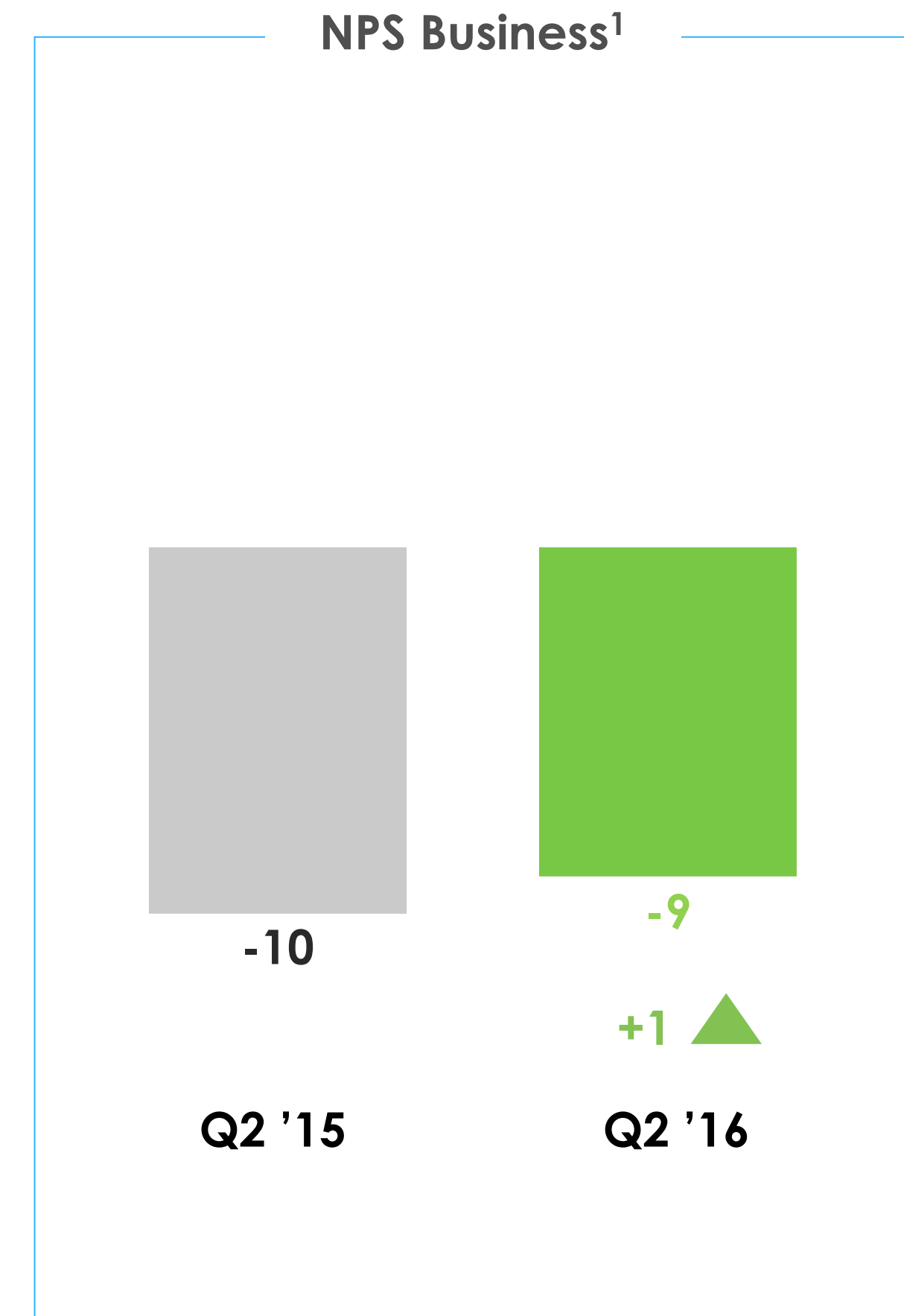
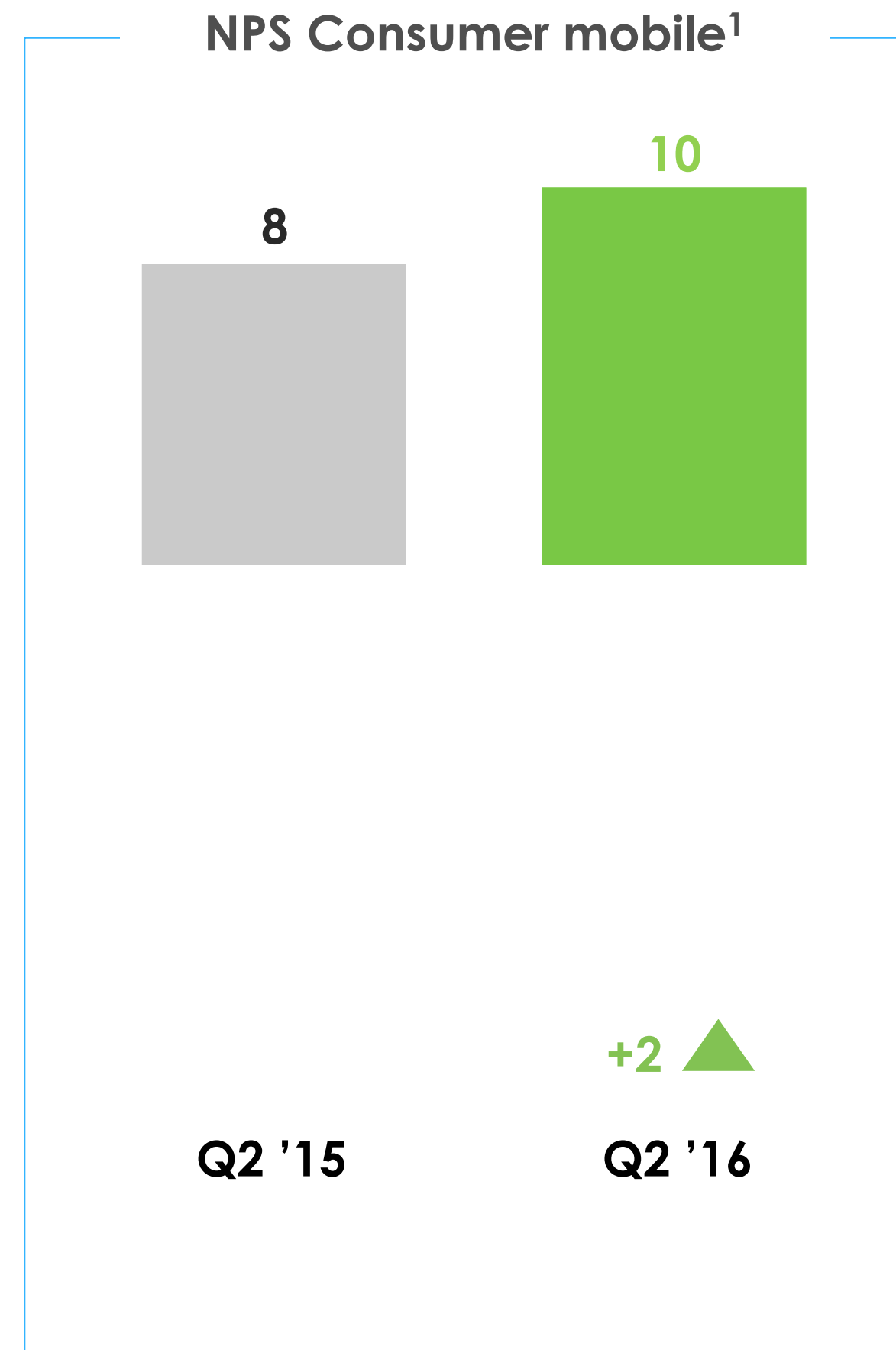
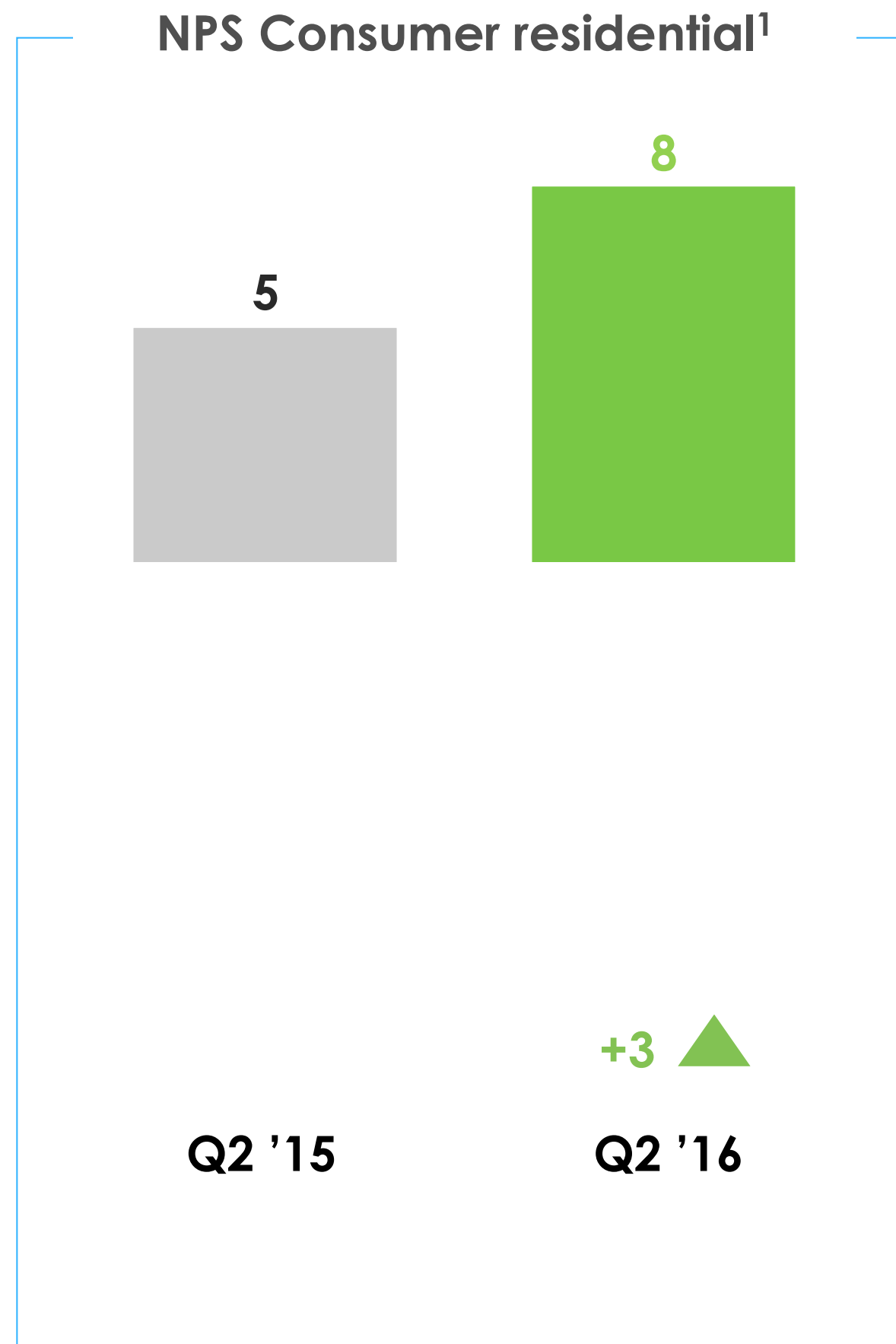
Agreement with city of Amsterdam for Managed Hybrid Cloud services

Reducing indirect costs



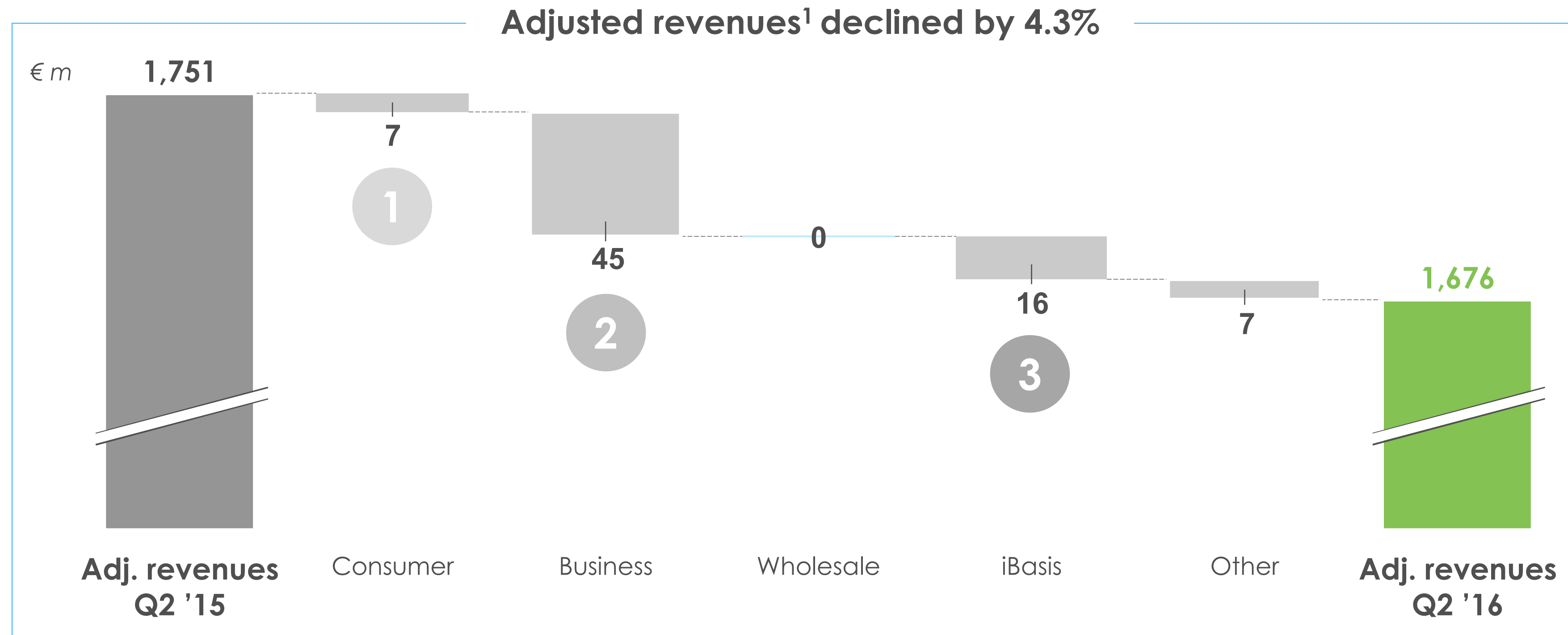
Developing as best-in-class service provider

Further improving customer satisfaction across all segments



1. Source: TNS NIPO. Consumer residential (all brands), Consumer mobile (all brands), Business (KPN brand)

Revenue development Q2 '16



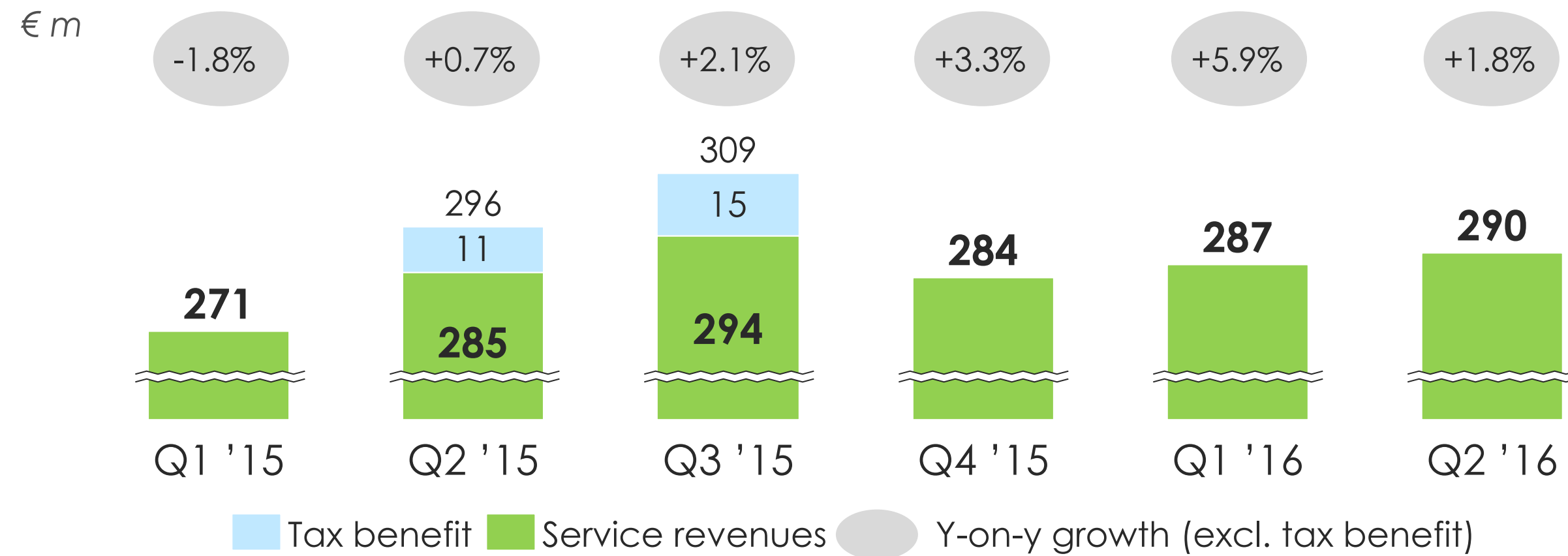
- 1 Q2 '15 included tax benefit (€ 11m) and higher hardware revenues in Consumer mobile
- 2 Impact decline traditional services
- 3 Market share growth offset by declining wholesale voice carrier market size

1. All figures based on continuing operations, unless stated otherwise

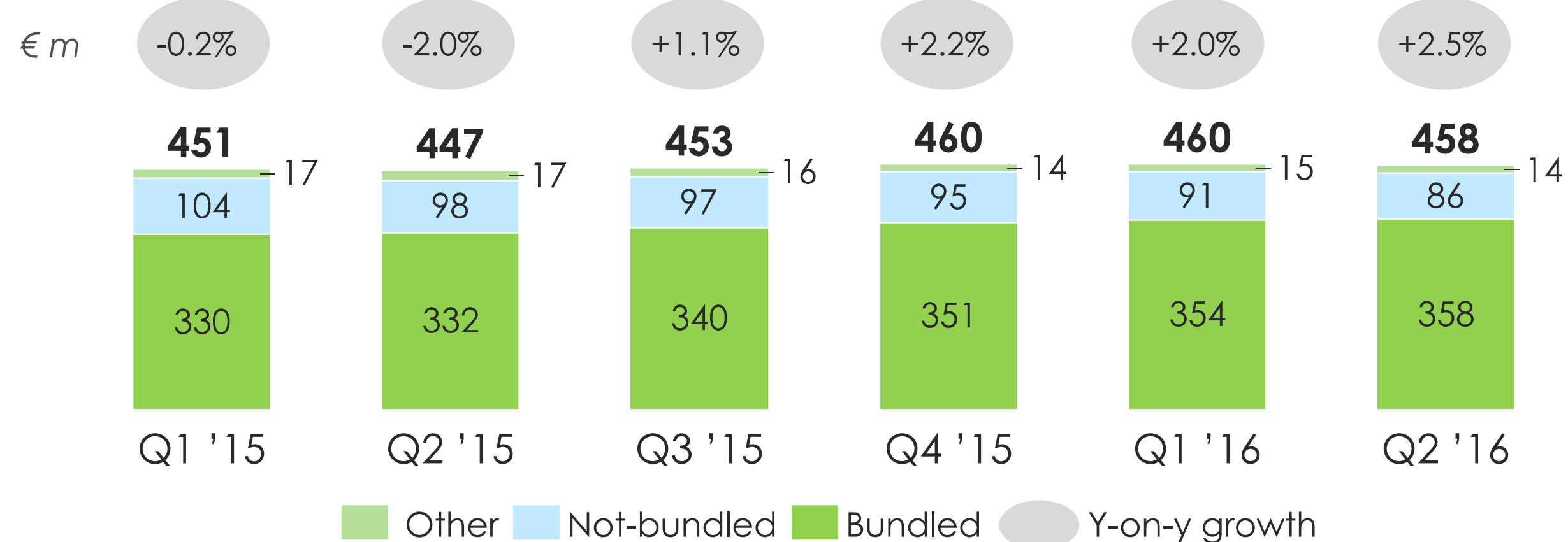
Strong focus on growing bundled service revenues



Positive service revenue¹ development in Consumer mobile



Continued growth bundled service revenues in Consumer residential



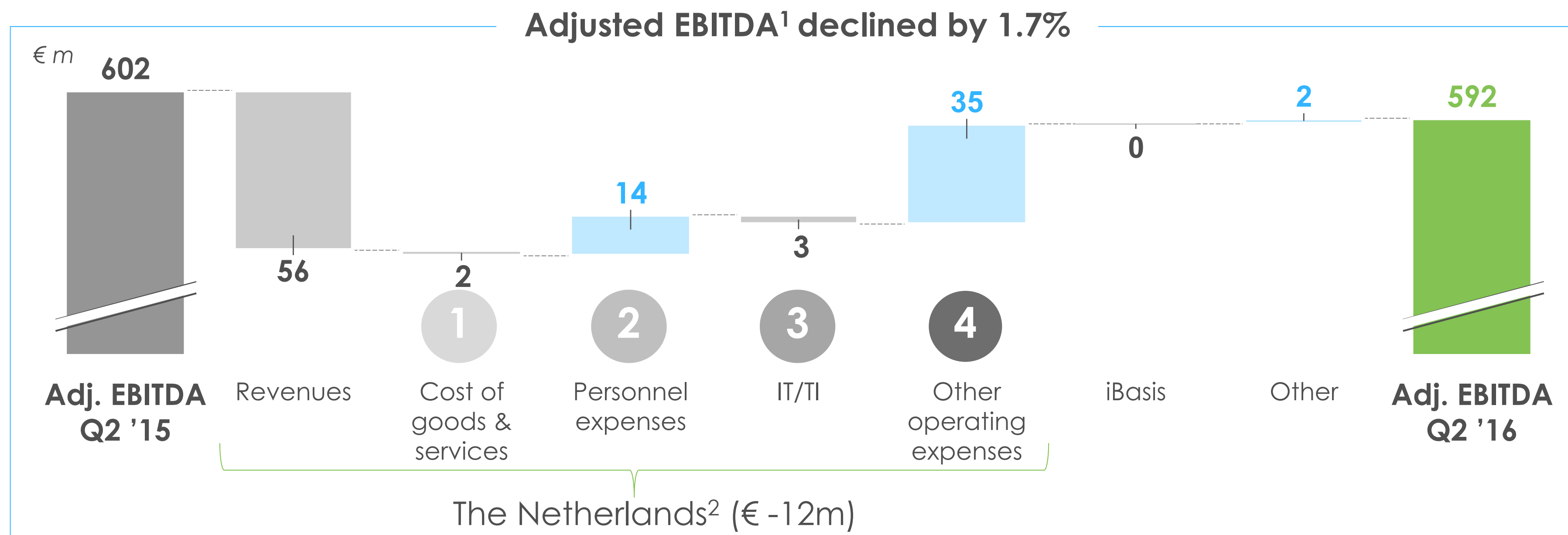
Business revenue growth drivers

		Q2 '16 adjusted y-on-y growth	Q2 '16 % of total adjusted revenues
Business total		-7.3%	
Mainly SME	Single play wireless	-15%	22%
	Traditional fixed	-17%	17%
	Multi play	+26%	5.1%
Mainly LE&Corporate	Network & IT services	-11%	22%
	Customized solutions	-0.7%	24%
New services		+38%	5.1%

1. Excluding tax benefit in Q2 '15 and Q3 '15

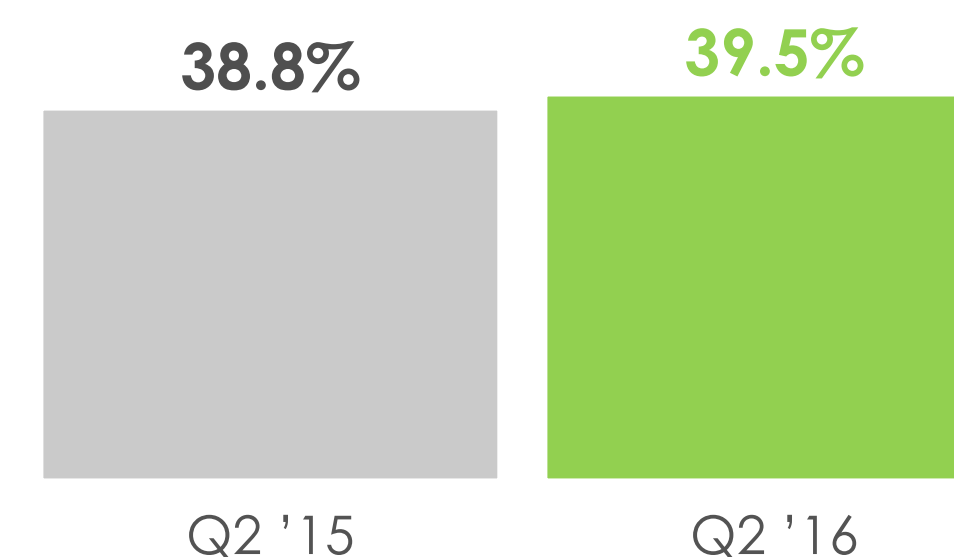
Adjusted EBITDA¹ trend improving vs. last quarter

Positive impact of cost savings not yet fully compensating declining revenues



- 1 Lower COGS in Business offset by higher retention costs in Consumer
- 2 Savings from reduction in own and external personnel
- 3 Decommissioning legacy order management IT systems in Q2 '16
- 4 Lower marketing, housing and energy expenses

Adjusted EBITDA margin The Netherlands



1. All figures based on continuing operations, unless stated otherwise
 2. The presented categories differ from the opex breakdown as presented in KPN's Integrated Annual Report 2015

Financial improvement expected in H2 2016

Positive impact Simplification, Business transformation and commercial progress



1

Simplification program

- ~€ 100m run-rate savings to be realized in H2 '16

- Lower innovation spend following completion large projects
- Phase out of legacy
- Procurement management
- FTE reductions

2

Business transformation

- Portfolio rationalization
- Process automation
- FTE reductions

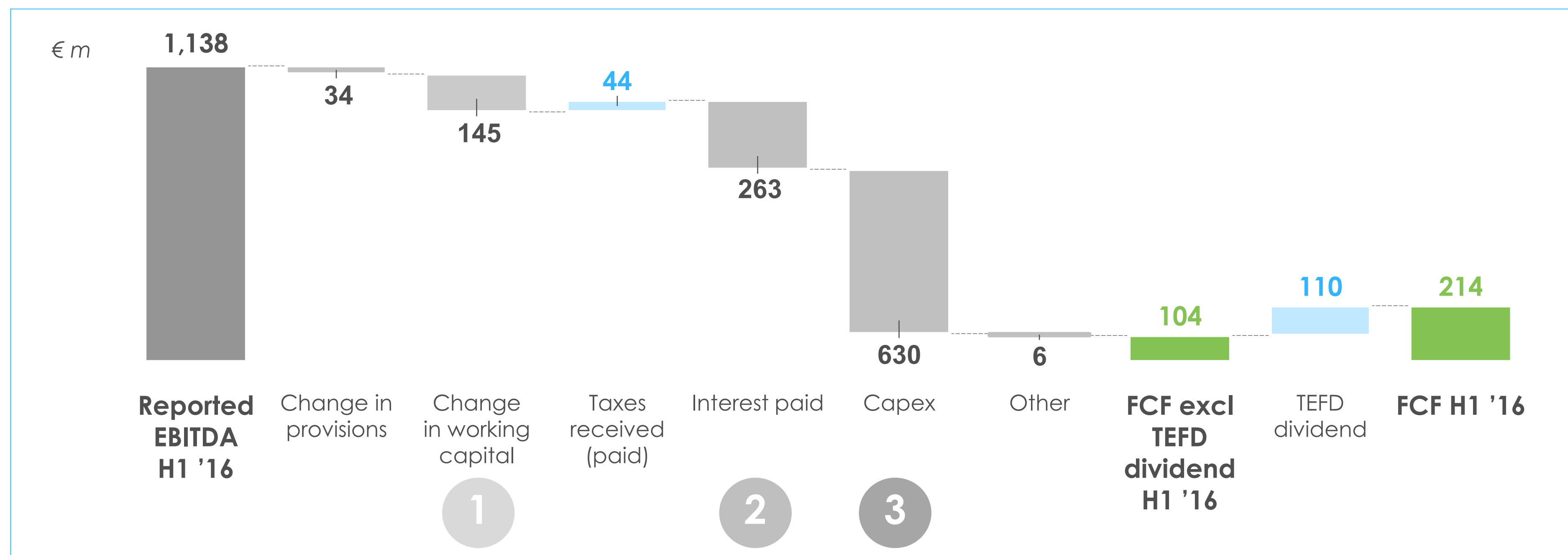
3

Commercial progress

- Growing revenues in Consumer

Free cash flow¹ influenced by usual intrayear phasing

Strong growth in FCF expected in H2 '16

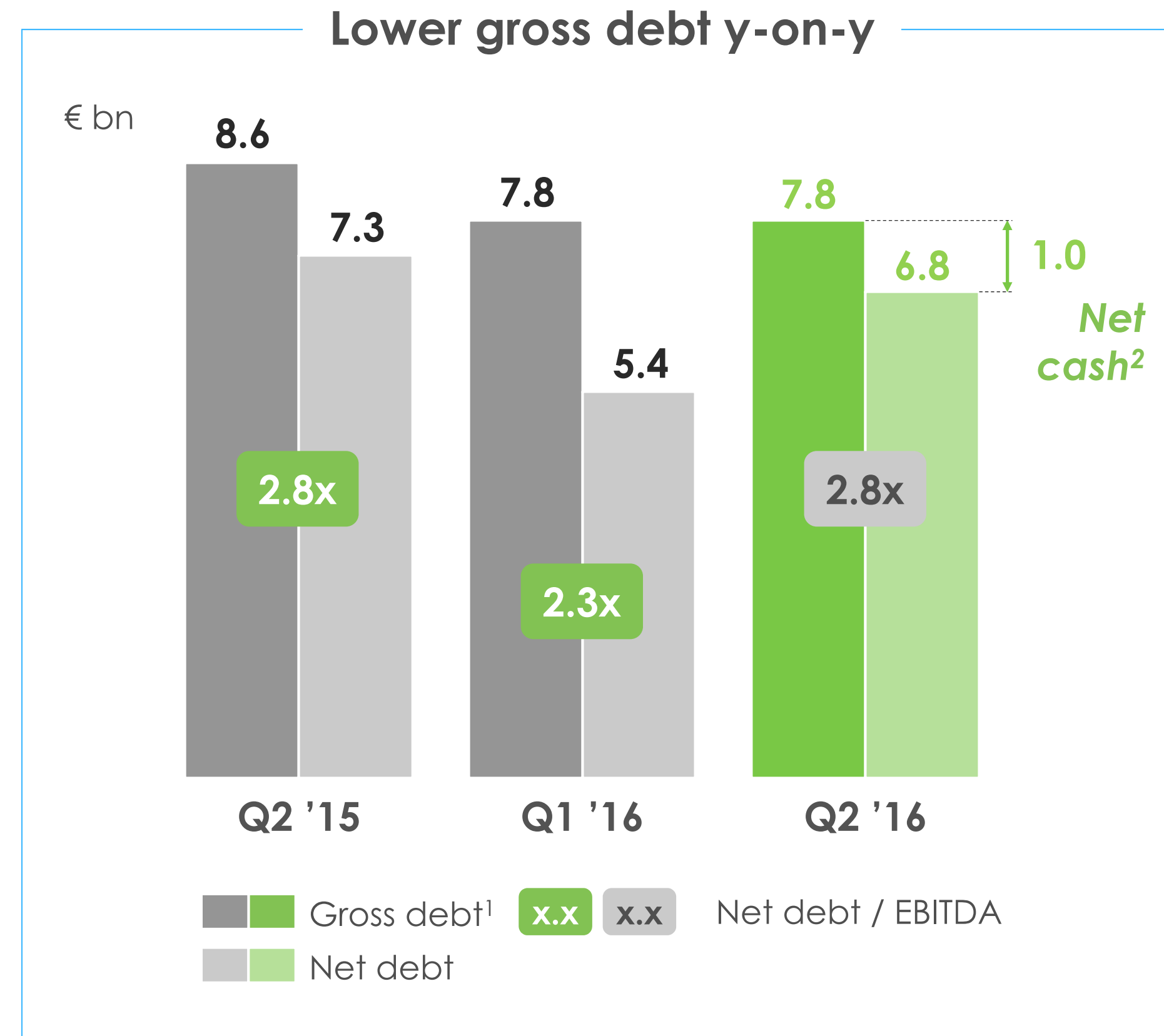


- 1 Less cash from change in working capital mainly due to intrayear phasing
- 2 ~60% of expected interest payments for FY '16 paid in H1 '16
- 3 Frontloaded network investments in H1 '16

1. All figures based on continuing operations, unless stated otherwise

Solid financial position

Reduced gross debt resulting in lower cash interest payments



Debt portfolio

- Fitch Ratings upgraded KPN to BBB, stable outlook
- Net debt € 1.4bn higher vs. Q1 '16
 - € 1.2bn capital repayment in June 2016 related to proceeds BASE Company and 5% TEFD stake
 - Payment € 5ct final dividend per share over 2015

Financial flexibility

- Renewal € 1.25bn revolving credit facility completed at improved terms
- Additional financial flexibility via 15.5% Telefónica Deutschland stake

1. Gross debt defined as the nominal value of interest bearing financial liabilities, excluding derivatives and related collateral, representing the net repayment obligations in Euro, taking into account 50% of the nominal value of the hybrid capital instruments

2. Including short-term investments (not taking into account 15.5% Telefónica Deutschland stake)

Contents

- 1 Strategy
- 2 Performance
- 3 Appendix



KPN ADR program

KPN has a sponsored Level 1 ADR program



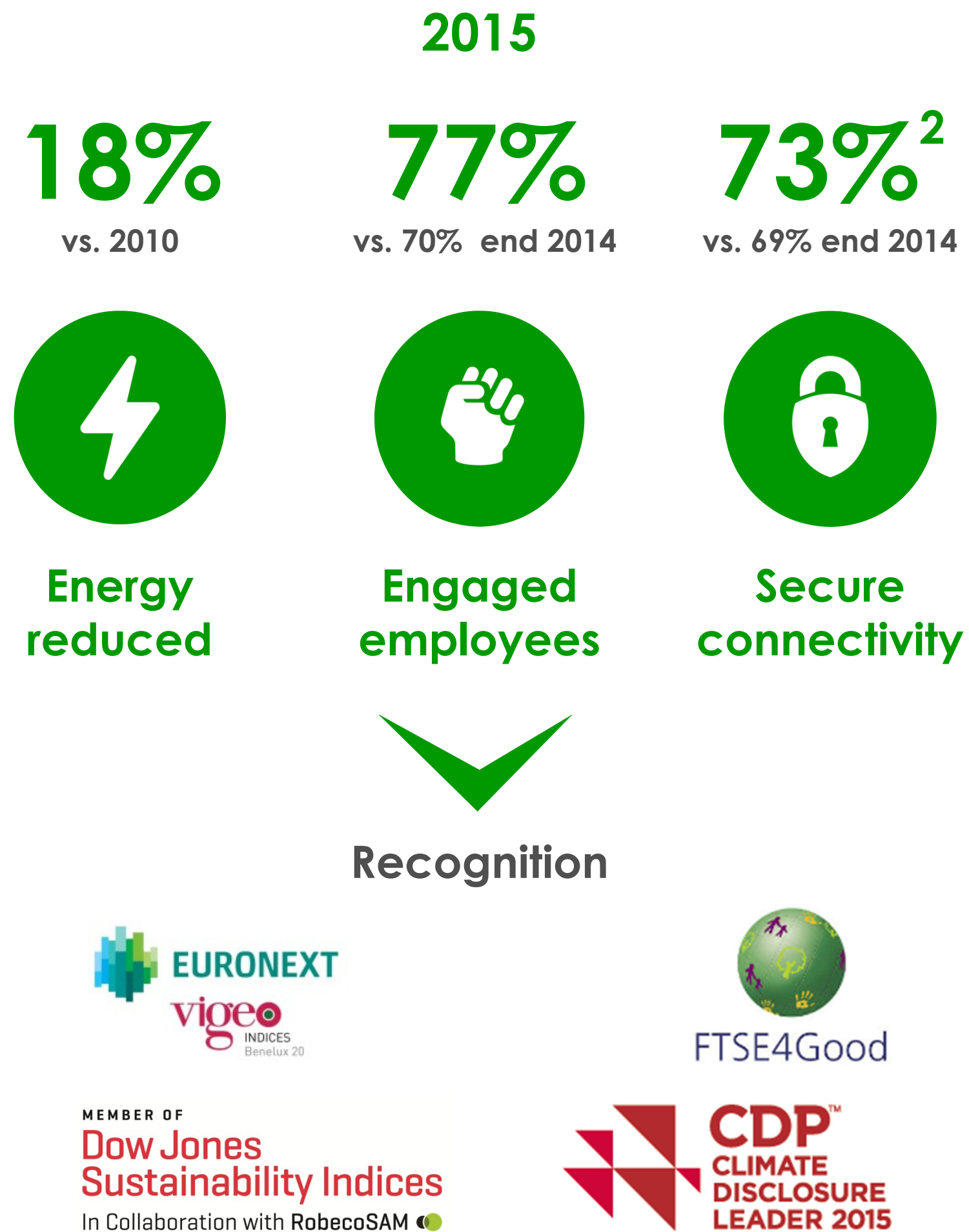
ADR program

Bloomberg ticker	KKPNY
Trading platform	Over-the-counter (OTC)
CUSIP	780641205
Ratio	1 ADR : 1 Ordinary Share
Depository bank	Deutsche Bank Trust Company Americas
Depository bank contact	Jonathan Montanaro
ADR broker helpline	+1 212 250 9100 (New York) +44 207 547 6500 (London)
E-mail	adr@db.com
ADR website	www.adr.db.com
Depository bank's local custodian	Deutsche Bank, Amsterdam

Corporate Social Responsible Strategy



Successful CSR strategy¹



1. As disclosed in KPN's Annual Report 2015
2. Dutch people that believe their data is safe with KPN

Social and environmental achievements

- Mooiste Contact Fonds (MCF) connects chronically ill children
 - 723 children virtually present at school
 - Collaboration with Nederlandse Hartstichting to put young people with a heart condition in touch with their peers



- Award winning Late Rembrandt campaign
 - 2016 Corporate Engagement Award
 - ESA Excellence Award 2015
 - KPN is main sponsor of the Rijksmuseum
- Introduction of child friendly app Mybee
 - Safe internet browsing for children of 2-6 years old

Dutch wireless disclosure



Service revenues (€ m)	Q2 '16	Q2 '15	y-on-y %
Consumer	290	296	-2.0%
Business ¹	167	178	-6.2%
Other ²	39	42	-7.1%
KPN The Netherlands	496	516	-3.9%

SAC/SRC per subscriber (€)	Q2 '16	Q2 '15	y-on-y %
Consumer (postpaid) ³	225	213	5.6%
Business (mobile only – mainly SME)	240	218	10%

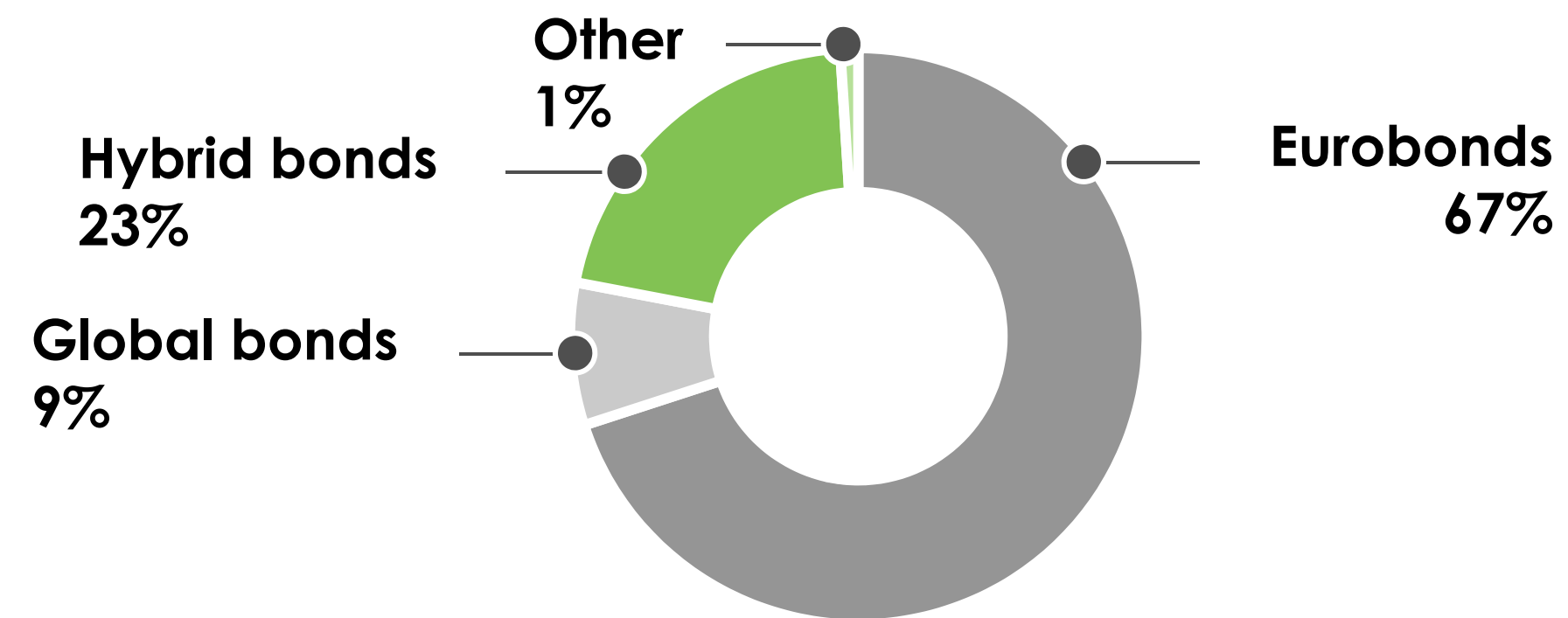
1. Includes mobile-only (mainly SME) service revenues and partial allocation of multi play (mainly SME) and customized solutions (mainly LE/Corporate) revenues to mobile service revenues
2. Includes amongst other Wholesale mobile service revenues and visitor roaming
3. Including handset subsidies, commissions and SIM costs

Debt portfolio

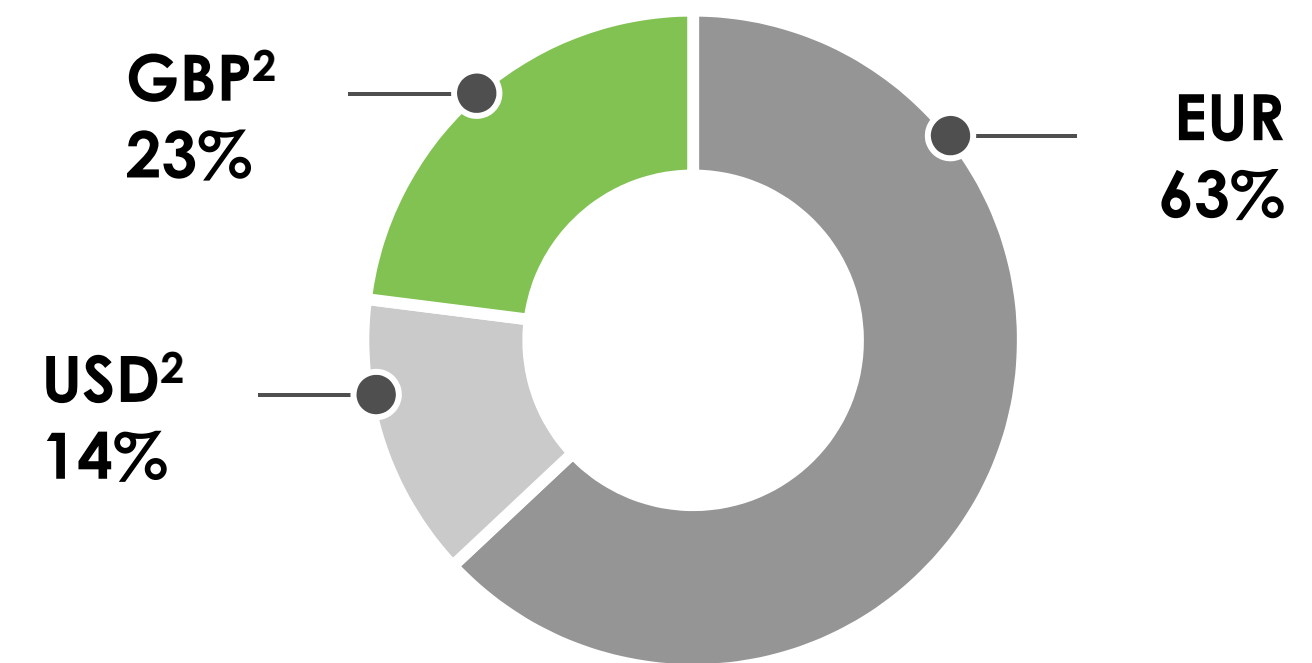
Breakdown of € 8.8bn nominal debt¹ including hybrid bonds



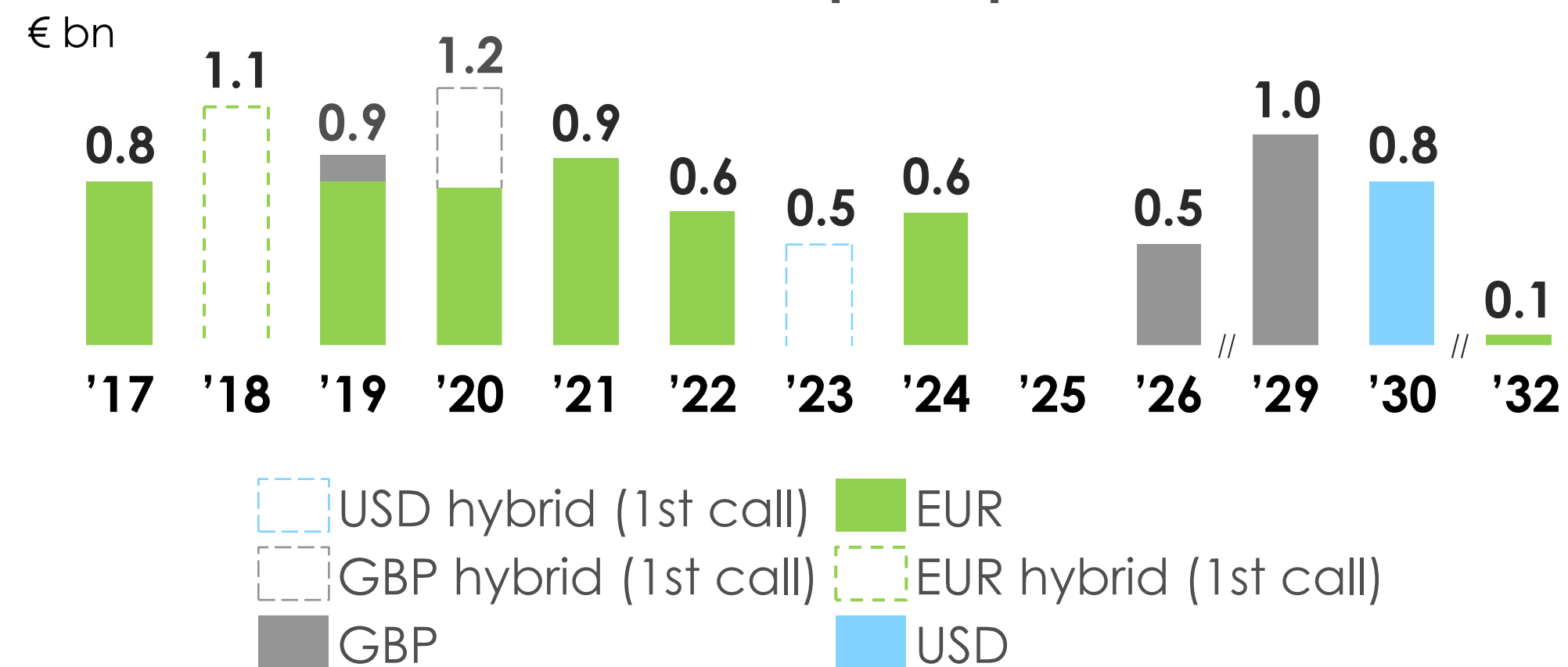
Breakdown nominal debt¹ (total € 8.8bn)



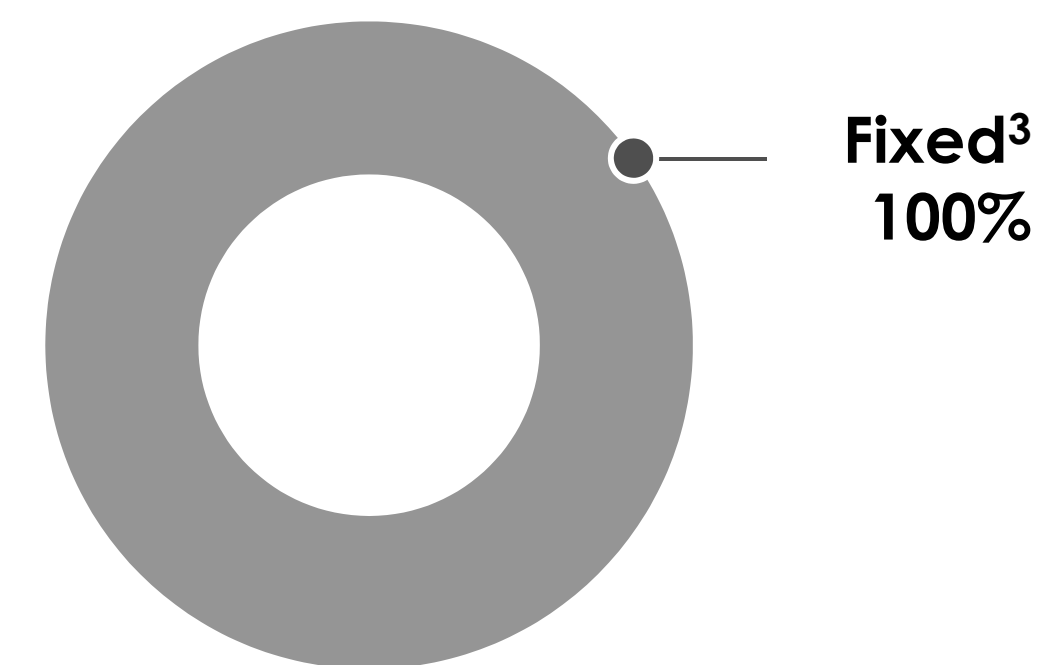
Nominal debt by currency



Bond redemption profile



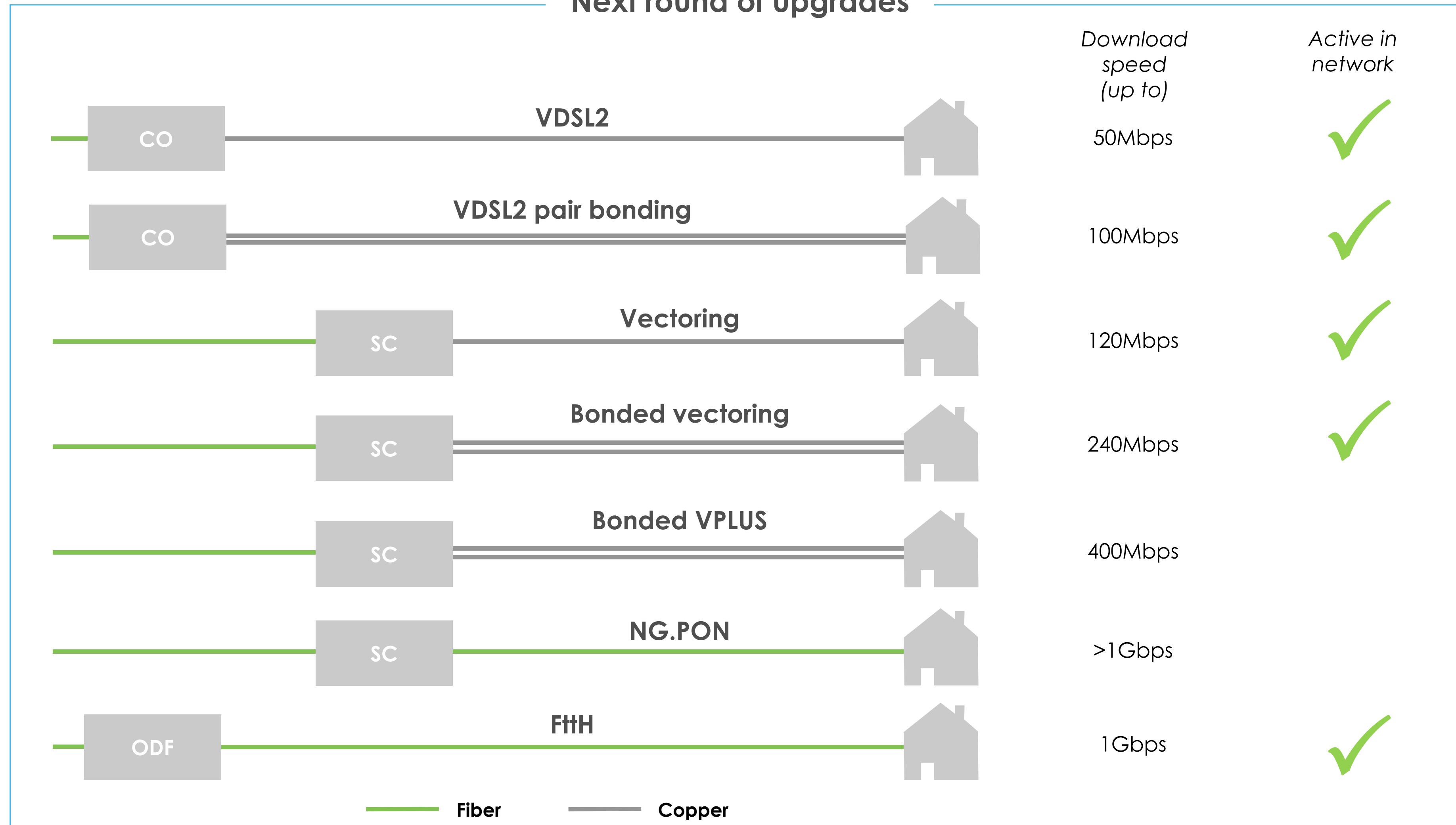
Fixed vs. floating interest



1. Based on the nominal value of interest bearing liabilities after swap to EUR, including EUR 1.1bn hybrid bond, GBP 400m hybrid bond and USD 600m hybrid bond
2. Foreign currency amounts hedged into EUR
3. Excludes bank overdrafts



Next round of upgrades



Non-GAAP measures and management estimates

This financial report contains a number of non-GAAP figures, such as EBITDA and Free Cash Flow ('FCF'). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures.

KPN defines EBITDA as operating result before depreciation (including impairments) of PP&E and amortization (including impairments) of intangible assets. Note that KPN's definition of EBITDA deviates from the literal definition of earnings before interest, taxes, depreciation and amortization 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. In the Net Debt / EBITDA ratio, KPN defines Net Debt as the nominal value of interest bearing financial liabilities excluding derivatives and related collateral, representing the net repayment obligations in Euro, taking into account 50% of the nominal value of the hybrid capital instruments, less net cash and short-term investments, and defines EBITDA as a 12 month rolling total excluding restructuring costs, incidentals and major changes in the composition of the Group (acquisitions and disposals). Free Cash Flow 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. Revenues are defined as the total of revenues and other income unless indicated otherwise. Adjusted revenues and adjusted EBITDA are derived from revenues (including other income) and EBITDA, respectively, and are adjusted for the impact of restructuring costs and incidentals.

The term service revenues refers to wireless service revenues.

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 and speak only as of the date they are made. A number of these factors are described (not exhaustively) in the Integrated Annual Report 2015.