

First Quarter Results 2017

26 April 2017





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 2016. 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.

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. Operating free cash flow is defined as adjusted EBITDA minus Capex. 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 2016.

Highlights Q1



Services & Innovation

- Further improvement customer satisfaction in Consumer
 - NPS +13 in Q1 '17 vs. +10 in Q1 '16¹
- ~25% reduction Consumer service calls driven by Simplification
- Strengthened Business capabilities
 - DearBytes – security services
 - Divider – cloud service provider
- Upgrade core network completed
- Employee engagement high at 77%

Operational

- Continued focus on value and convergence in Consumer
 - Increasing penetration of fixed-mobile bundles
 - 12k broadband net adds
 - 27k IPTV net adds
 - 2k² postpaid net adds, driven by the high value KPN brand +22k
 - Postpaid ARPU up 4.0% y-on-y to € 26
 - ARPU per household increased by 5.0% y-on-y to € 42
- Ongoing migrations to integrated solutions in Business
 - 36k multi play net adds (mainly SME)
 - Strengthening customer relations, but impacting financial performance

Financial³

€ m	Q1 '17	y-on-y %
Adj. revenues	1,648	-2.4%
Adj. revenues NL	1,480	-1.5%
Adj. EBITDA	584	2.8%
Adj. EBITDA NL	579	2.5%
FCF (excl. TEFD dividend) ³	35	n.m.

- Swapped 6% Telefónica Deutschland for 1.4% Telefónica
- Final dividend of € 6.7ct per share paid on 21 April
- € 200m share buyback program in coming period

- Promising start second wave Simplification program : ~€ 35m run-rate savings realized⁴

1 Source: Kantar TNS

2 Adjusted for 4k clean-up at Simyo

3 All figures in this presentation are based on continuing operations, unless stated otherwise

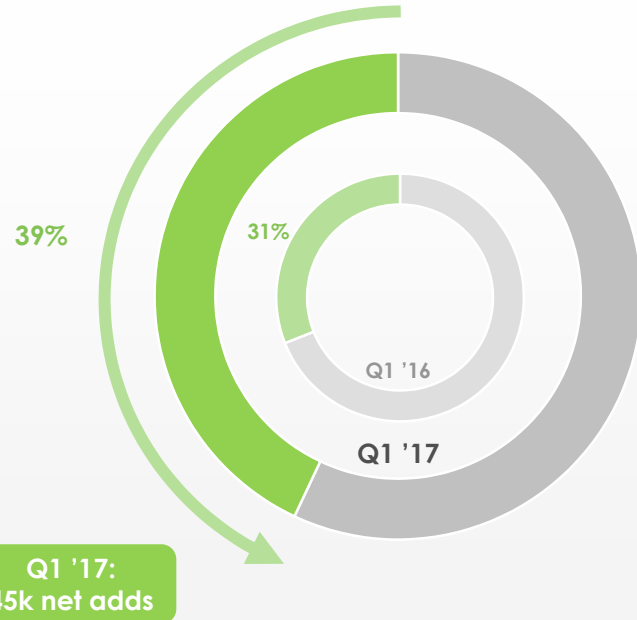
4 End Q1 '17 vs. end Q4 '16

Continued growth fixed-mobile bundles in Consumer

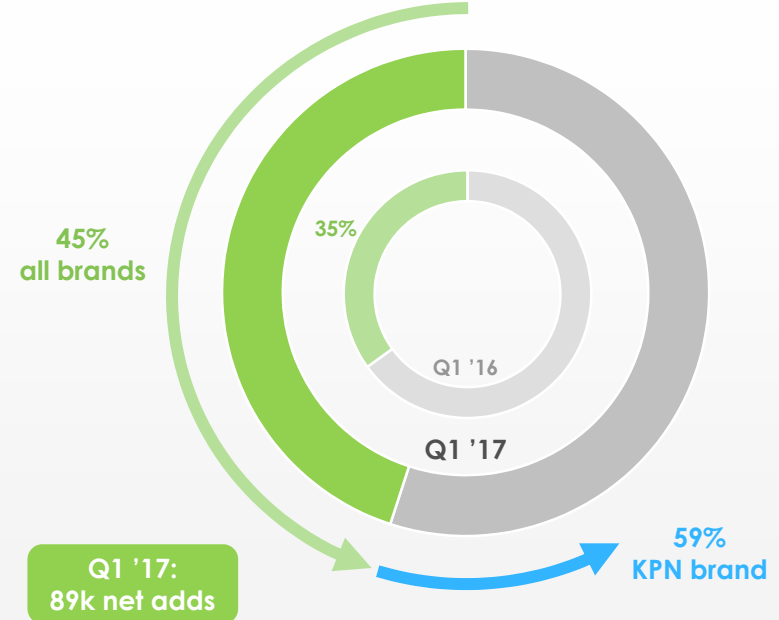
Successful up- and cross-sell into mobile



Households in fixed-mobile bundles¹



Postpaid customers in fixed-mobile bundles

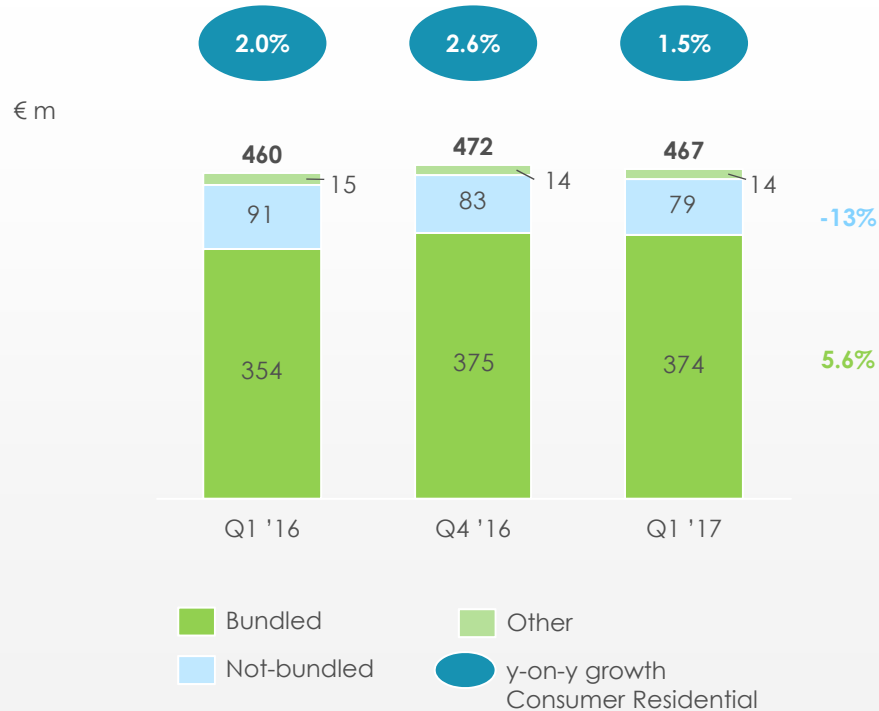


¹ As % of broadband customers

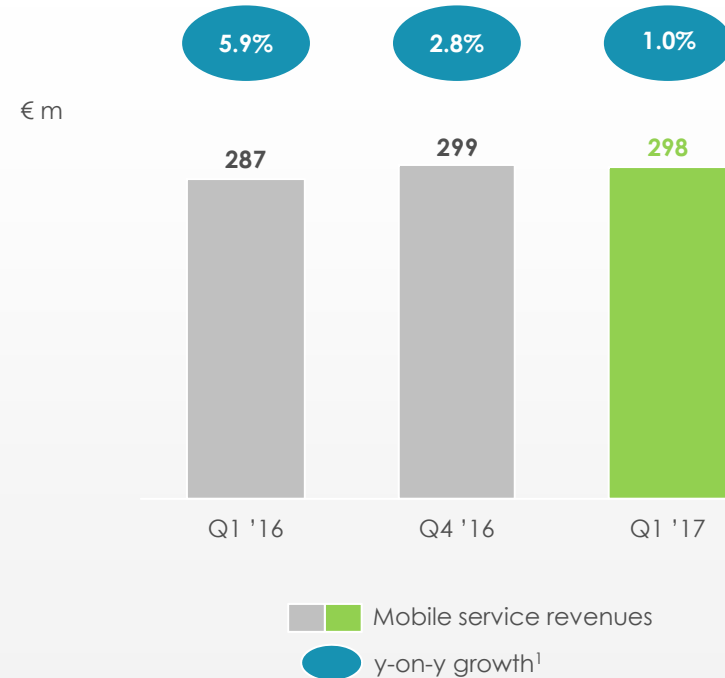
Strong household proposition driving service revenue growth



Fixed revenue growth driven by bundled services



Continued mobile service revenue growth



¹ Excluding tax benefit and regulation impact

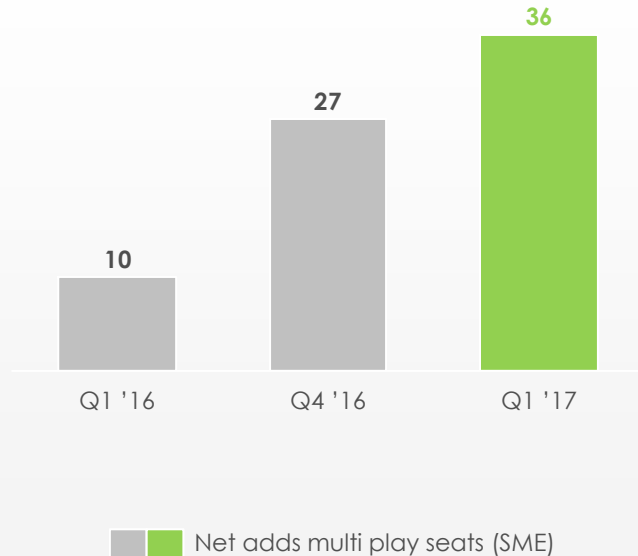
Focus on migrating Business customers to multi play

Rising customer satisfaction y-on-y

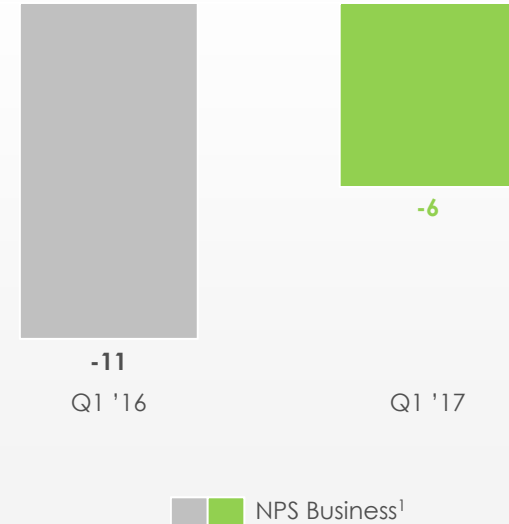


Further growth in multi-play seats

k



NPS Business improving y-on-y



Migrations to integrated solutions strengthen business customer relations

Executing on quality programs



Business revenue growth drivers

		Q1 '17 adjusted y-on-y growth	Q1 '17 % of total adjusted revenues	
<hr/>				
Mainly SME	Business total	-6.9%		
	Single play wireless	-13%	22%	1
	Traditional fixed	-18%	16%	
Mainly LE&Corporate	Multi play	30%	6.3%	2
	Network & IT services	-5.3%	22%	
	Customized solutions	0.0%	24%	3
<hr/>				
	New services	3.6%	5.3%	

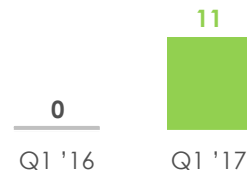
- 1 Repricing and migrations to multi play
- 2 Accelerating migrations to multi play in SME
- 3 Supported by take-up of integrated solutions

Improving customer satisfaction by simplifying processes

Example

NPS Customer Service
(self-employed + SME)

Registered client
service tickets

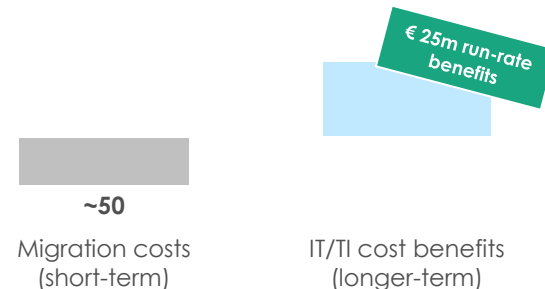


Streamlining organization

Example

Benefits end-of-sale legacy internet portfolio
to become visible after several years

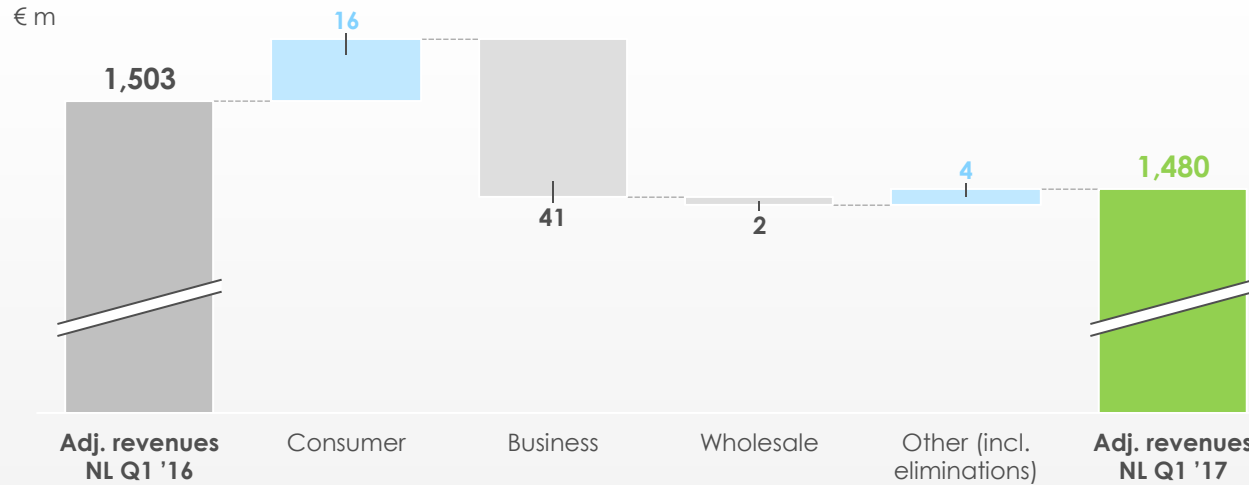
€ m



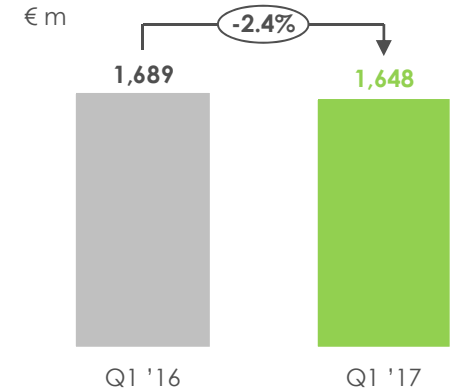
Revenue trend The Netherlands improving



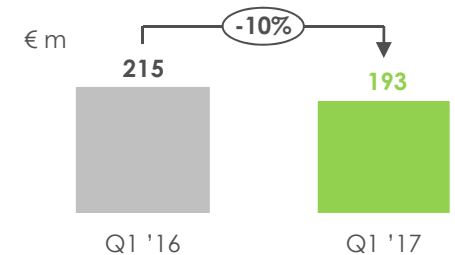
Adjusted revenues NL declined by 1.5% (Q4 '16: -1.9%)



Adjusted revenues KPN Group



Adjusted revenues iBasis

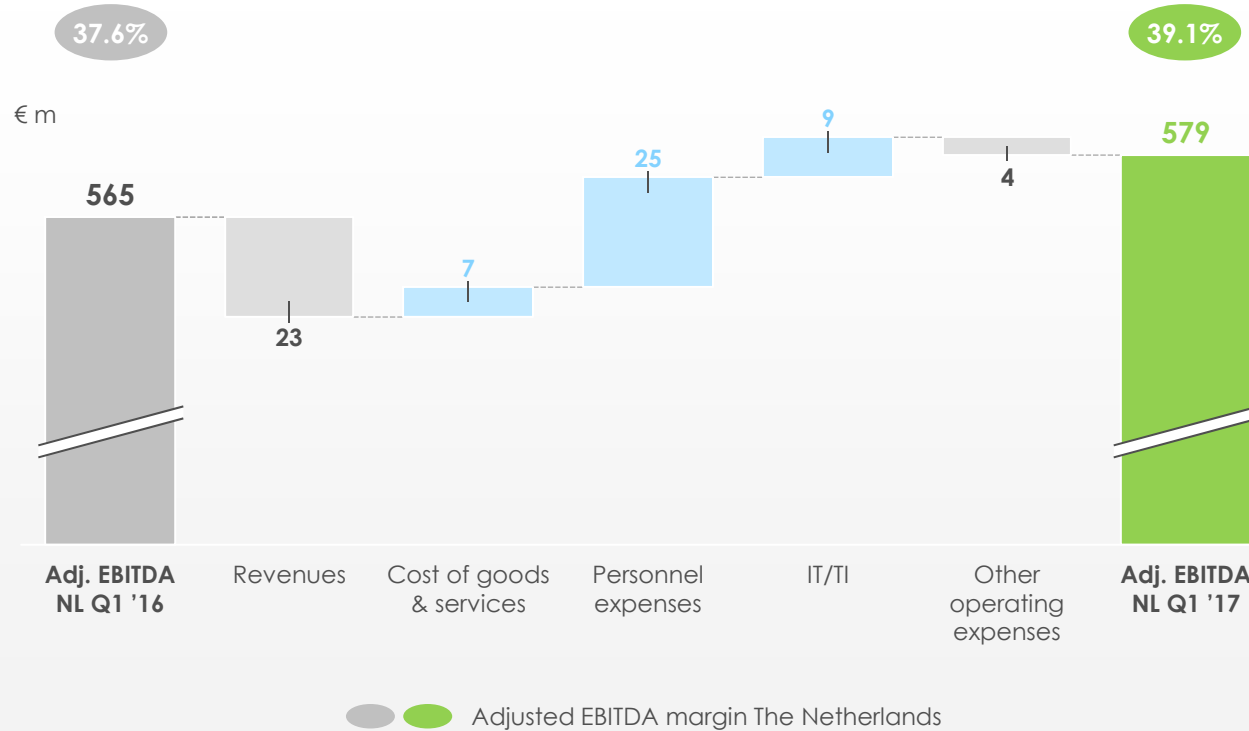


Adjusted EBITDA supported by improved operational efficiency

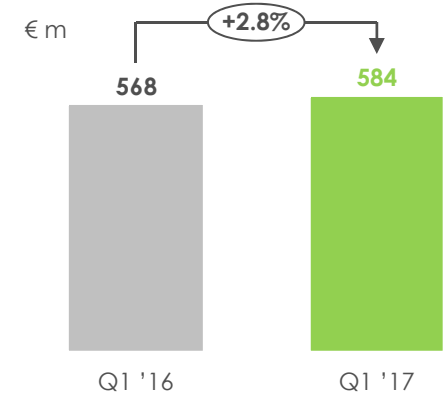
Simplification driving lower personnel and IT/TI expenses



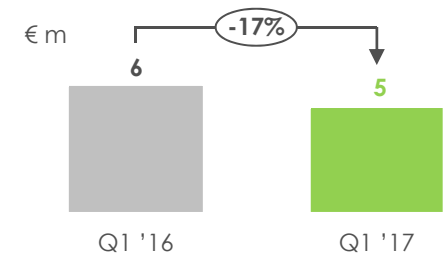
Adjusted EBITDA NL increased by 2.5%¹



Adjusted EBITDA KPN Group



Adjusted EBITDA iBasis



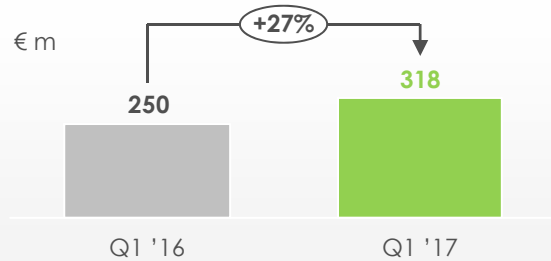
¹ Adjusted for restructuring costs and incidentals. The presented categories show adjusted numbers and differ from the opex breakdown as presented in KPN's Integrated Annual Report 2016

Free cash flow growth

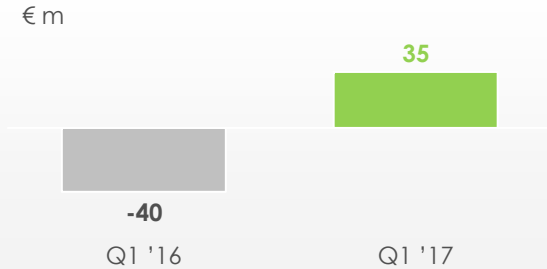
Q1 FCF influenced by intrayear phasing



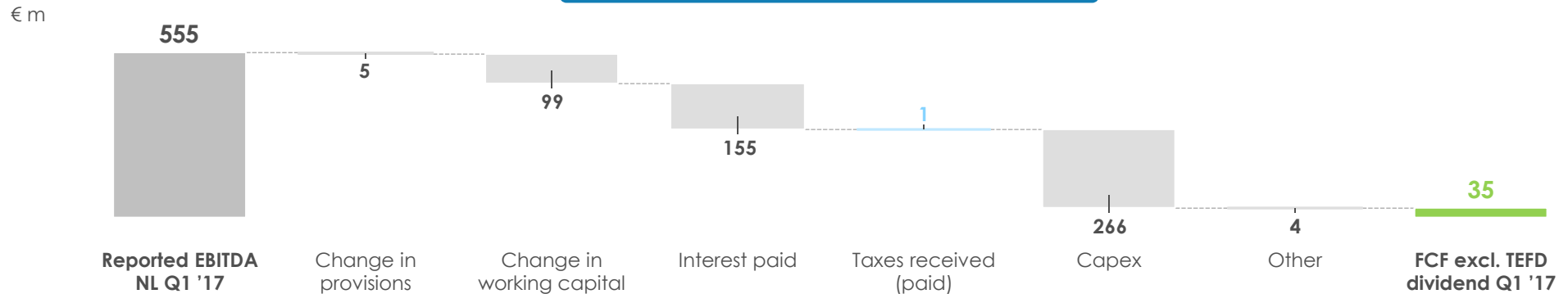
Growing operating free cash flow¹...



...and free cash flow²



Free cash flow components

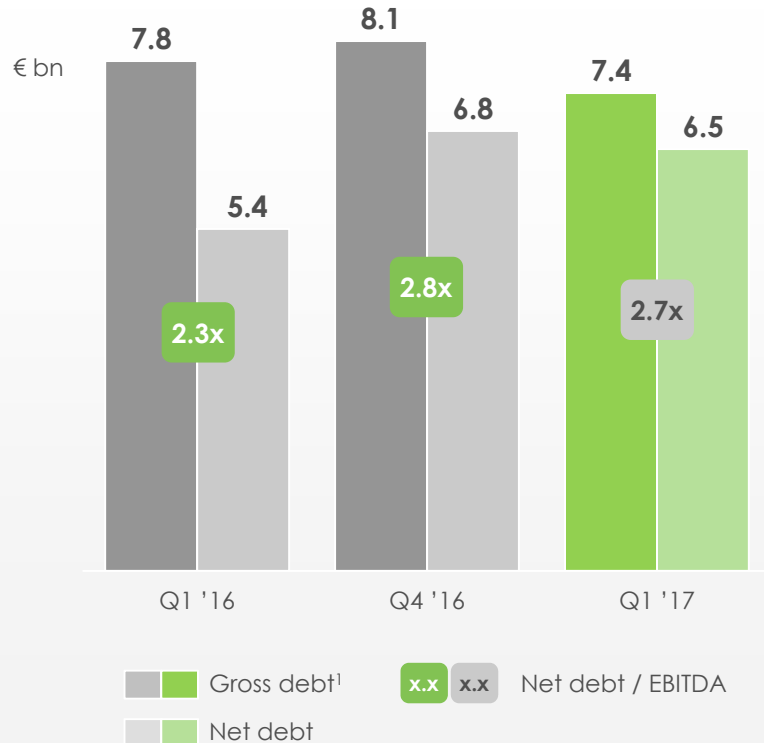


¹ Adjusted EBITDA minus Capex
² Excluding TEFD dividend

Solid financial position



Lower gross debt y-on-y



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

Debt portfolio

- Gross debt € 0.71bn lower vs. Q4 '16
 - € 720m bond redemption in January
- Net debt € 0.22bn lower vs. Q4 '16
 - Telefónica shares partly sold, reducing net debt
- Average coupon senior bonds 4.1% (Q1 '16: 5.0%)

Financial flexibility

- Additional financial flexibility via 9.5% stake in TEFD



Outlook 2017

- Adjusted EBITDA in line with 2016
 - Including ~€ 40-50m roaming regulation impact
- Capex ~€ 1.15bn
- Free cash flow (excl. TEFD dividend) growing¹
- Additional cash flow via expected dividend from 9.5% stake in Telefónica Deutschland

Shareholder remuneration

- Intended DPS of € 11ct in respect of 2017
- Intention to grow regular DPS in line with FCF growth profile thereafter
- Intention to pass-through expected TEFD dividend (€ 1.7ct per KPN share)
- Excess cash could be utilized for
 - Operational / financial flexibility
 - (Small) in-country M&A
 - Shareholder remuneration
- € 200m share buyback program in coming period

¹ Compared to 2016 free cash flow, after adjusting for the impact of cash optimization actions, of € 683m

Q&A

Key priorities on track



1

Accelerate up- and cross-sell in bundles

2

Grow in TV and IT services

3

Finalize Business transformation

4

Finalize build of flexible and simplified integrated network and operating model

5

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

6

Optimize financial framework and grow dividend

Simplify

Grow

Innovate

Q1 2017 – Information Pack

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Contents

- 1 **KPN ADR Program**
- 2 CSR strategy
- 3 Group results overview
- 4 Group KPI overview
- 5 Debt overview
- 6 Spectrum
- 7 Fixed infrastructure
- 8 Telefónica Deutschland stake

KPN ADR program

KPN has a sponsored Level 1 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

Contents

- 1 KPN ADR Program
- 2 CSR strategy**
- 3 Group results overview
- 4 Group KPI overview
- 5 Debt overview
- 6 Spectrum
- 7 Fixed infrastructure
- 8 Telefónica Deutschland stake

Leading in Corporate Social Responsibility



Successful CSR strategy

2016

Quality & Reliability



79%

of Business customers agree that KPN has the best fixed network

Environment



20%

less energy consumption vs. 2010

Privacy & Security



96%

of customers who were infected by malware helped within 8 hours

Recognition

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



Social and environmental achievements

- KPN tests combination of DSL and 4G for access in remote areas
- KPN's e-health network enables home dialysis for patients of the FlevoHospital
- Mooiste Contact Fonds connects 723 chronically ill children
- Over 1,700 disabled children and their families joined the 'Schaatsvriendendag'
- KPN is main sponsor of the exhibition 'Gek van surrealisme' at Boijmans van Beuningen

Contents

- 1 KPN ADR Program
- 2 CSR strategy
- 3 Group results overview**
- 4 Group KPI overview
- 5 Debt overview
- 6 Spectrum
- 7 Fixed infrastructure
- 8 Telefónica Deutschland stake

Group results Q1 '17



(€ m)	Q1 '17	Q4 '16	Q1 '16	y-on-y %
Revenues	1,648	1,723	1,689	-2.4%
Adjusted revenues	1,648	1,704	1,689	-2.4%
Operating expenses (excl. D&A)	1,092	1,097	1,130	-3.4%
EBITDA	556	626	559	-0.5%
Adjusted EBITDA	584	606	568	2.8%
Depreciation	248	254	251	-1.2%
Amortization	107	126	167	-36%
Operating expenses	1,447	1,477	1,548	-6.5%
Operating profit	201	246	141	43%
Net finance costs	-80	-99	-82	-2.4%
Share of profit of associates and joint ventures	-	-1	1	-100%
Profit before taxes	121	146	60	>100%
Income tax	-29	-31	-12	>100%
Profit after taxes	92	115	48	92%

Group cash flow Q1 '17



(€ m)	Q1 '17	Q1 '16	y-on-y %
EBITDA	556	559	-0.5%
Interest paid/received	-155	-226	-31%
Tax paid/received	1	50	-98%
Change in provisions ¹	-5	-27	-81%
Change in working capital ¹	-99	-78	27%
Other movements	3	-	n.m.
Net cash flow from operating activities	301	278	8.3%
Capex	-266	-318	-16%
Proceeds from real estate	-	-	n.m.
Free cash flow	35	-40	n.m.
Coupon on perpetual hybrid	-	-	n.m.

¹ Excluding changes in deferred taxes



Service revenues (€ m)	Q1 '17	Q1 '16	y-on-y %
Consumer	298	287	3.8%
Business ¹	160	175	-8.6%
Other ²	38	35	8.6%
KPN The Netherlands	496	497	-0.2%

SAC/SRC per subscriber (€)	Q1 '17	Q1 '16	y-on-y %
Consumer (postpaid) ³	193	221	-13%
Business (mobile only – mainly SME)	158	175	-9.7%

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 others Wholesale mobile service revenues and visitor roaming

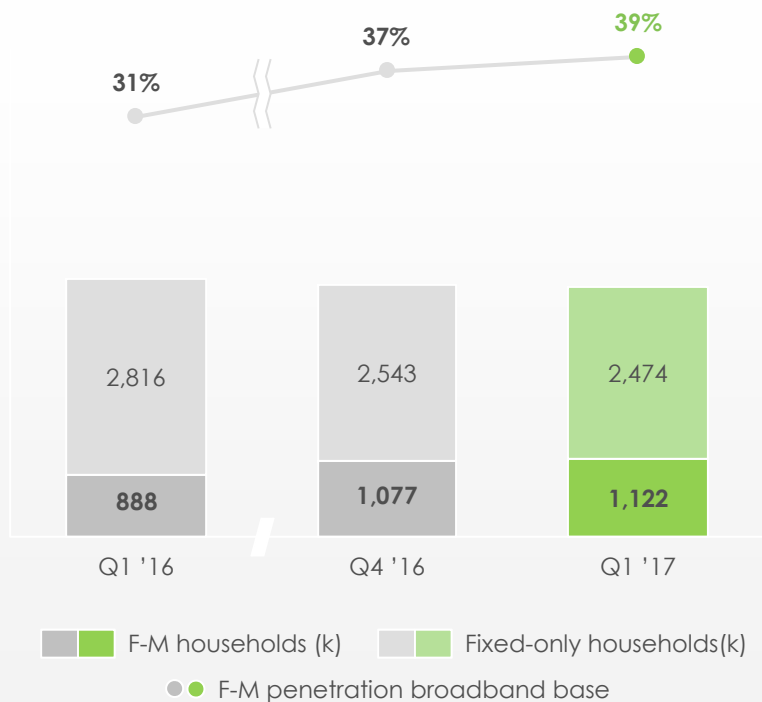
³ Including handset subsidies, commissions and SIM costs

Contents

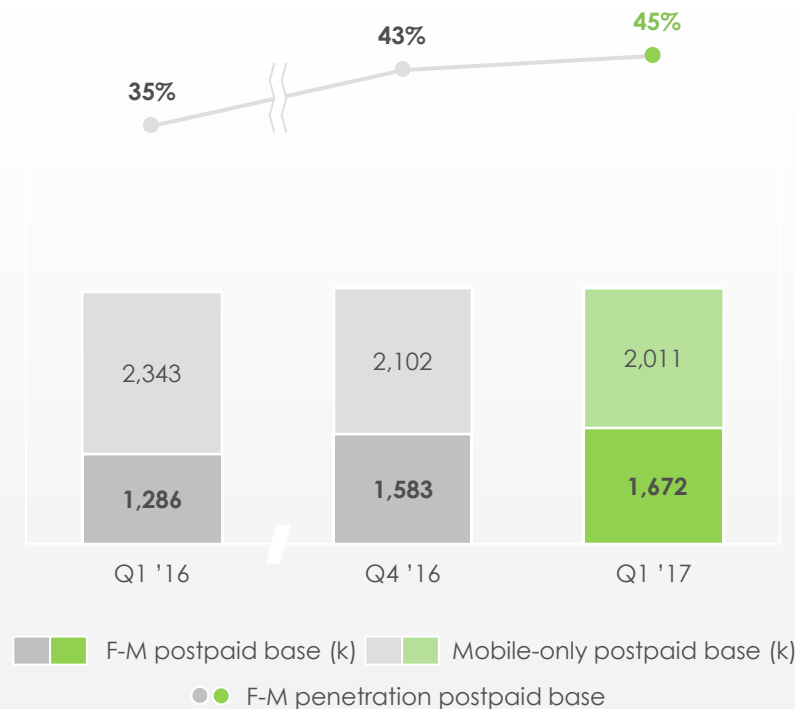
- 1 KPN ADR Program
- 2 CSR strategy
- 3 Group results overview
- 4 Group KPI overview**
- 5 Debt overview
- 6 Spectrum
- 7 Fixed infrastructure
- 8 Telefónica Deutschland stake



Fixed-Mobile household development



Fixed-Mobile postpaid development

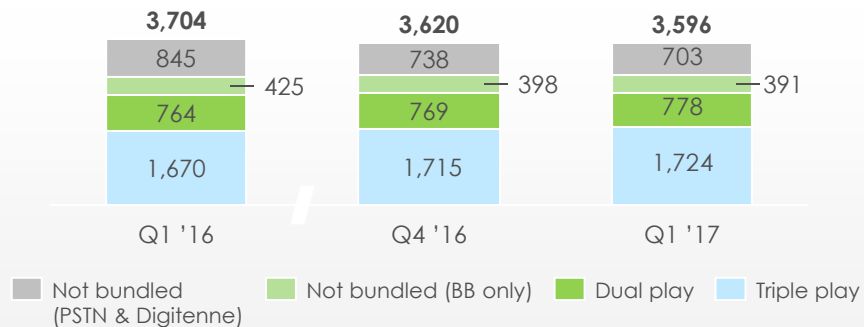


Consumer (cont'd)

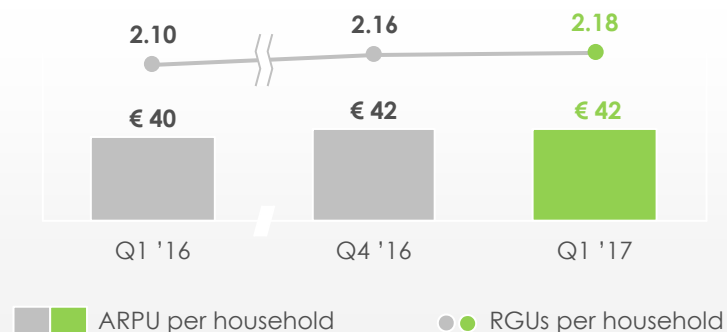
Residential KPIs



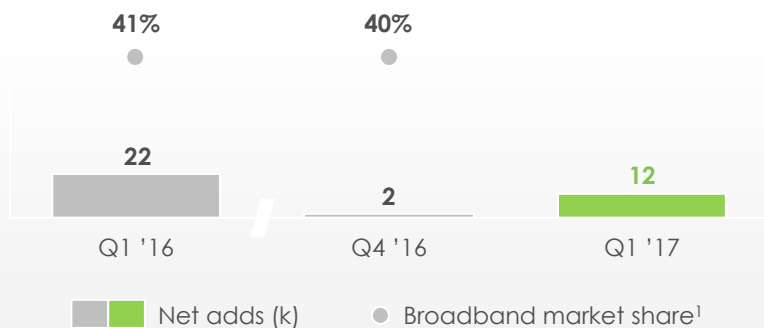
Household base (k)



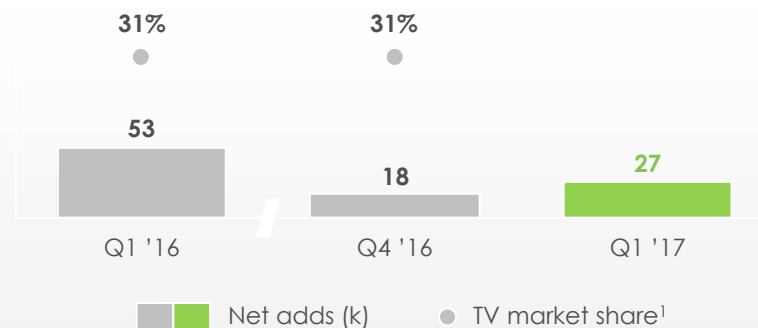
RGUs and ARPU per household



Broadband



IPTV



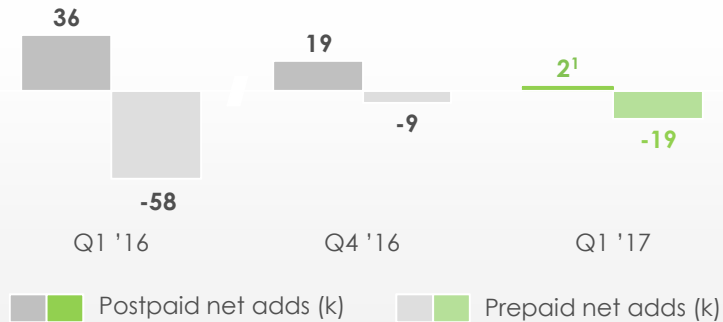
¹ Source: Telecompaper (Broadband and TV include Self-Employed Business customers); TV market shares 2016 adjusted due to better insights

Consumer (cont'd)

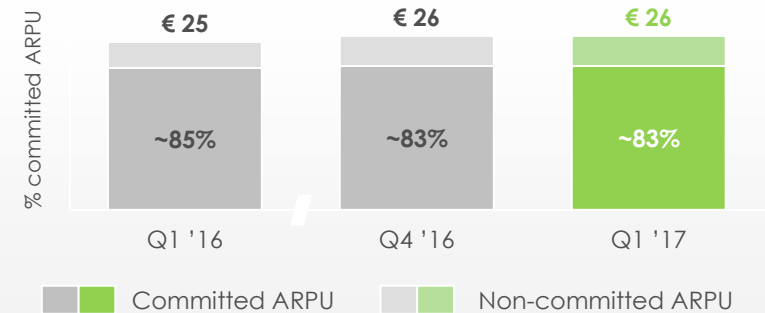
Mobile KPIs



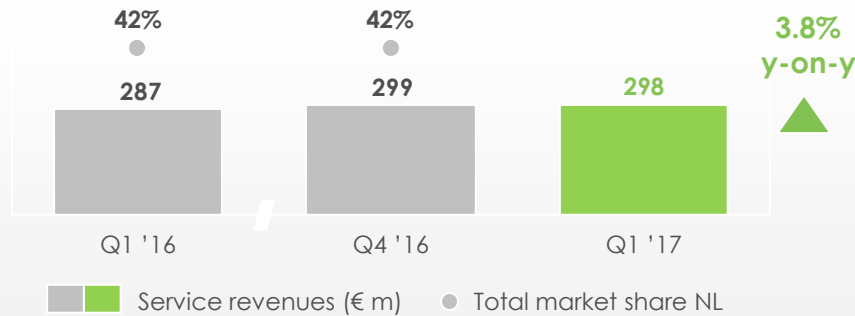
Mobile net adds



Mobile postpaid ARPU



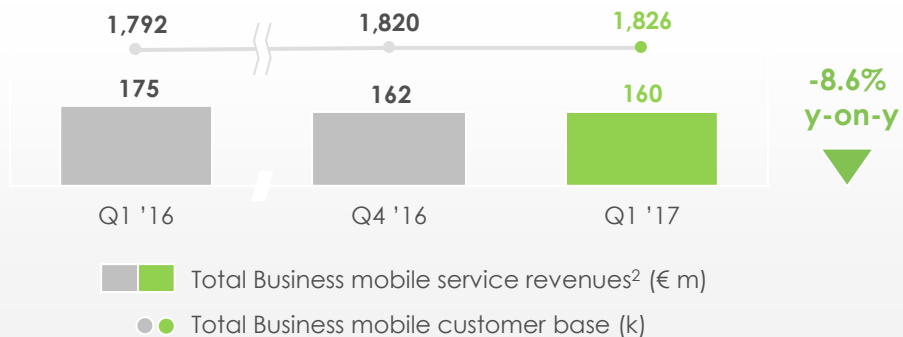
Wireless service revenues



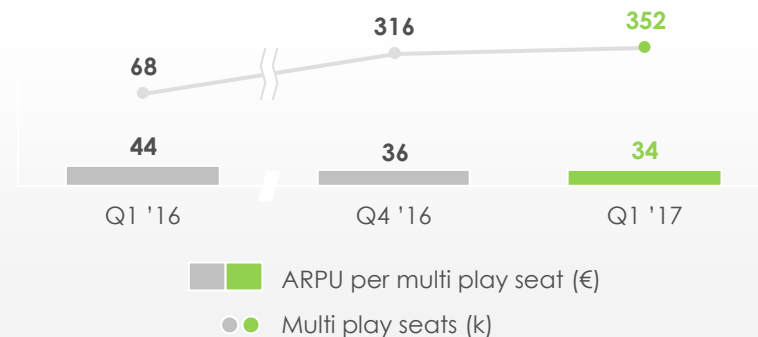
1 Adjusted for 4k clean-up at Simyo



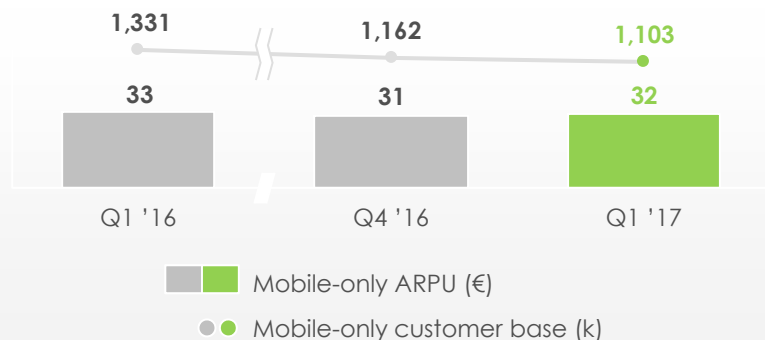
Total Business Mobile¹



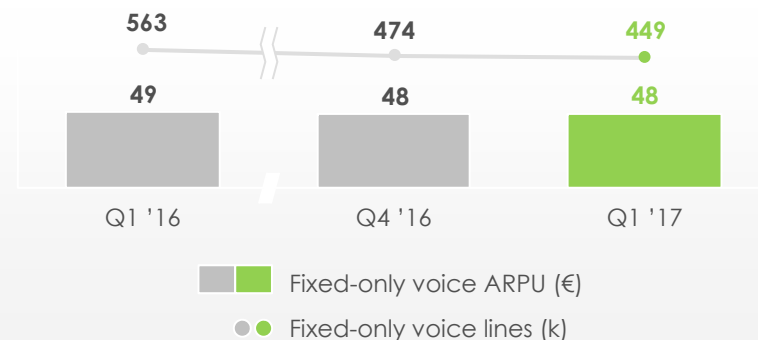
Multi play (mainly SME)³



Mobile-only (mainly SME)¹



Fixed-only (mainly SME)



¹ Including migration of 32k Dekatel customers per Q3 '16, following acquisition of Dekatel
² 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
³ Including migration of 201k RoutIT multi play seats per Q2 '16, following acquisition remaining shares RoutIT

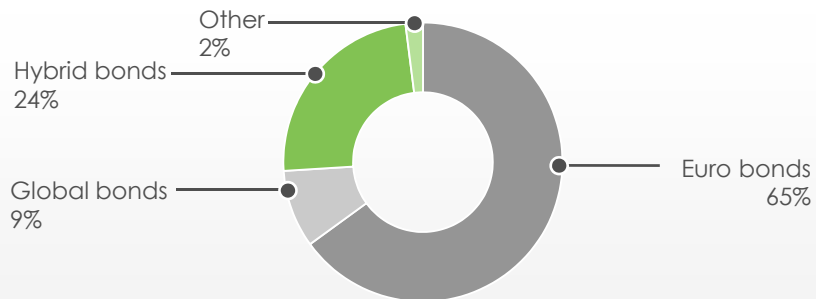
Contents

- 1 KPN ADR Program
- 2 CSR strategy
- 3 Group results overview
- 4 Group KPI overview
- 5 Debt overview**
- 6 Spectrum
- 7 Fixed infrastructure
- 8 Telefónica Deutschland stake

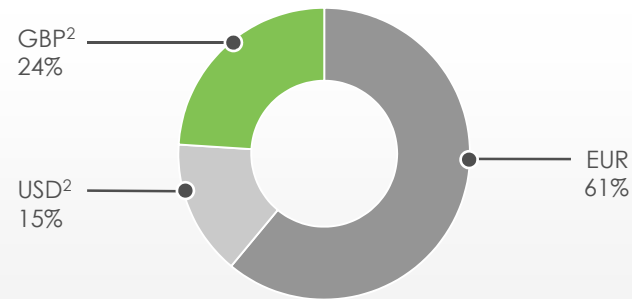
Debt portfolio



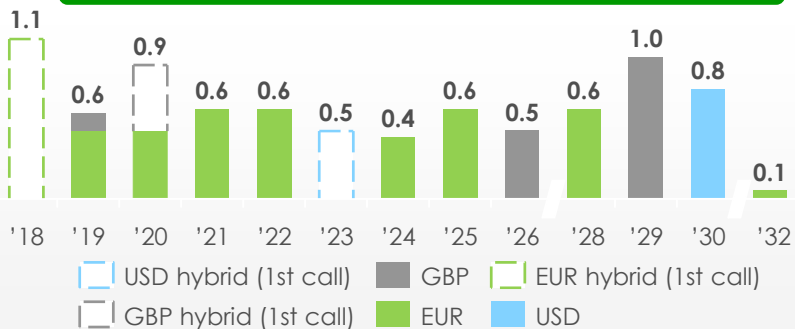
Breakdown nominal debt¹ (total € 8.3bn)



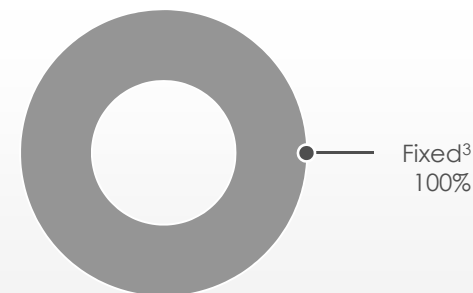
Nominal debt by currency



Bond redemption profile (€ bn)



Fixed vs. floating interest



¹ Based on the nominal value of interest bearing liabilities after swap to EUR, including € 1.1bn hybrid bond, 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

- EUR tranche is a perpetual, accounted for as equity
 - Coupon payments treated as equity distribution, hence not expensed through P&L, not included in FCF, but in financing cash flow^{1,2}
- 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
EUR 1.1bn 6.125%	€ 1,100m	€ 550m	Perpetual (non-call 5.5)	6.125%	Equity	Financing cash flow ² (not incl. in FCF)
GBP 0.4bn 6.875%	€ 460m	€ 230m	60 years (non-call 7)	6.777%	Liability	Interest paid (incl. in FCF)
USD 0.6bn 7.000%	€ 465m	€ 233m	60 years (non-call 10)	6.344%	Liability	Interest paid (incl. in FCF)
Total	€ 2,025m	€ 1,013m				

1 EUR tranche had short first coupon payment (0.5 years was payable in September 2013), annual coupon payments in September thereafter; USD tranche has semi-annual coupon payments (March / September); GBP tranche has annual coupon payments in March

2 Cash flow item 'Paid coupon perpetual hybrid bonds'

Contents

- 1 KPN ADR Program
- 2 CSR strategy
- 3 Group results overview
- 4 Group KPI overview
- 5 Debt overview
- 6 Spectrum**
- 7 Fixed infrastructure
- 8 Telefónica Deutschland stake

Spectrum in The Netherlands

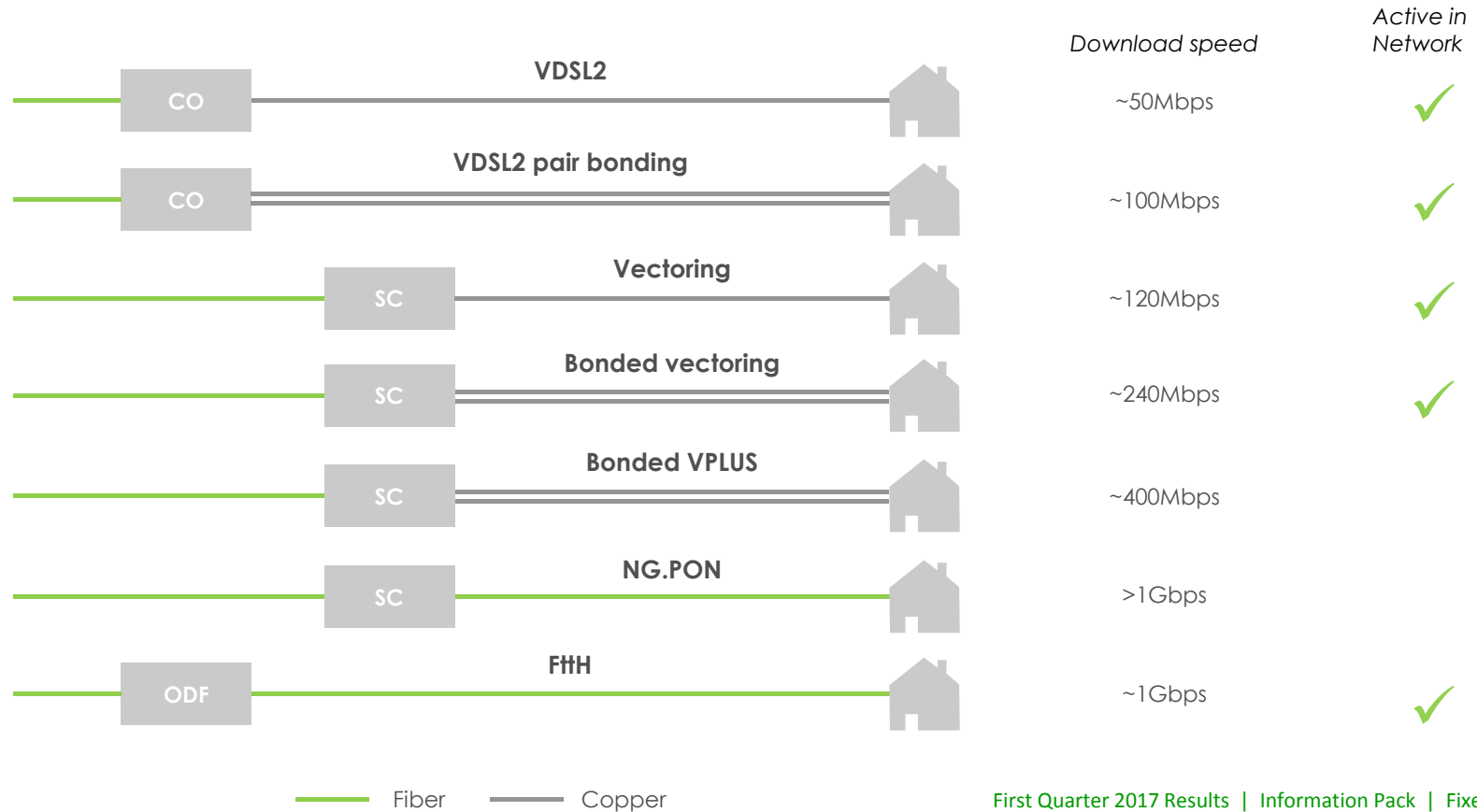


800MHz (Paired)	Tele2 2*10	VodZig 2*10	KPN 2*10				2*30	
900MHz (Paired)	VodZig 2*10	KPN 2*10	T-Mob 2*15				2*35	
1.8GHz (Paired)	KPN 2*20		VodZig 2*20		T-Mob 2*30		2*70	
2.1GHz (Paired)	VodZig 2*14.6	KPN 2*14.8	T-Mob 2*10	KPN 2*5	VodZig 2*5	T-Mob 2*10	2*59.4	
2.6GHz (Unpaired)	T-Mob 25		KPN 30		Tele2 5		1*60	
2.6GHz (Paired)	VodZig 2*30		T-Mob 2*5	KPN 2*10	Tele2 2*20		2*65	
Total	KPN 169.6MHz		VodZig 179.2MHz		T-Mob 165MHz		Tele2 65MHz	578.8MHz

Contents

- 1 KPN ADR Program
- 2 CSR strategy
- 3 Group results overview
- 4 Group KPI overview
- 5 Debt overview
- 6 Spectrum
- 7 Fixed infrastructure**
- 8 Telefónica Deutschland stake

Fixed infrastructure



Contents

- 1 KPN ADR Program
- 2 CSR strategy
- 3 Group results overview
- 4 Group KPI overview
- 5 Debt overview
- 6 Spectrum
- 7 Fixed infrastructure
- 8 Telefónica Deutschland stake**



Balance sheet

- Stake included as financial asset¹
- Fair value of KPN's stake based on Telefónica Deutschland's share price and adjusted quarterly
 - Fair value movements recorded in *other comprehensive income*
 - Significant or prolonged value decreases booked as an impairment through the P&L within *net finance costs*

P&L

- Dividends received reported as finance income within *net finance costs*
- Upon sale of (part of) the stake, all related capital gains or losses recognized through the P&L as *financial income*
- Significant or prolonged value decreases booked as an impairment through the P&L within *net finance costs*

Cash flow statement

- Dividends received part of operating cash flow and free cash flow as *dividends received*

Tax

- Dividends, not qualifying as specific capital repayments, received and/or capital gains realized (proceeds above tax book value) on KPN's stake are subject to Dutch corporate income tax
- Deferred tax asset can be utilized to offset income related to KPN's stake

¹ Defined under IFRS as available-for-sale financial asset