

Second Quarter 2016 Results

27 July 2016





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 and numerical reconciliations are included in KPN's quarterly factsheets.

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.

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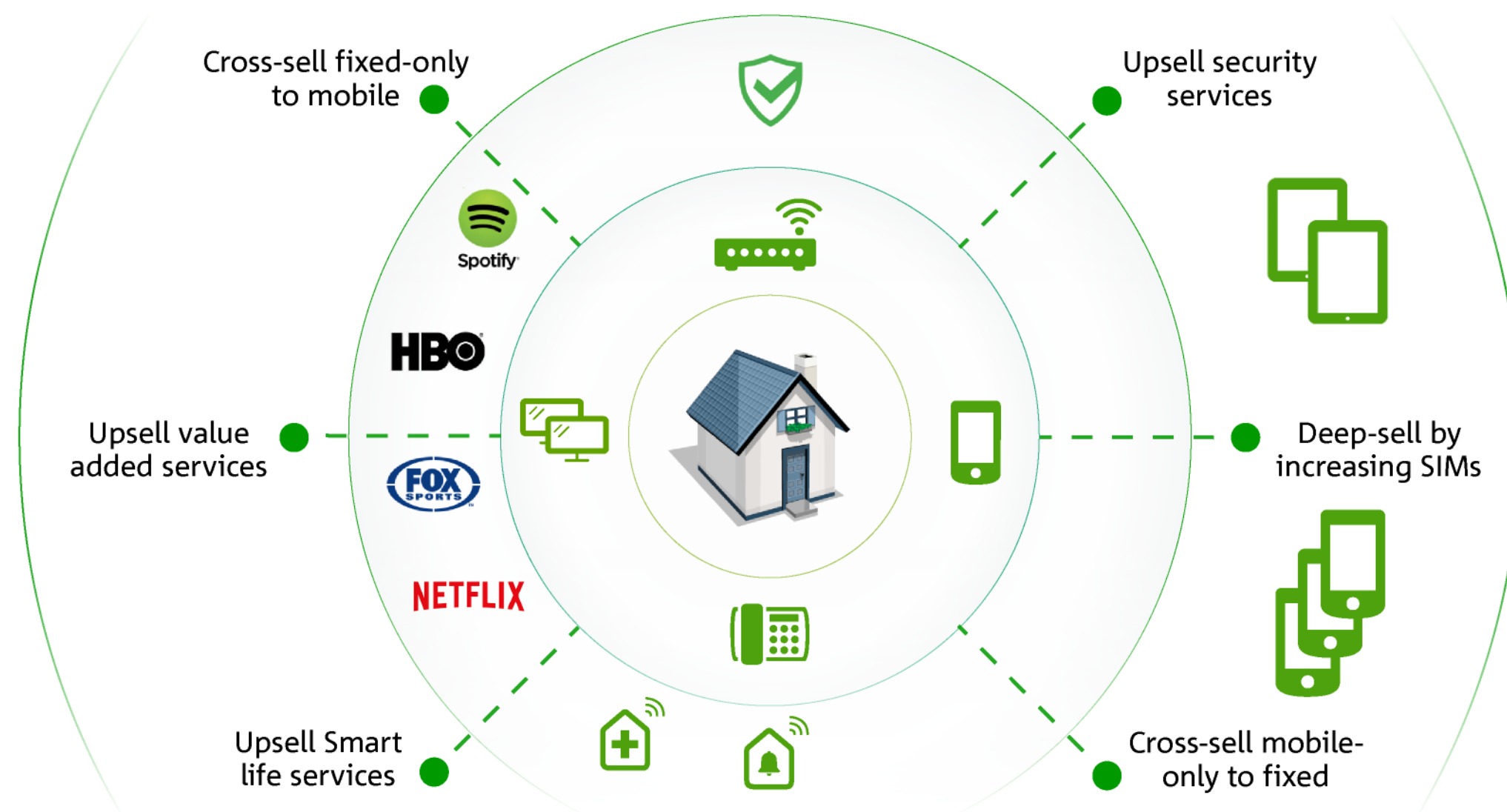
Eelco Blok

KPN's strategy firmly on track

Driving sustainable shareholder value creation



SUCCESSFUL CONSUMER STRATEGY CENTERED AROUND UP- AND CROSS-SELL TO HOUSEHOLDS



REPOSITION BUSINESS AND LEVERAGE LEADING MARKET POSITIONS TO GROW SHARE IN IT



BUILD ON SIMPLE, FLEXIBLE INTEGRATED NETWORK & OPERATIONS



Key priorities for the coming years



Accelerate up- and cross-sell in bundles

Grow in TV and IT services

Finalize Business transformation

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

Finalize build of flexible and simplified integrated network and operating model

Finalize balance sheet transformation

Grow dividend and distribute large part of excess cash to shareholders

Simplify

Grow

Innovate



Services & Innovation

- Focus on excellent customer experience further enhancing customer loyalty in Consumer
- Further improving customer satisfaction across all segments
- Launched Managed Hybrid Cloud service in Business
- All KPN brand consumers migrated to new order management IT platform
- LoRa network reached nationwide coverage

Operational

- High value base growth in Consumer
 - Increasing penetration fixed-mobile bundles
 - 33% of broadband base
 - 38% of postpaid base
 - +15k broadband net adds
 - +33k IPTV net adds
 - +23k¹ postpaid net adds, driven entirely by KPN brand
- Building on leading position of ICT service provider
 - Growth in multi play and IT related services
 - Decline in traditional Telco services

Financial² & Portfolio

- Adjusted revenues Q2 '16: € 1,676m, -4.3% y-on-y
 - The Netherlands: -3.6% y-on-y
- Adjusted EBITDA Q2 '16: € 592m, -1.7% y-on-y
 - The Netherlands: -2.0% y-on-y
- FCF H1 '16 (excl. TEFD dividend): € 104m vs. € 116m in H1 '15
- € 35.5ct per share returned to shareholders in Q2 '16
 - € 5ct final dividend over 2015
 - € 28ct capital repayment
 - € 2.5ct pass through TEFD dividend

- Continued progress Simplification program: ~€ 350m run-rate savings realized³

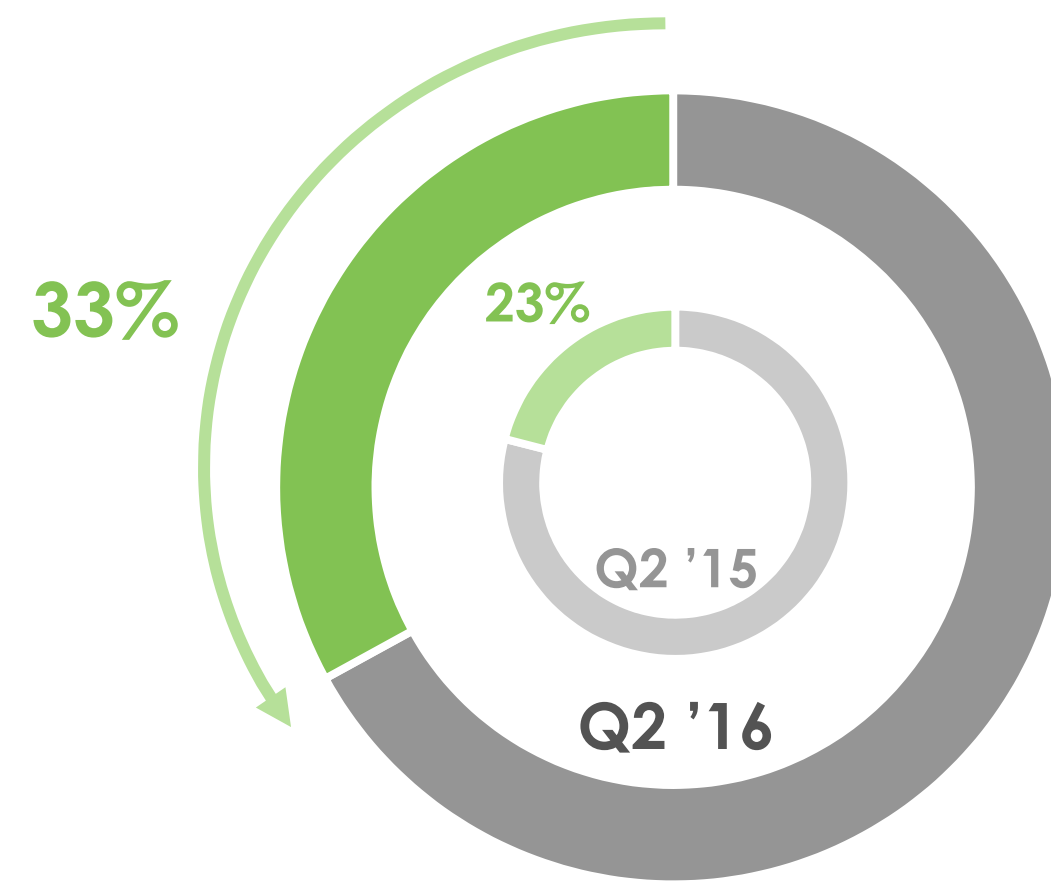
1. Reported net adds of +1k were adjusted for a 22k one-off impact for KPN brand related to migration to new order management IT platform
2. All figures based on continuing operations, unless stated otherwise
3. End Q2 '16 vs. end Q4 '13

Increasing penetration of fixed-mobile bundles in Consumer

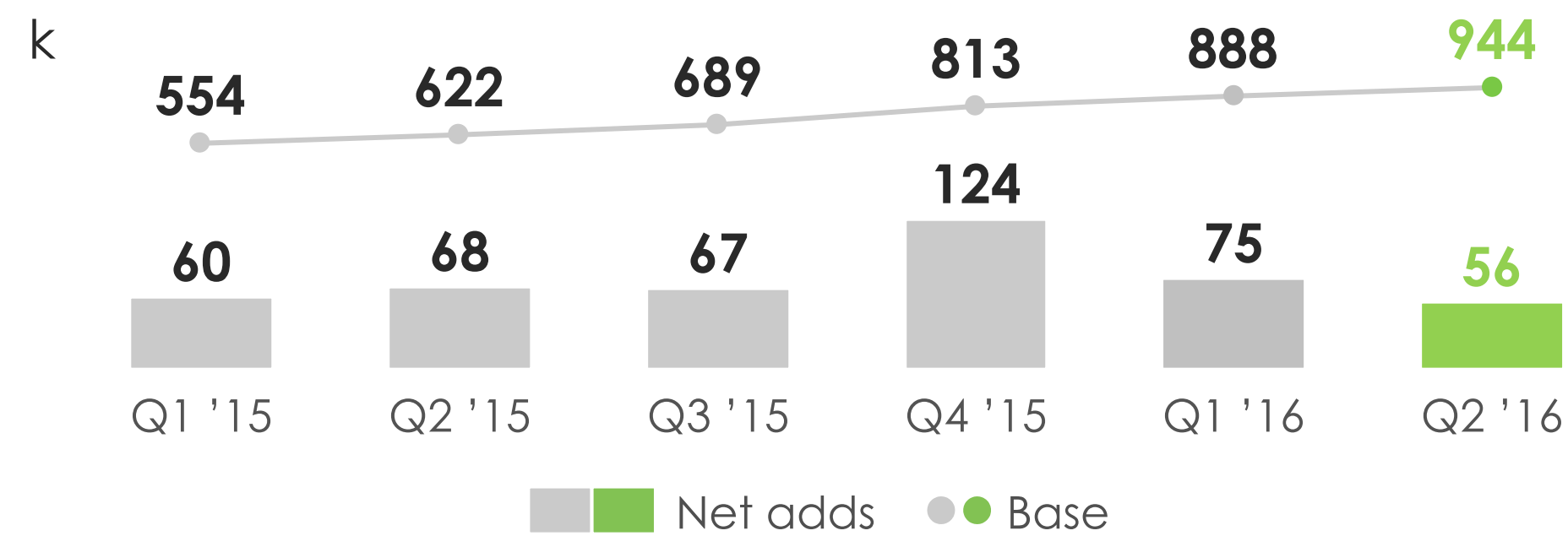
Continued growth



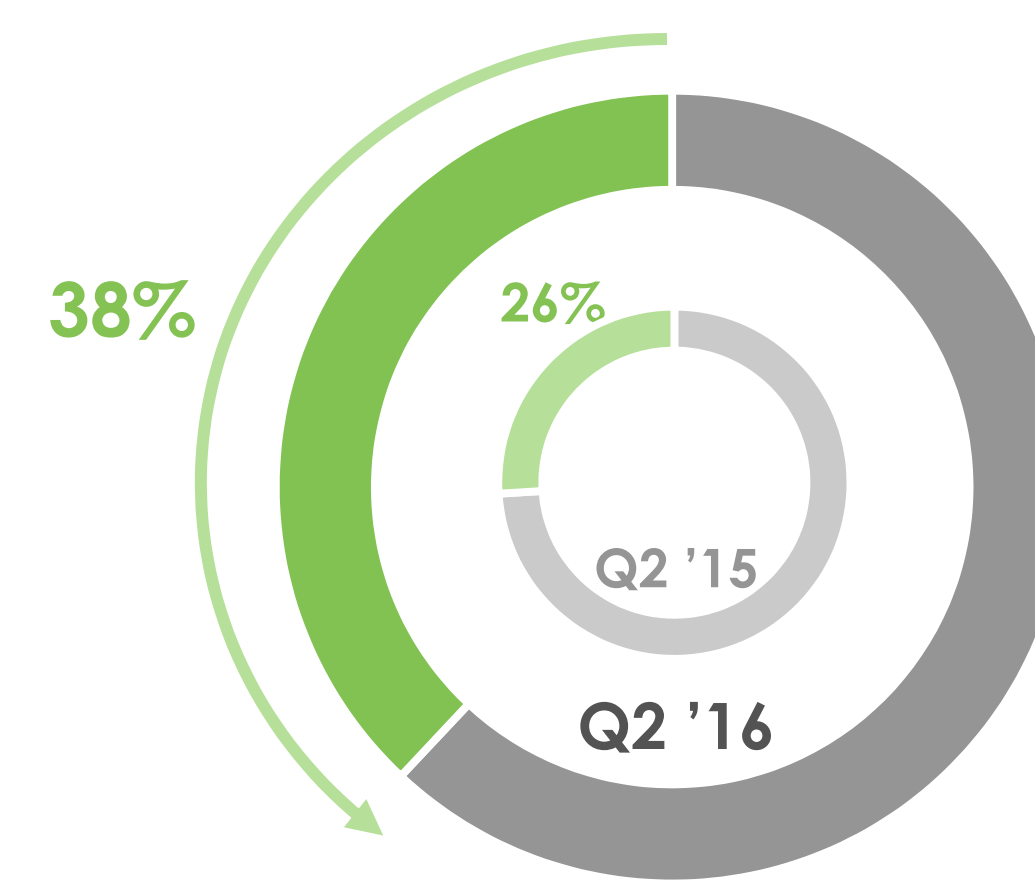
Households in fixed-mobile bundles¹



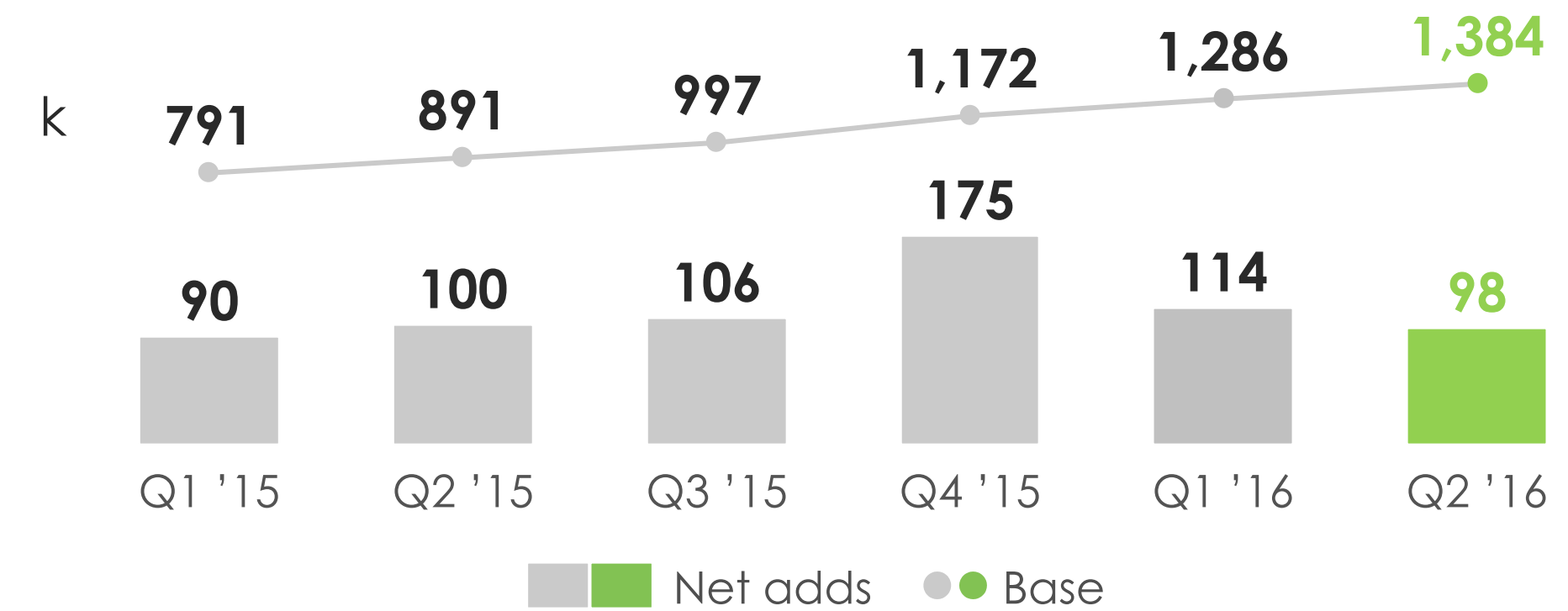
Fixed-mobile household development



Postpaid customers in fixed-mobile bundles



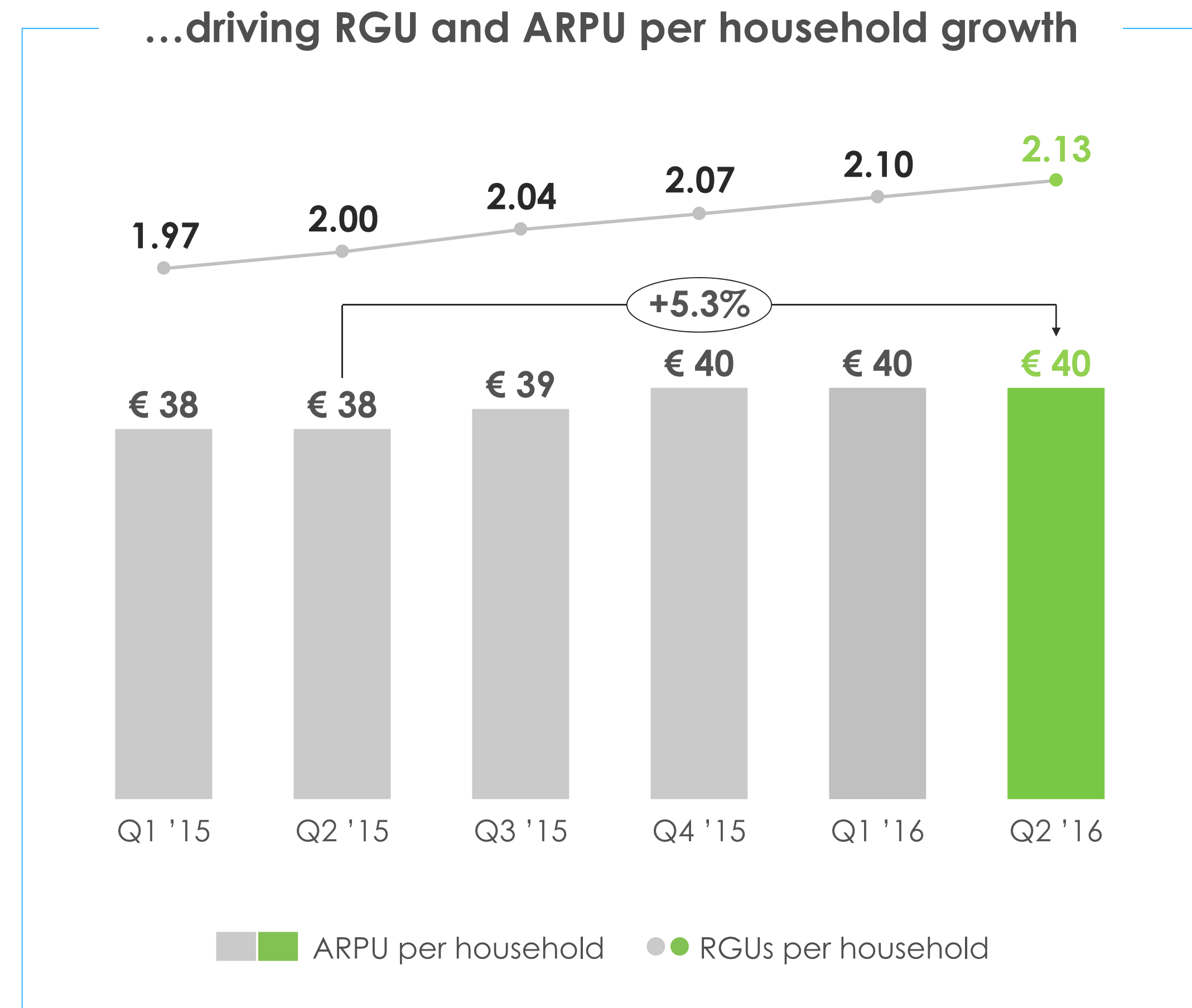
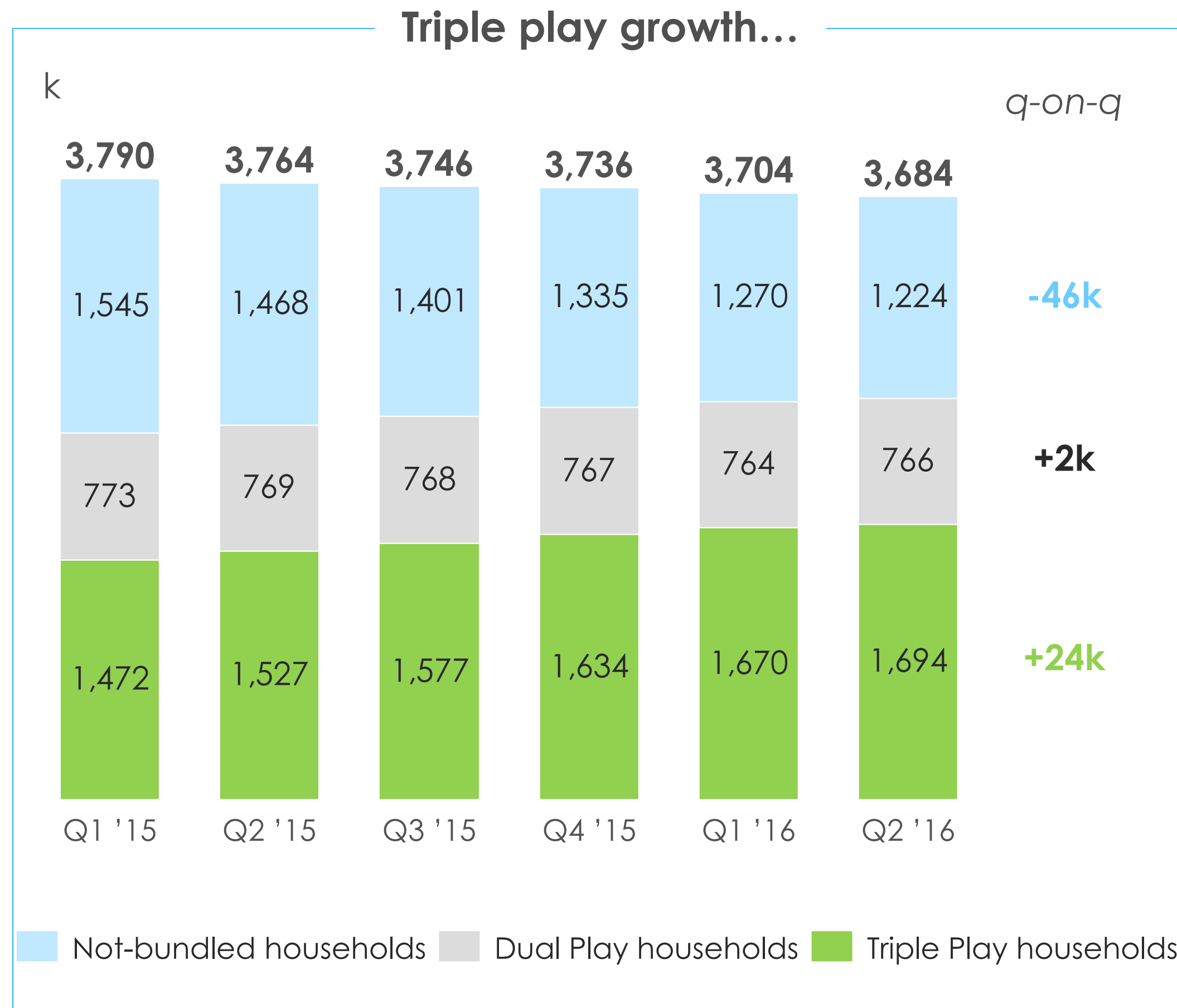
Fixed-mobile postpaid development



1. As % of broadband customers

Strong growth bundled services within residential households

Increasing share of wallet drives growing ARPU per household

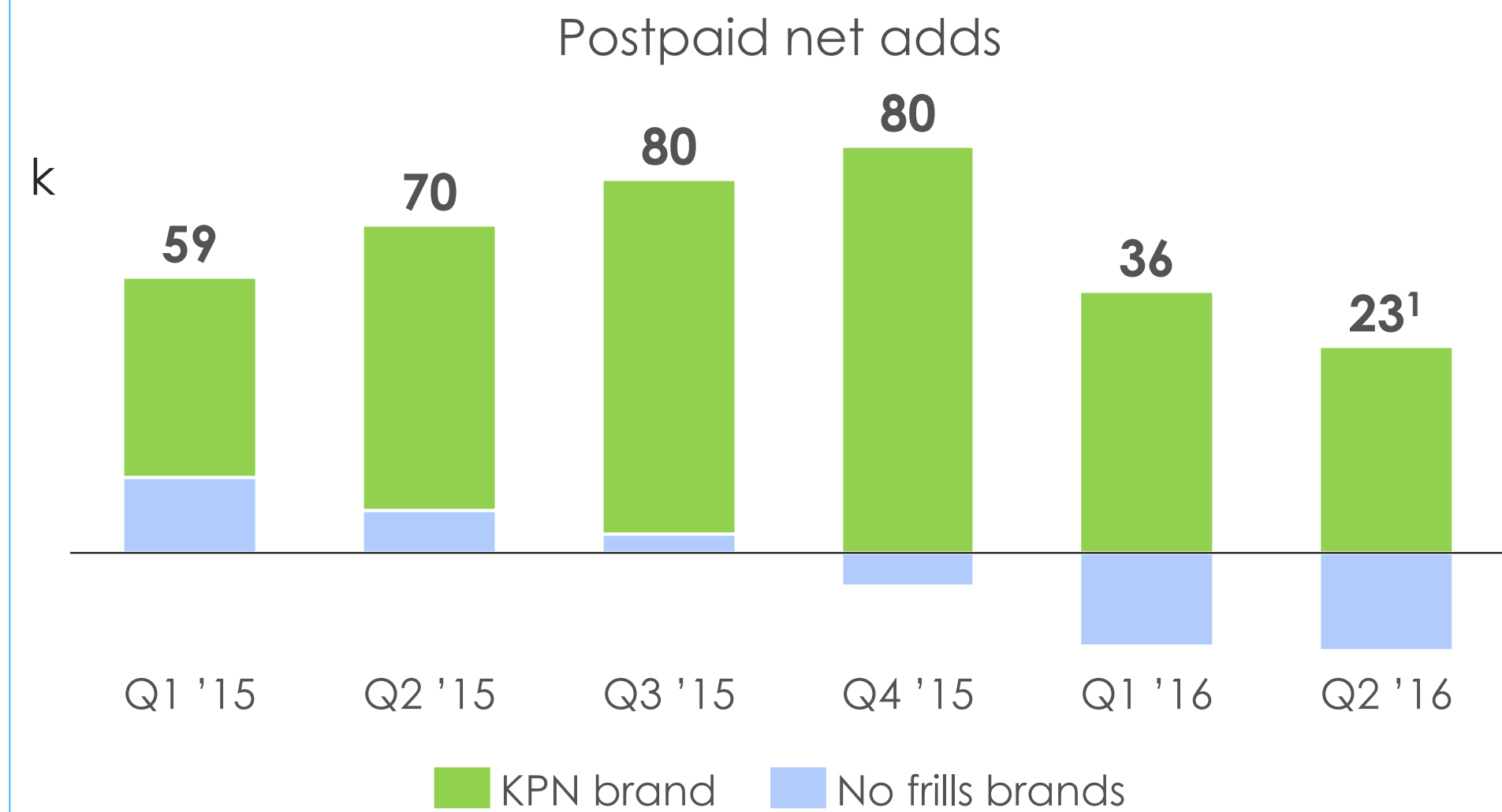


Value focus in Consumer mobile

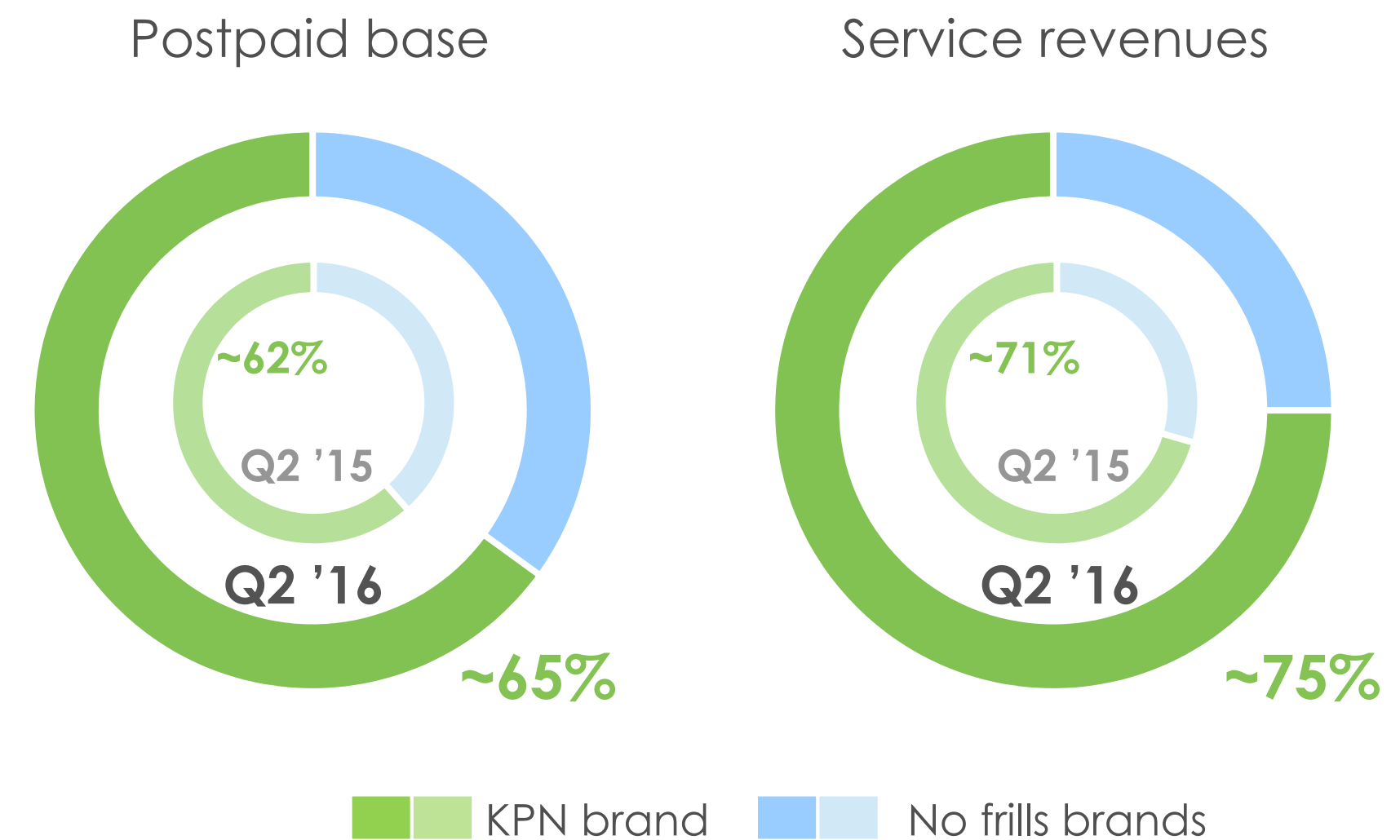
Strong competitive position driven by high value KPN brand and fixed-mobile bundling



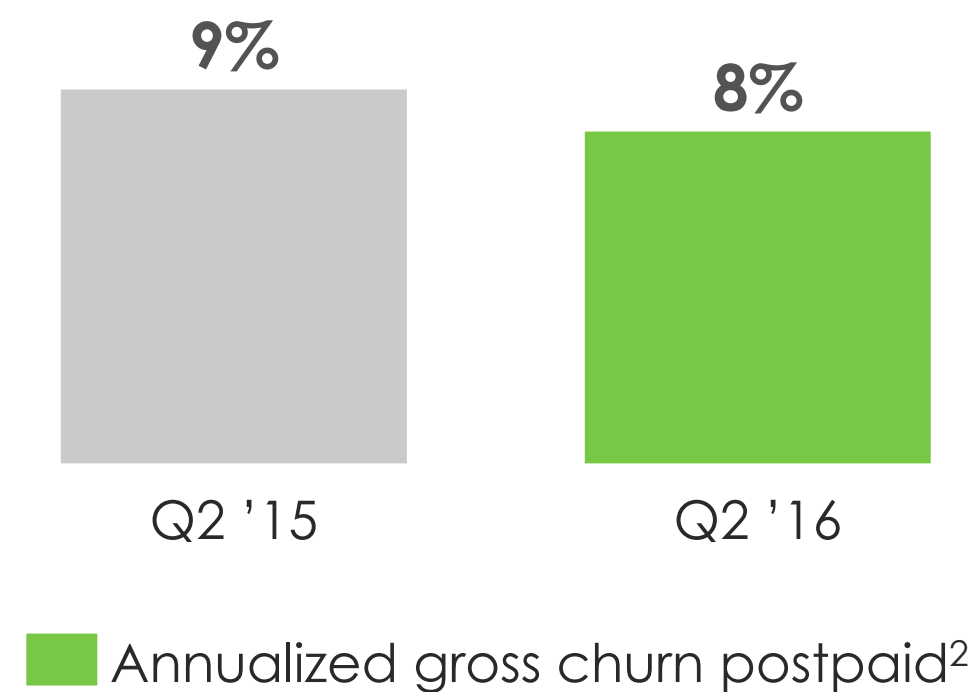
Focus on high value KPN brand



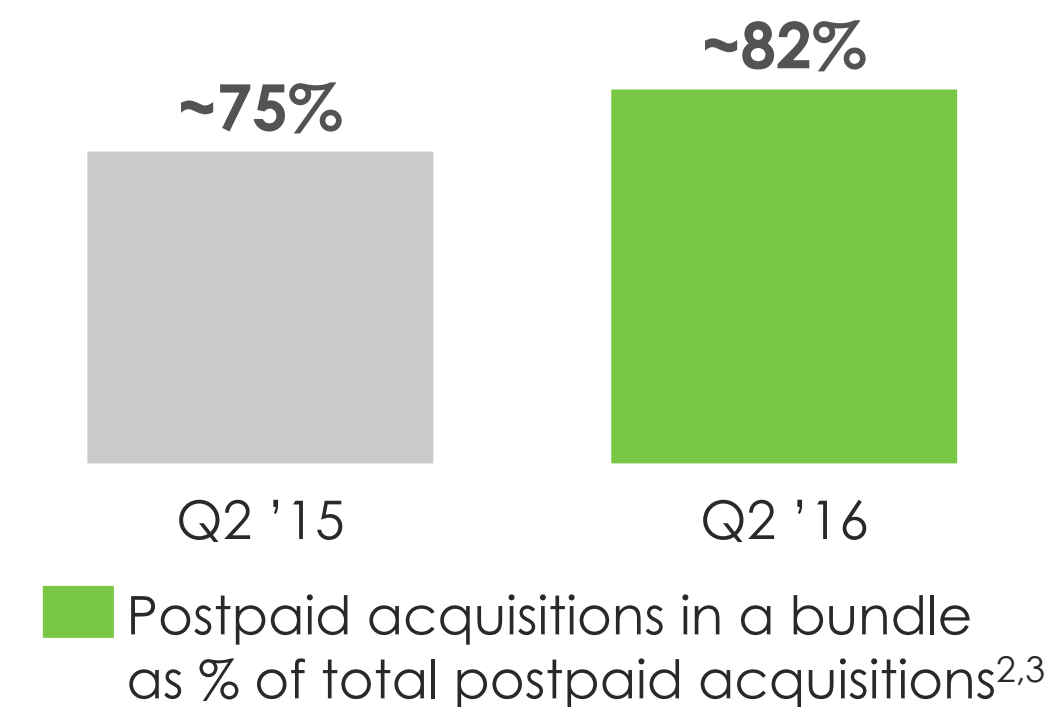
Customer mix shifting towards high value KPN brand



Low churn reflects loyal customer base



Up- and cross-sell key growth drivers



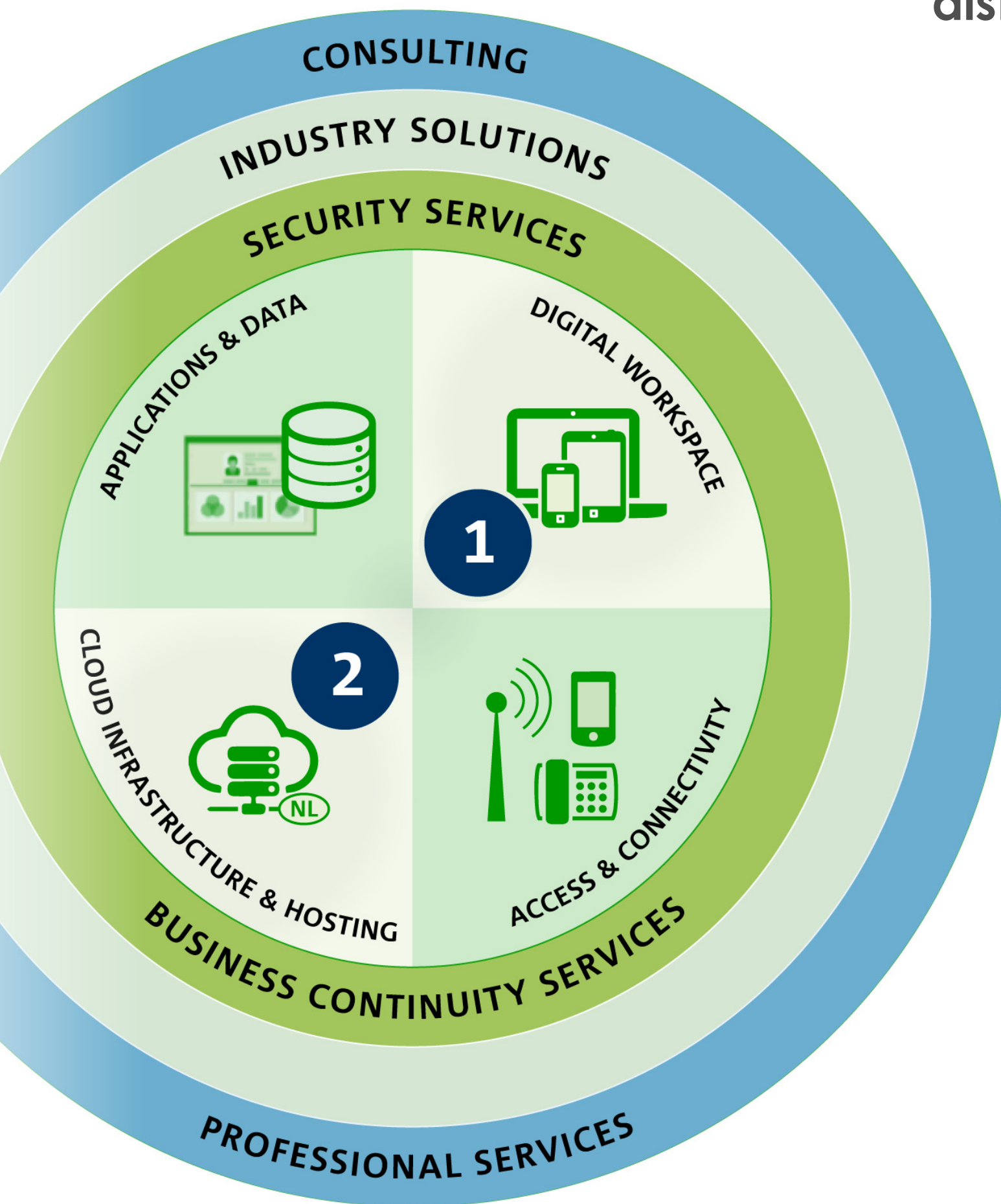
1. Reported net adds of +1k were adjusted for a 22k one-off impact for KPN brand related to migration to new order management IT platform
2. KPN brand
3. Bundle includes fixed-mobile bundles and multiple SIMs within a mobile-only household; management estimates

On track to deliver on key priorities in Business

Simplifying portfolio and organization



Leveraging strong market positions and distribution reach for growth in IT



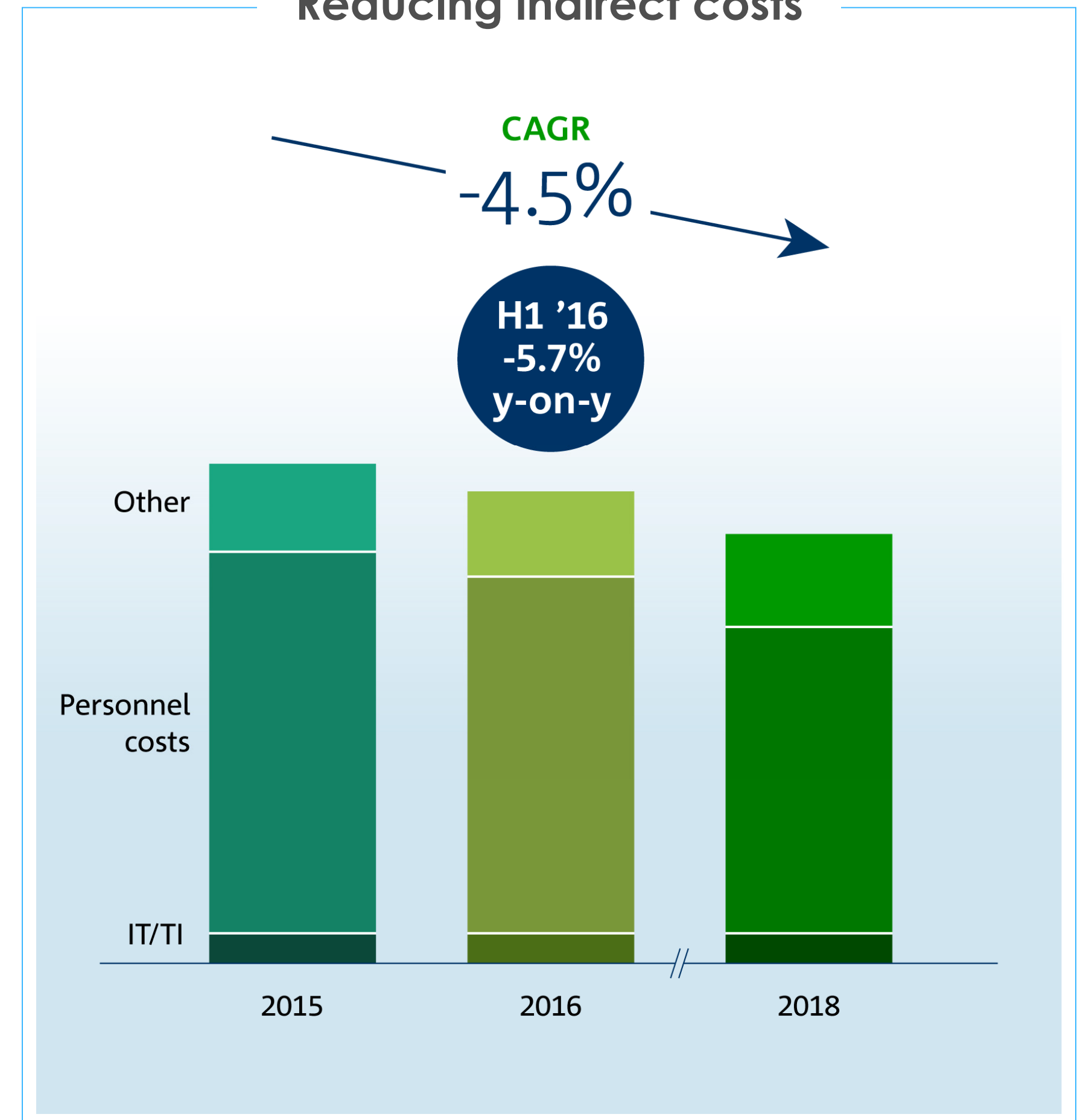
1

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

2

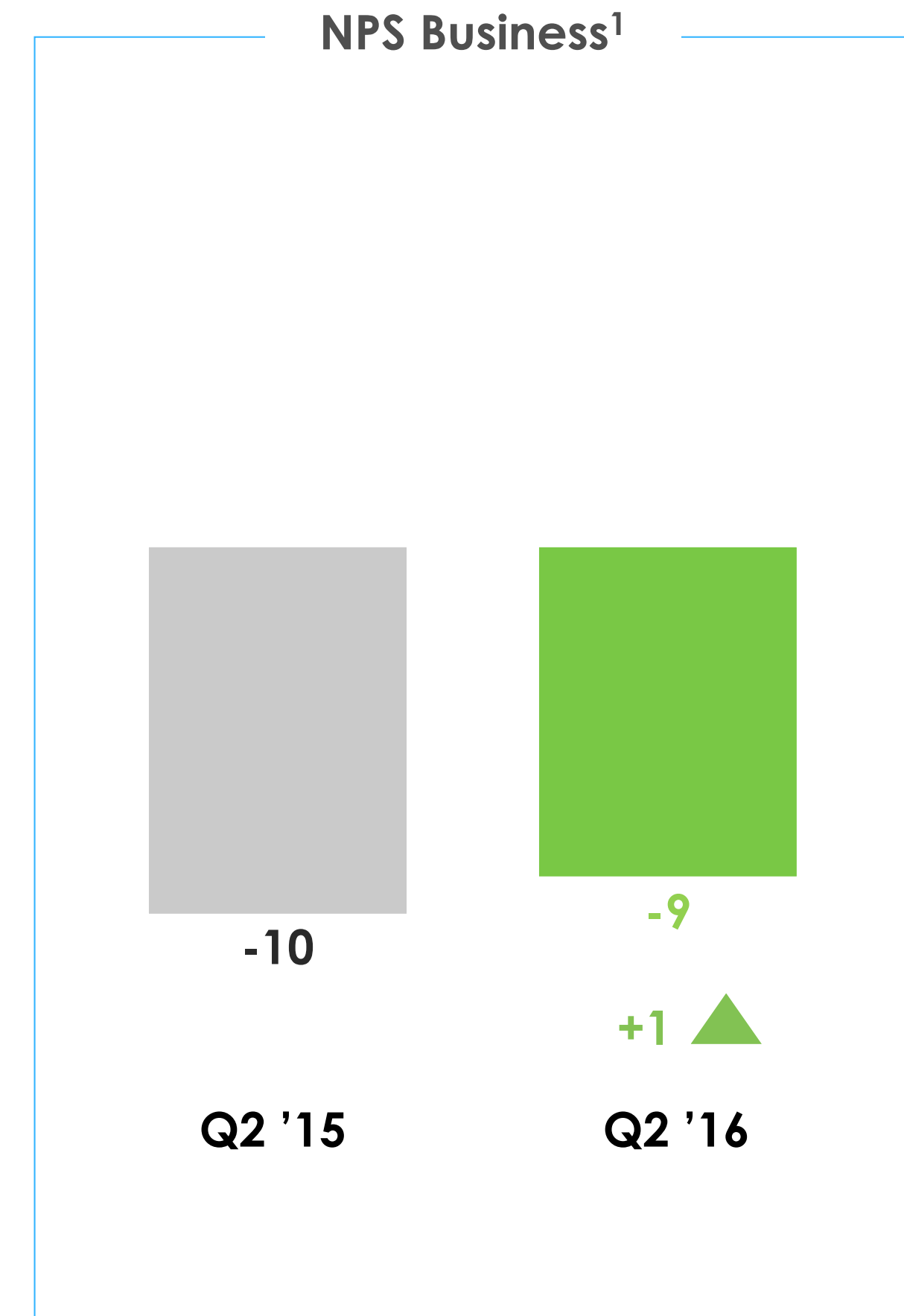
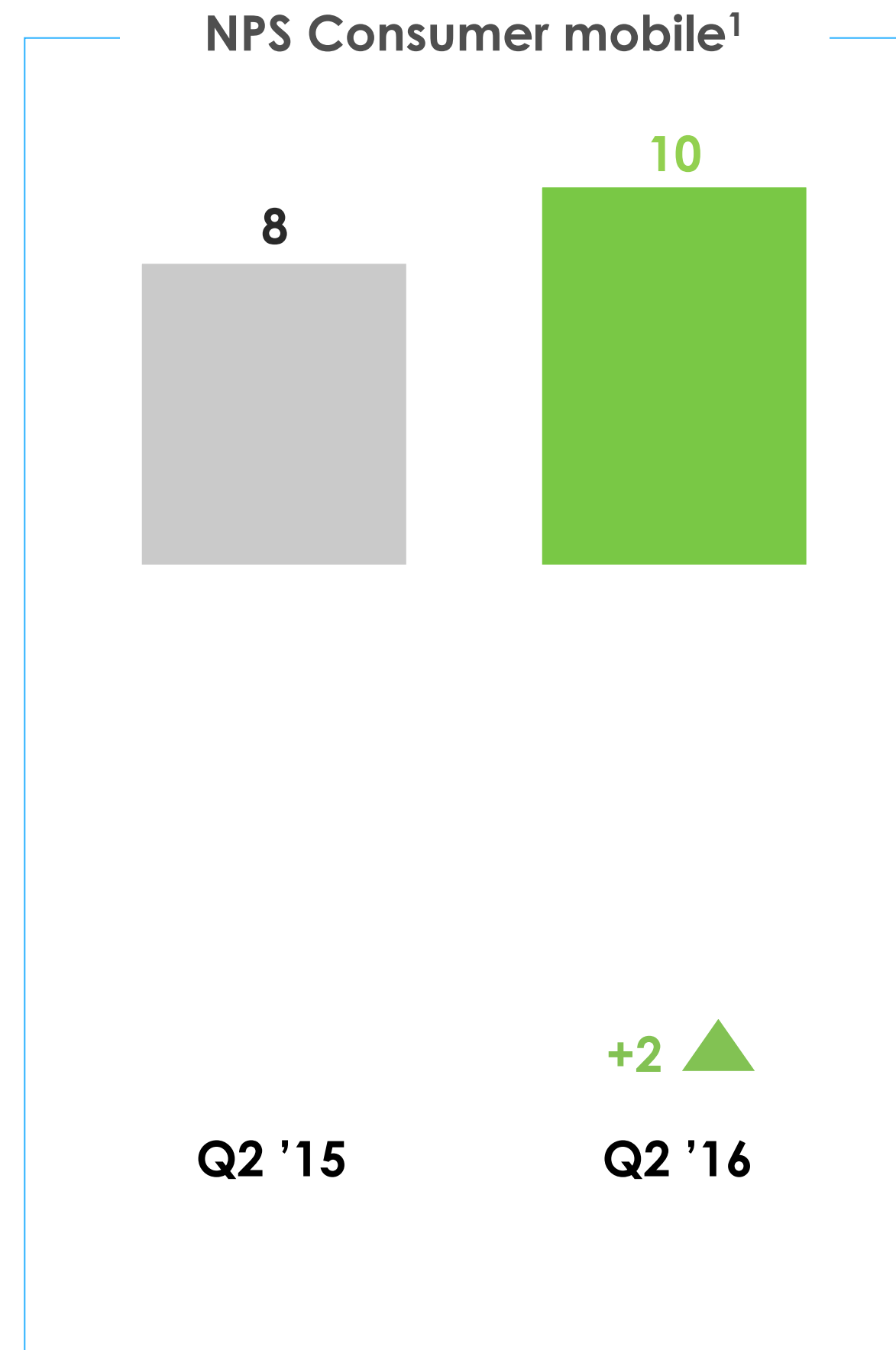
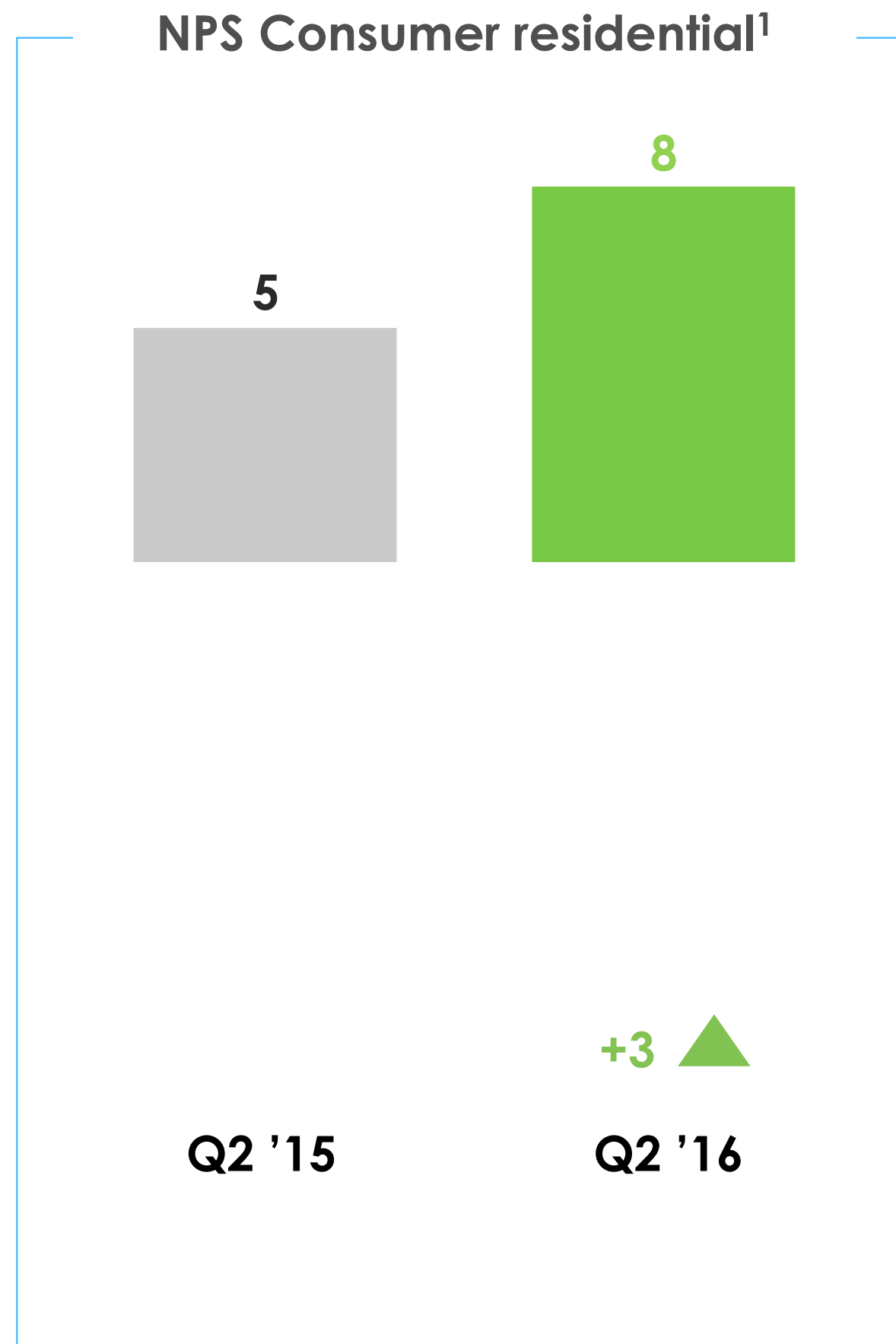
Agreement with city of Amsterdam for Managed Hybrid Cloud services

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)

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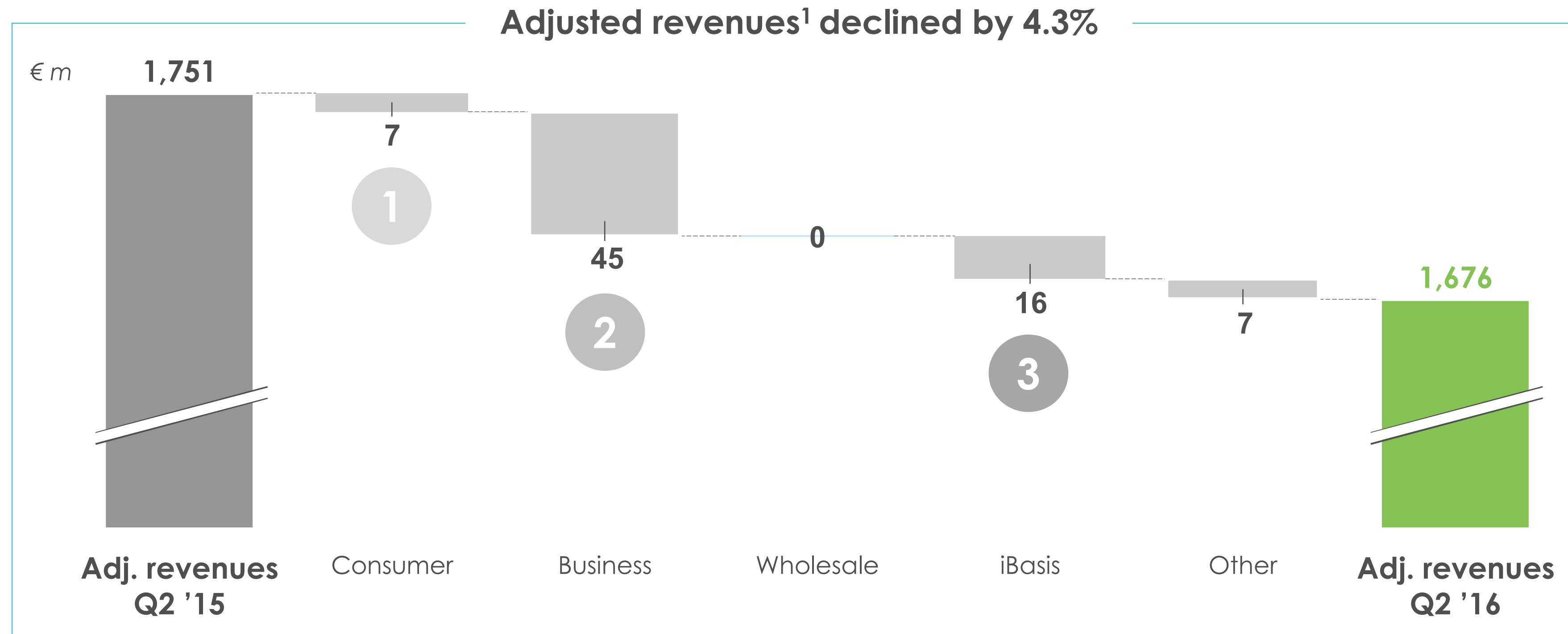
Financial performance reflects intrayear phasing¹



€ m	Q2 '16	Q2 '15	y-on-y %
Adjusted revenues	1,676	1,751	-4.3%
Adjusted EBITDA	592	602	-1.7%
Net profit	162	160	1.3%
Capex	312	306	2.0%
FCF	254	232	9.5%

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

Revenue development Q2 '16



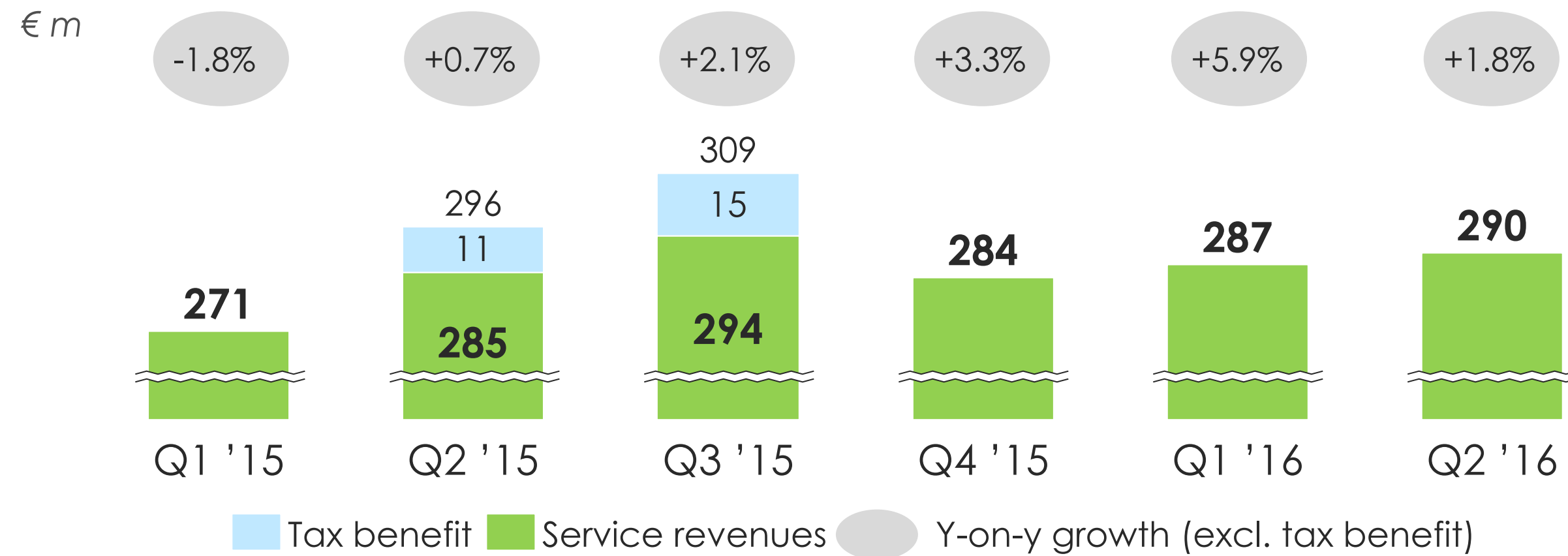
- 1 Q2 '15 included tax benefit (€ 11m) and higher hardware revenues in Consumer mobile
- 2 Impact decline traditional services
- 3 Market share growth offset by declining wholesale voice carrier market size

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

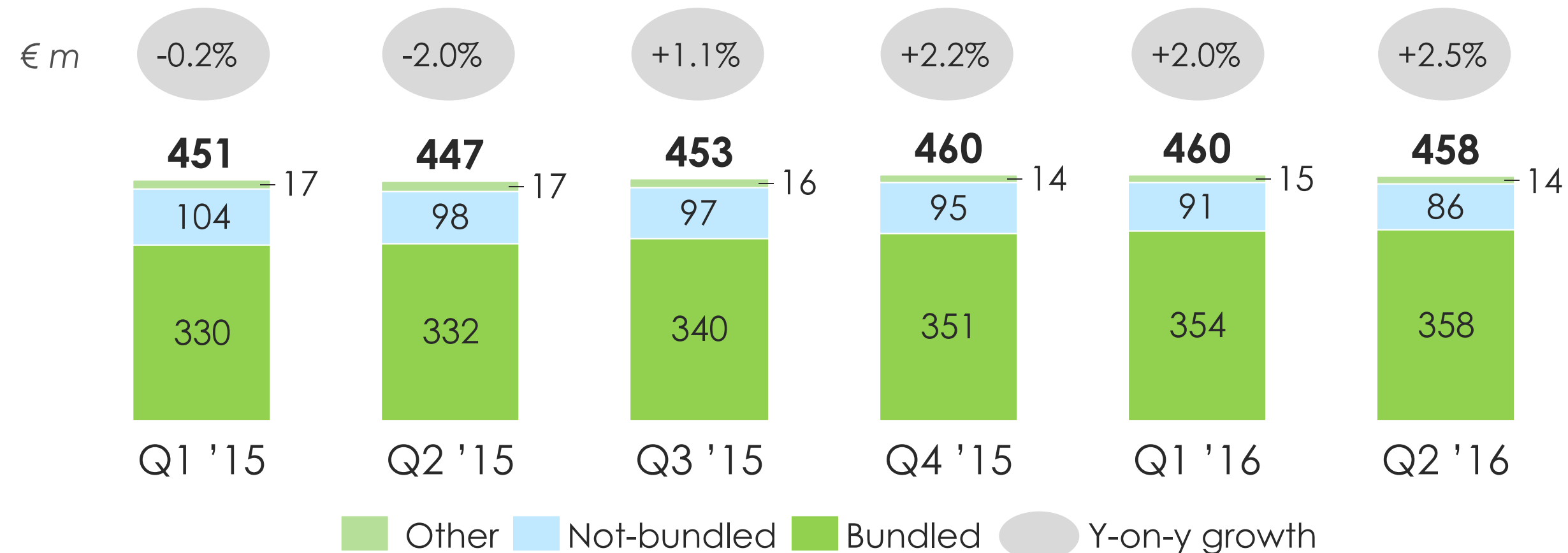
Strong focus on growing bundled service revenues



Positive service revenue¹ development in Consumer mobile



Continued growth bundled service revenues in Consumer residential



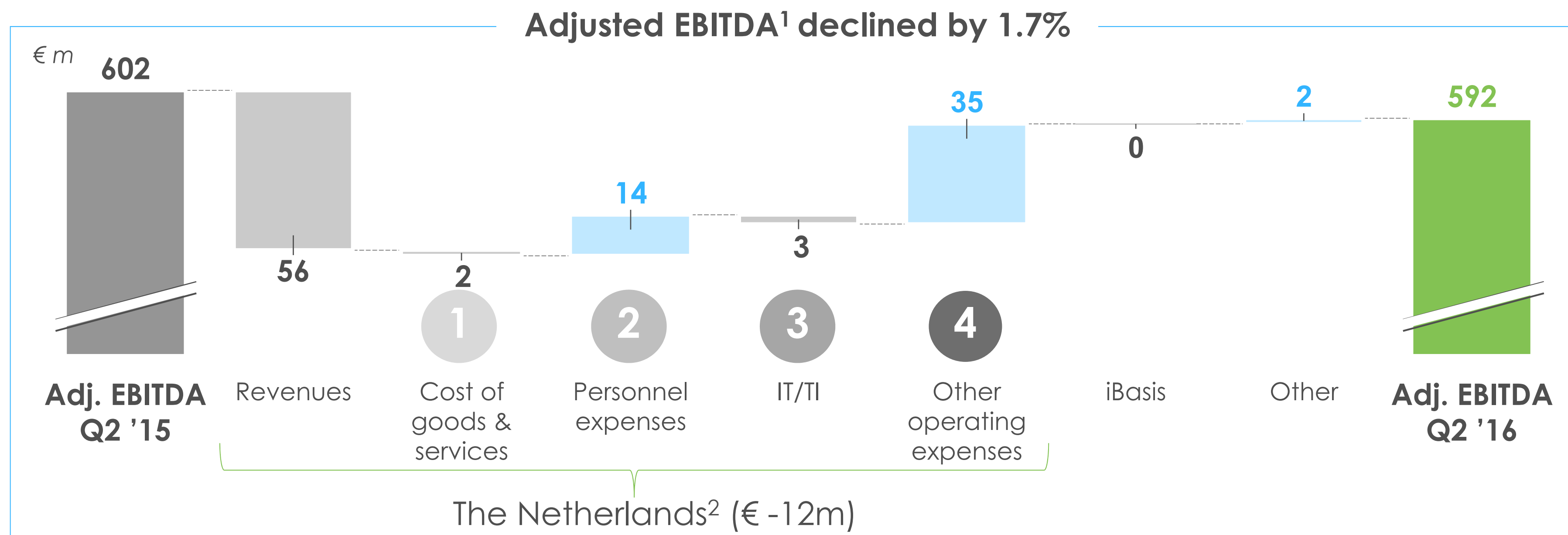
Business revenue growth drivers

		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

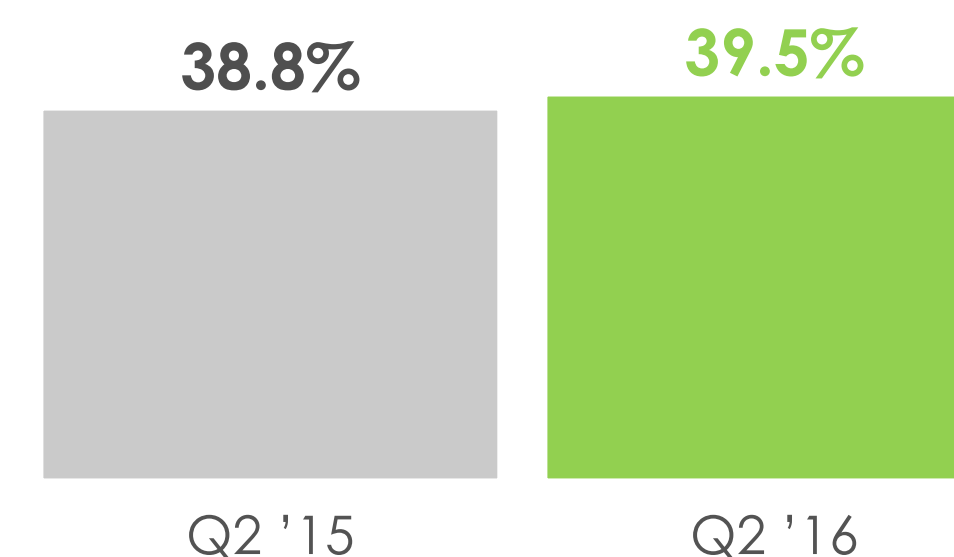
Adjusted EBITDA¹ trend improving vs. last quarter

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

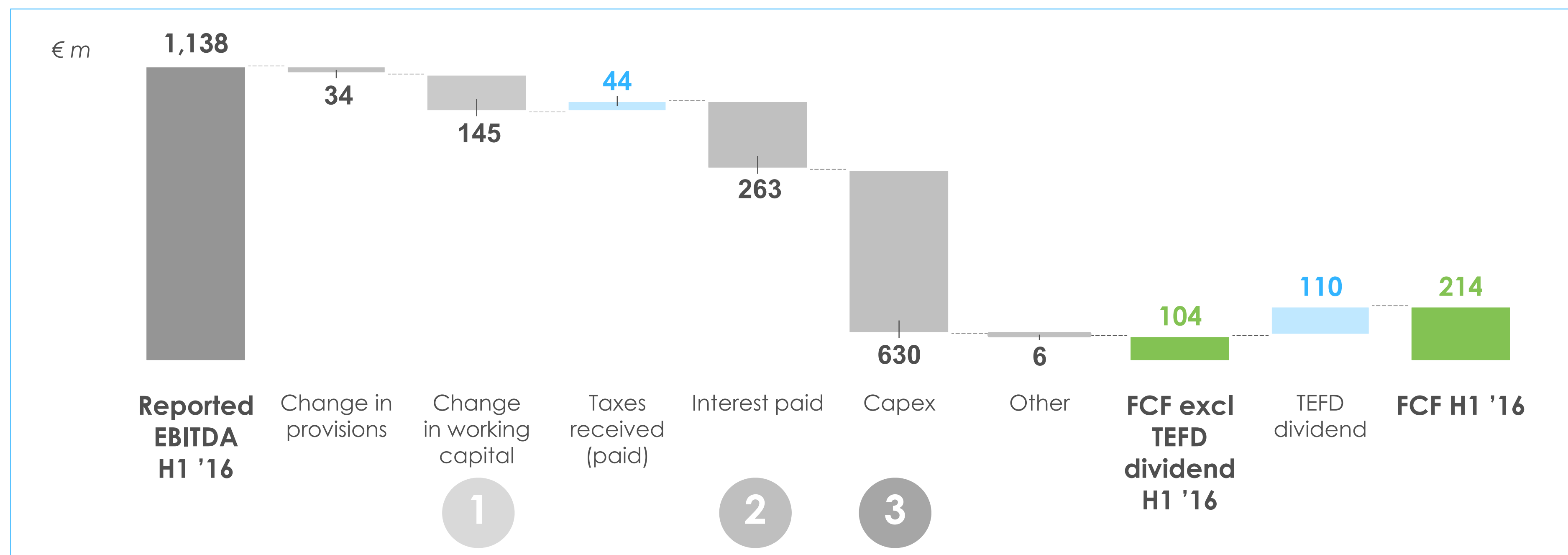
3

Commercial progress

- Growing revenues in Consumer

Free cash flow¹ influenced by usual intrayear phasing

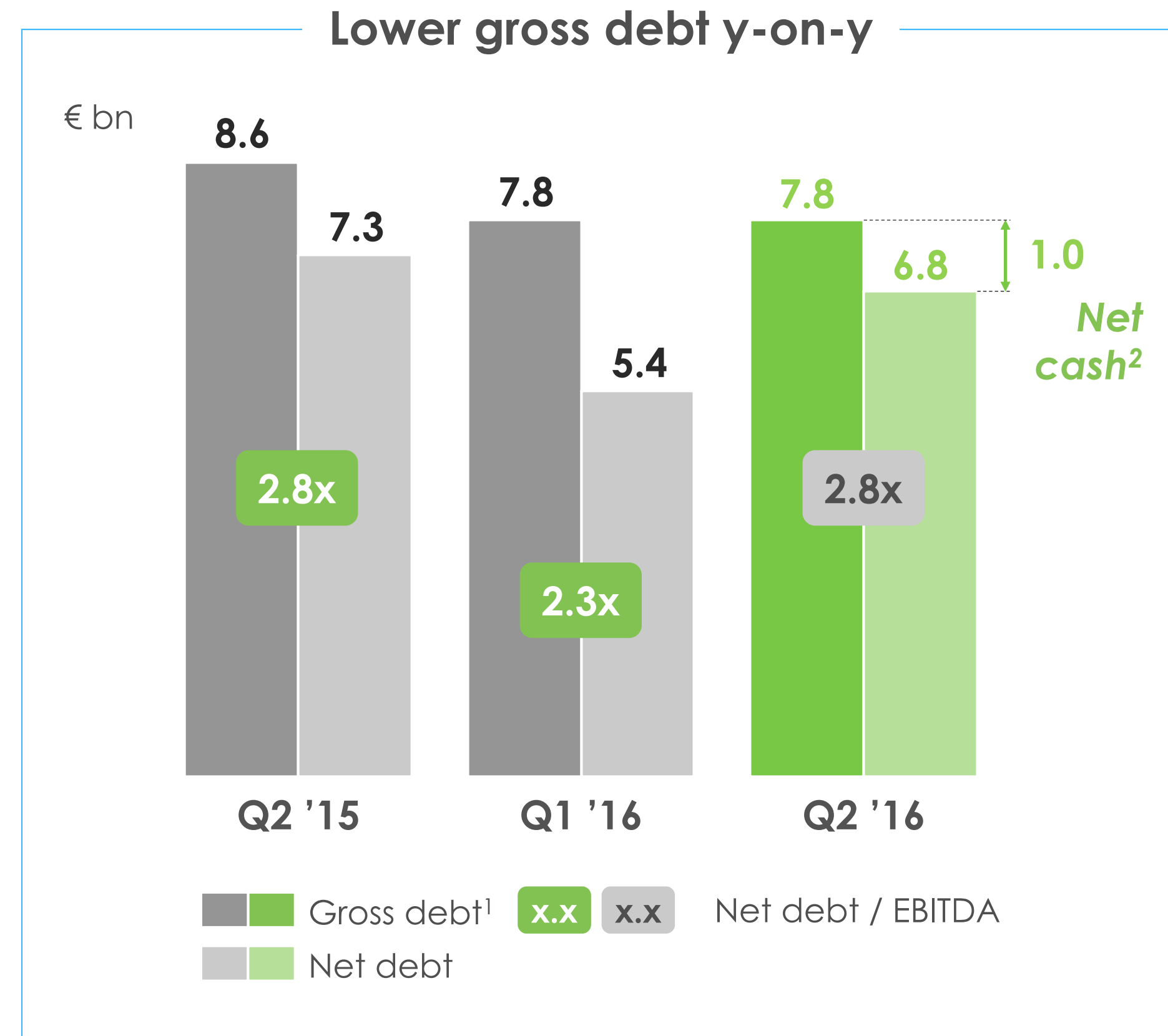
Strong growth in FCF expected in H2 '16



- 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

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)

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Outlook 2016

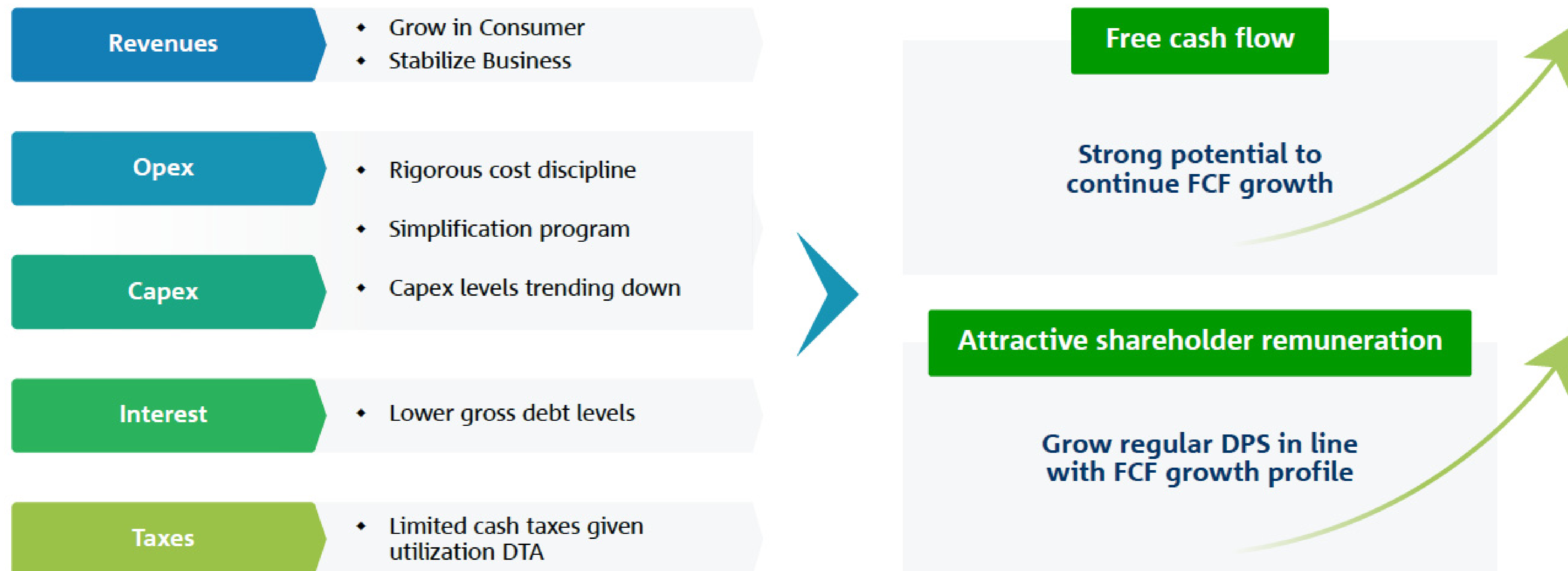
- Adjusted EBITDA in line with 2015
- Capex ~€ 1.2bn
- Free cash flow > € 650m (excl. TEFD dividend)
- Additional cash flow via dividend from 15.5% stake in Telefónica Deutschland

Shareholder remuneration

- Intended DPS of € 10ct in respect of 2016
- € 3.3ct interim dividend in respect of 2016
 - Ex-dividend date: 29 July 2016
 - Payment date: 3 August 2016
- Intention to grow regular DPS in line with FCF growth profile
- Excess cash could be utilized for
 - Operational / financial flexibility
 - (Small) in-country M&A
 - Shareholder remuneration

Key financial priorities for coming years

Predictable cash generation the basis for attractive shareholder returns





Q&A

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Q2 2016 – Information Pack

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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

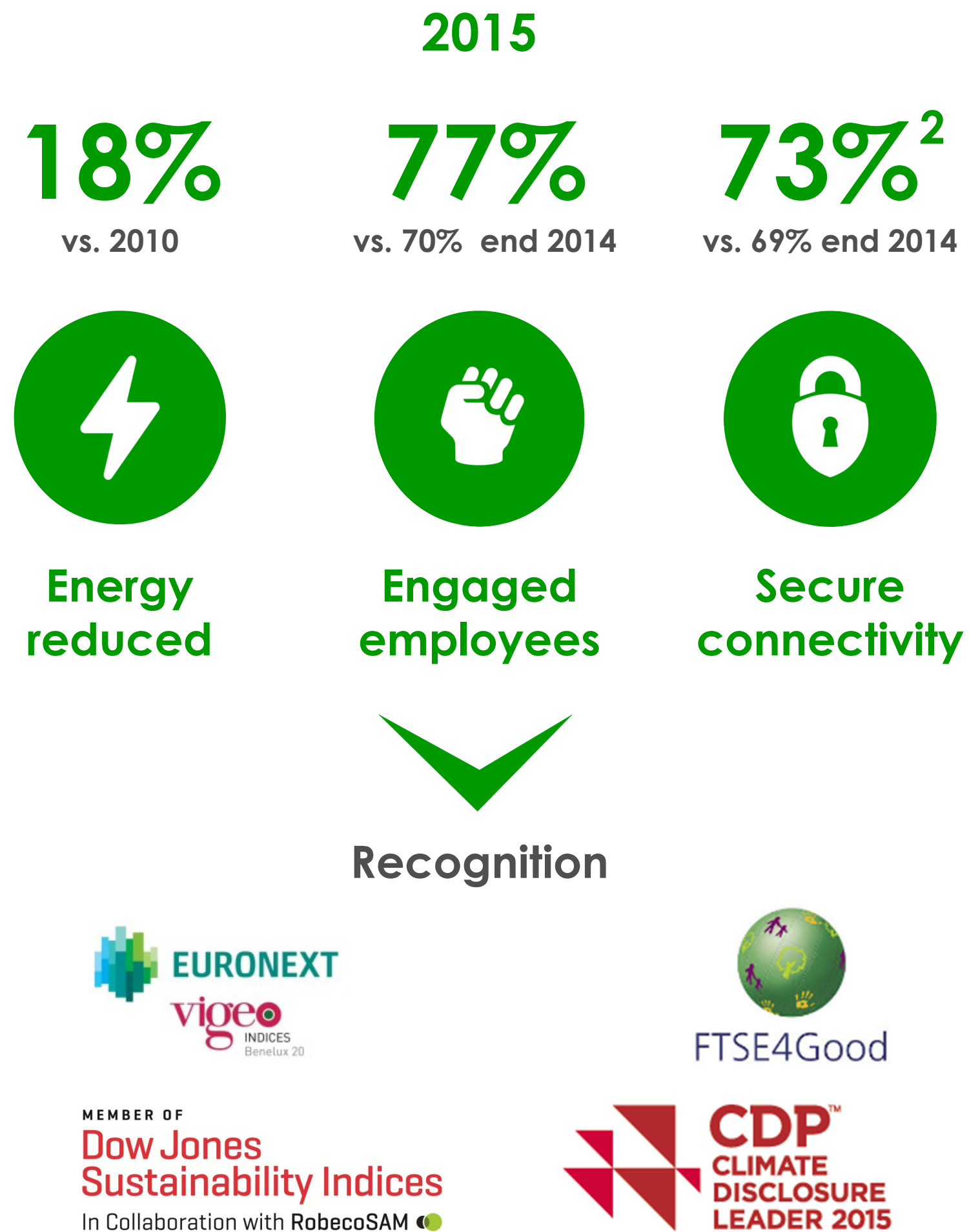
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Corporate Social Responsible Strategy



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

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Group results Q2 '16 (continuing operations)¹



(€ m)	Q2 '16	Q1 '16	Q2 '15	y-on-y %
Revenues	1,676	1,689	1,741	-3.7%
Adjusted revenues	1,676	1,689	1,751	-4.3%
Operating expenses (excl. D&A)	1,097	1,130	1,173	-6.5%
EBITDA	579	559	568	1.9%
Adjusted EBITDA	592	568	602	-1.7%
Depreciation	252	251	274	-8.0%
Amortization	122	167	125	-2.4%
Operating expenses	1,471	1,548	1,572	-6.4%
Operating profit	205	141	169	21%
Net finance costs	10	-82	19	-47%
Share of profit of associates and joint ventures	-2	1	-	n.m.
Profit before taxes	213	60	188	13%
Income tax	-51	-12	-28	-82%
Profit after taxes	162	48	160	1.3%

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

Group results YTD '16 (continuing operations)¹



(€ m)	YTD '16	YTD '15	y-on-y %
Revenues	3,365	3,499	-3.8%
Adjusted revenues	3,365	3,509	-4.1%
Operating expenses (excl. D&A)	2,227	2,355	-5.4%
EBITDA	1,138	1,144	-0.5%
Adjusted EBITDA	1,160	1,197	-3.1%
Depreciation	503	547	-8.0%
Amortization	289	253	14%
Operating expenses	3,019	3,155	-4.3%
Operating profit	346	344	0.6%
Net finance costs	-72	-124	42%
Share of profit of associates and joint ventures	-1	-	n.m.
Profit before taxes	273	220	24%
Income tax	-63	-37	-70%
Profit after taxes	210	183	15%

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

Group cash flow Q2 '16 (continuing operations)¹



(€ m)	Q2 '16	Q2 '15	y-on-y %
EBITDA	579	568	1.9%
Interest paid/received	-37	-79	-53%
Tax paid/received	-6	-2	>100%
Change in provisions ²	-7	-9	-22%
Change in working capital ²	-67	-90	-26%
Other movements	104	149	-30%
Net cash flow from operating activities	566	537	5.4%
Capex	-312	-306	2.0%
Proceeds from real estate	-	1	-100%
Free cash flow	254	232	9.5%
Coupon on perpetual hybrid	-	-	n.m.

1. All figures based on continuing operations, unless stated otherwise
2. Excluding changes in deferred taxes

Group cash flow YTD '16 (continuing operations)¹

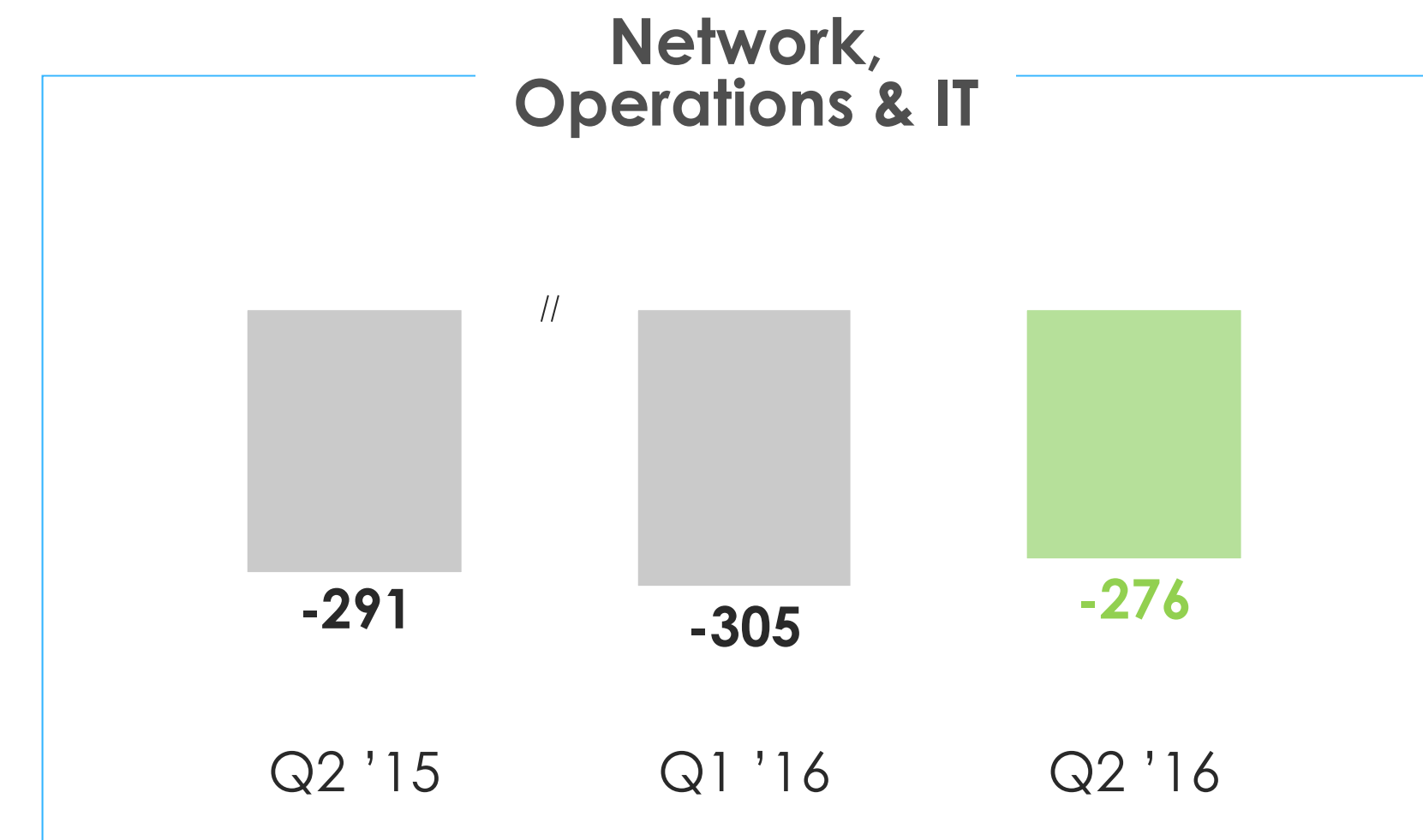
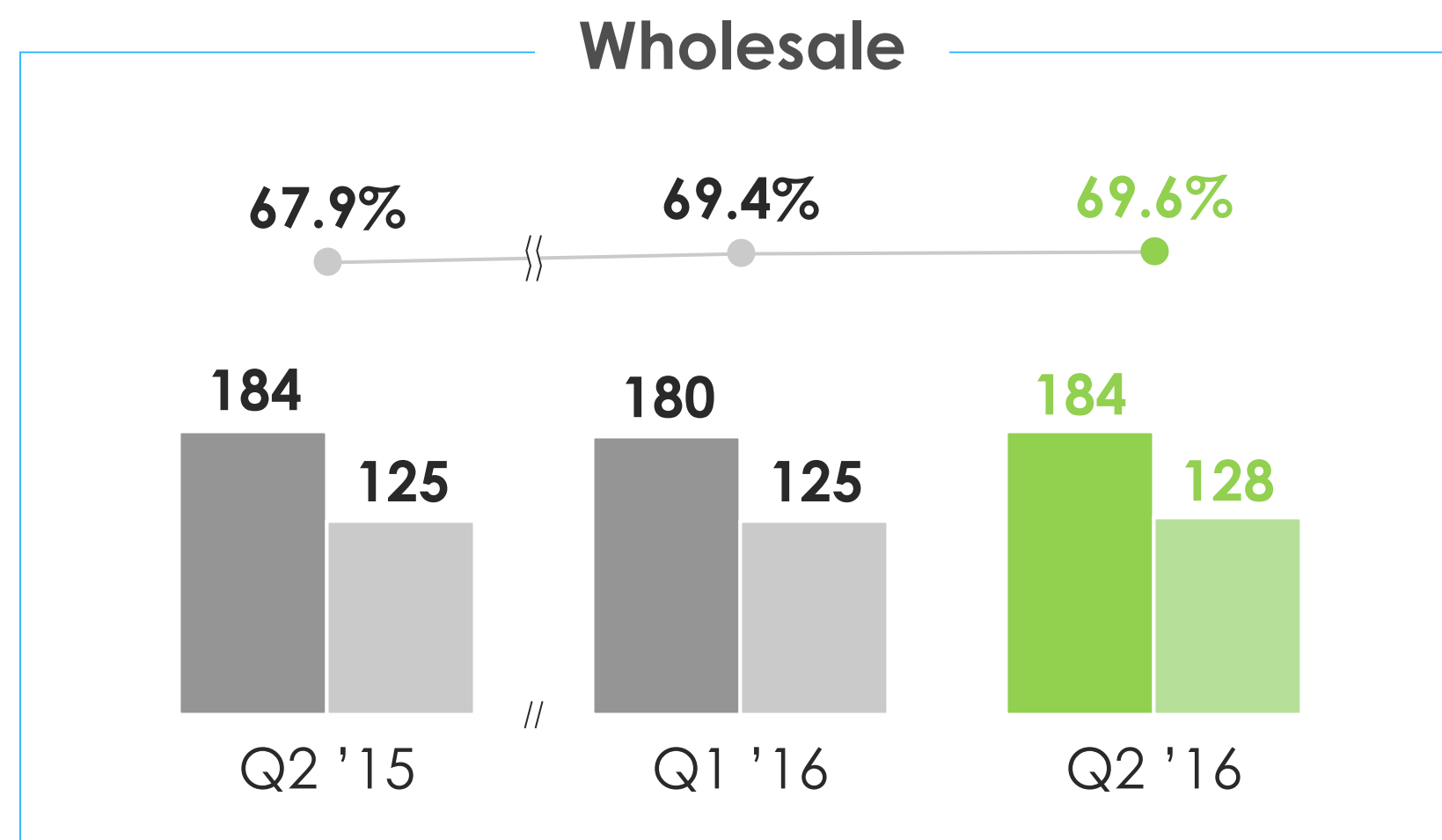
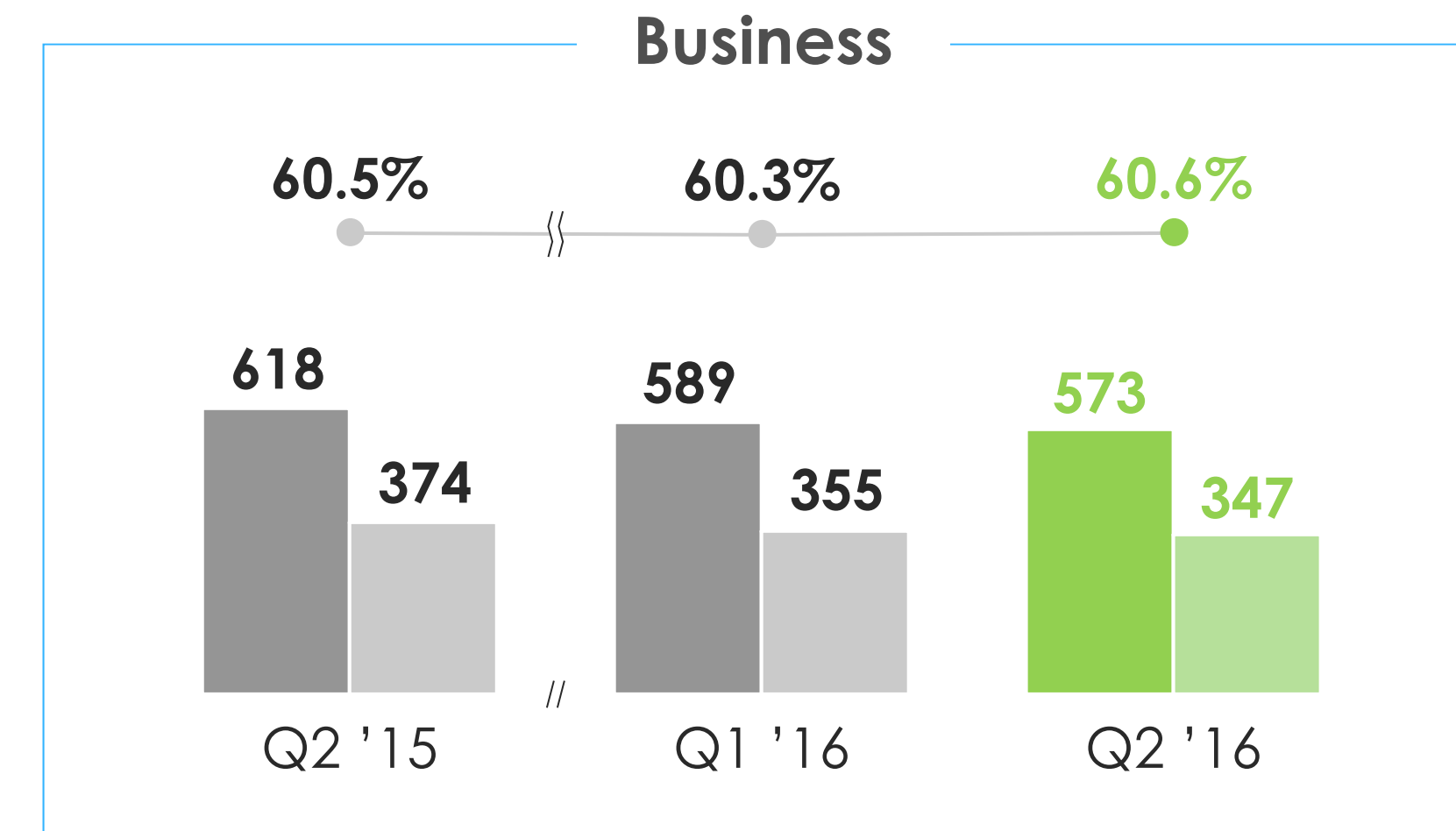
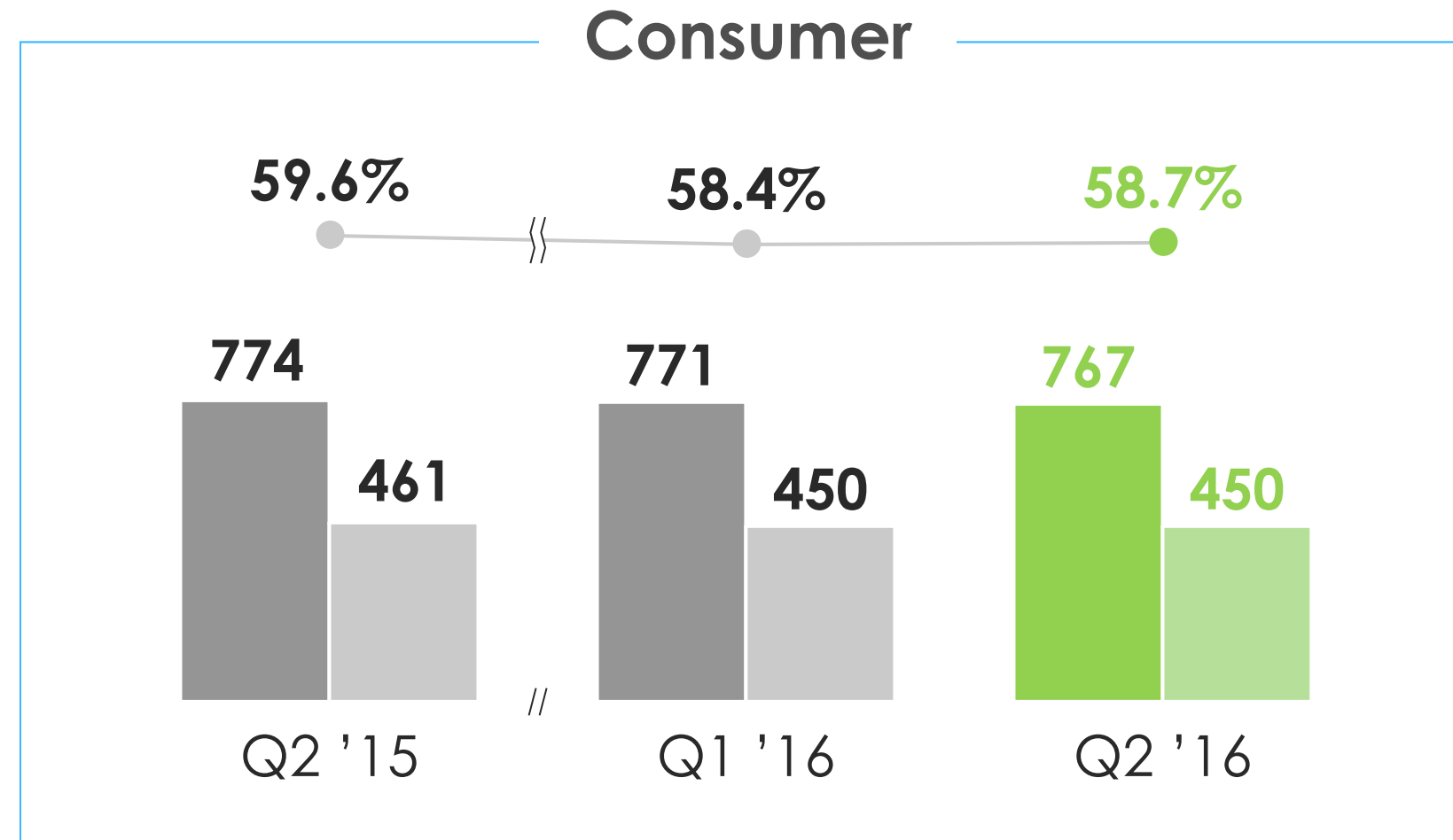


(€ m)	YTD '16	YTD '15	y-on-y %
EBITDA	1,138	1,144	-0.5%
Interest paid/received	-263	-301	-13%
Tax paid/received	44	-12	n.m.
Change in provisions ²	-34	-10	>100%
Change in working capital ²	-145	-69	>100%
Other movements	104	149	-30%
Net cash flow from operating activities	844	901	-6.3%
Capex	-630	-640	-1.6%
Proceeds from real estate	-	1	-100%
Free cash flow	214	262	-18%
Coupon on perpetual hybrid	-	-	n.m.

1. All figures based on continuing operations, unless stated otherwise
2. Excluding changes in deferred taxes

Financials by segment

The Netherlands



Adjusted revenues (€ m) Adjusted EBITDA (€ m) Adjusted EBITDA margin

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



Regions (€ m)	P&L		Cash flow	
	Q2 '16	Q2 '15	Q2 '16	Q2 '15
The Netherlands	-49	-25	-5	-1
Belgium	-	-1	-	-
Other	-2	-3	-1	-1
Total reported tax	-51	-29	-6	-2
<i>Of which discontinued operations</i>	-	-1	-	-
Reported tax from continuing operations	-51	-28	-6	-2
<i>Effective tax rate continuing operations</i>	23.7%	14.9%		

- The effective tax rate for Q2 '16 is influenced by mix of taxable results in various countries and by one-off items for tax purposes
 - Corrected for these non-deductible expenses, Q2 '16 effective tax rate would have been ~23%
- For the 2016-2017 period, the effective tax rate, excluding one-off effects¹, is expected to be ~22%

1. Excluding effects of, amongst others, settlements with tax authorities, impairments, revaluations



Regions (€ m)	P&L		Cash flow	
	YTD '16	YTD '15	YTD '16	YTD '15
The Netherlands	-59	-34	45	-10
Belgium	3	2	-	1
Other	-4	-3	-1	-2
Total reported tax	-60	-35	44	-11
<i>Of which discontinued operations</i>	3	2	-	1
Reported tax from continuing operations	-63	-37	44	-12
<i>Effective tax rate continuing operations</i>	23.0%	16.8%		

- The effective tax rate for H1 2016 was 23.0%. The effective tax rate in H1 2015 was 16.8%, mainly due to reversals related to previous years in H1 2015
 - The effective tax rate is influenced by one-off effects and a change of the mix of profits and losses in the various countries. Without one-off effects, the effective tax rate would have been ~22% in H1 2016
- For the 2016-2017 period, the effective tax rate, excluding one-off effects¹, is expected to be ~22%

1. Excluding effects of, amongst others, settlements with tax authorities, impairments, revaluations

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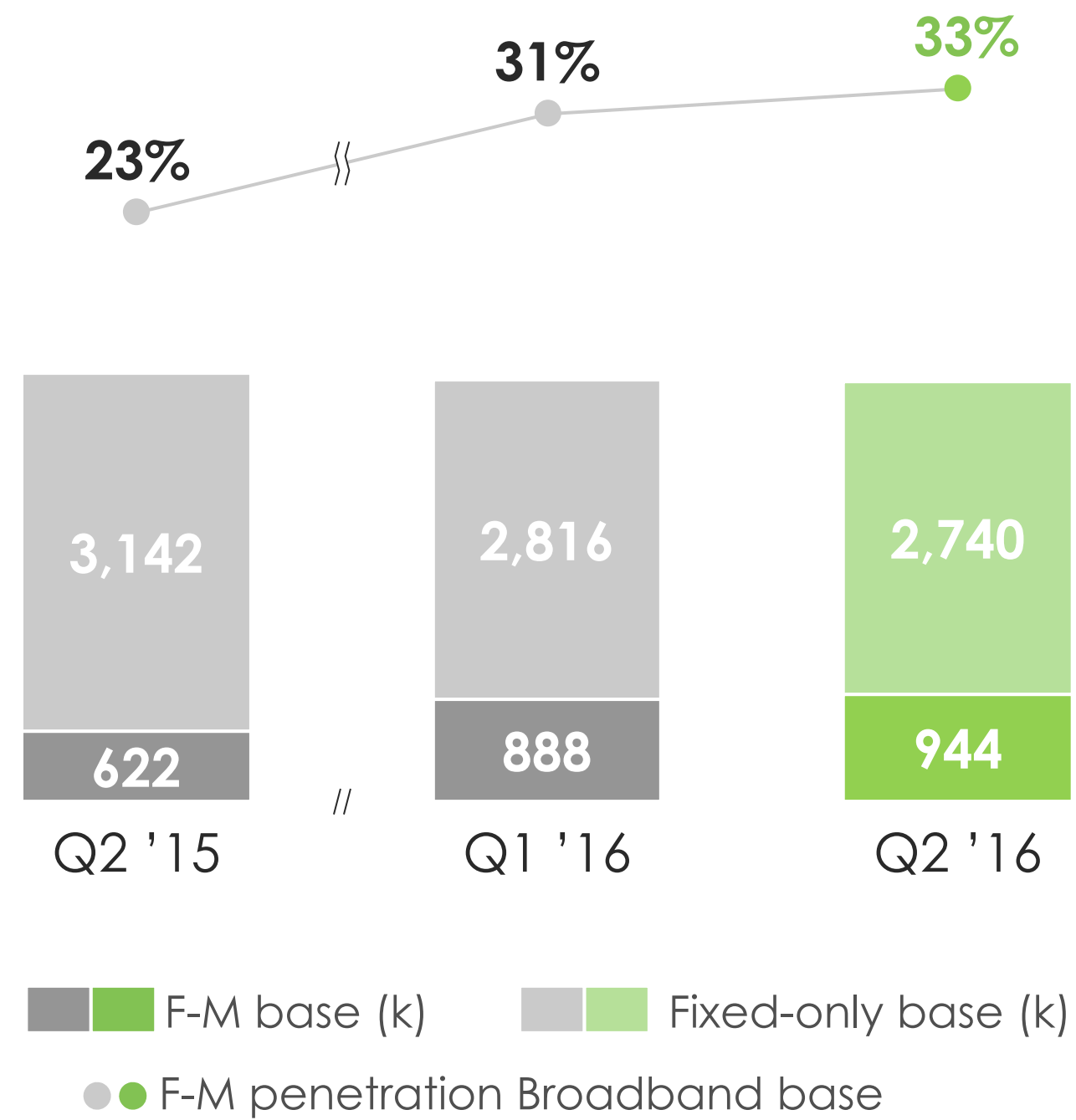
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Consumer

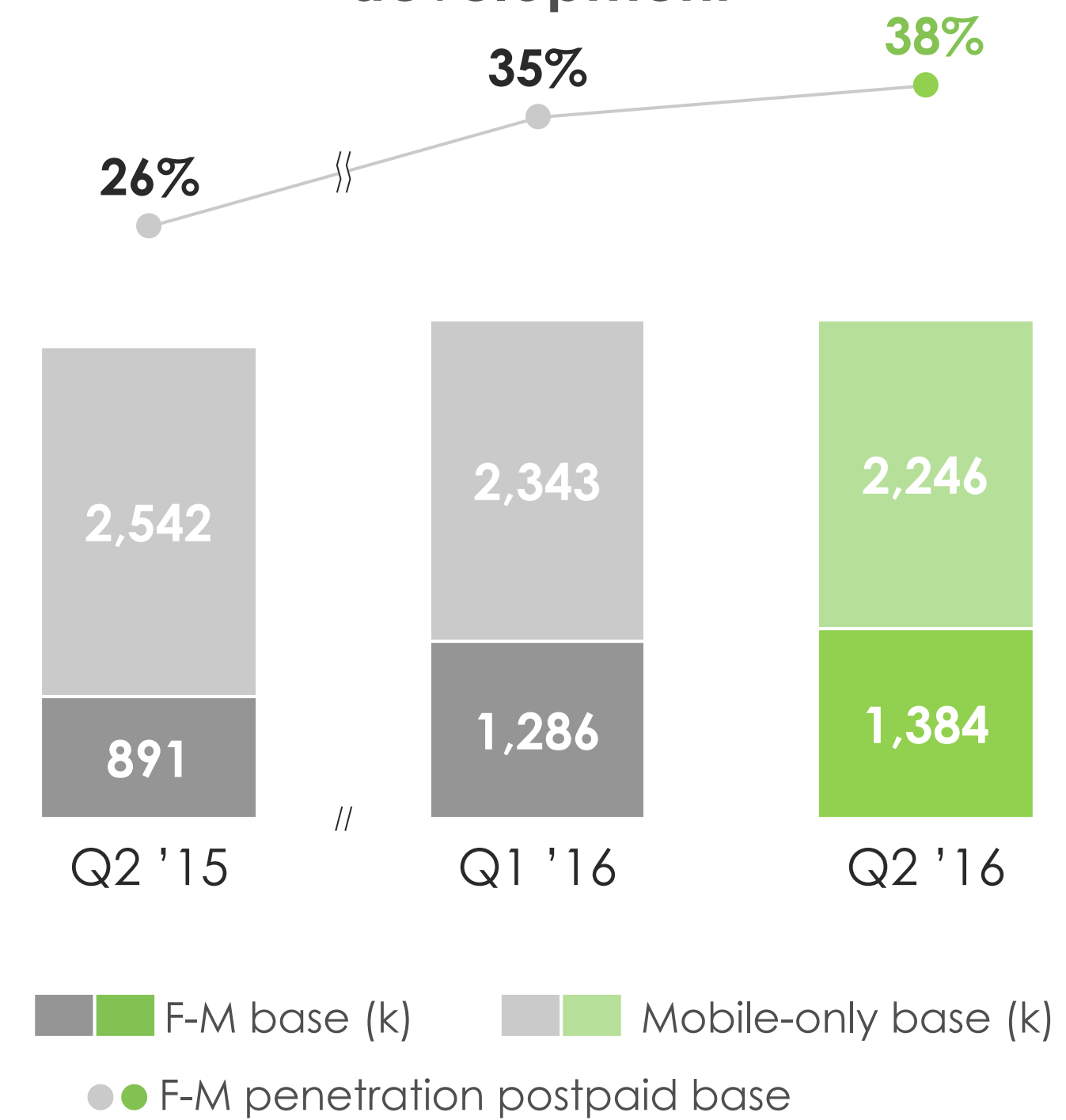
Fixed-Mobile KPI's



Fixed-Mobile household development

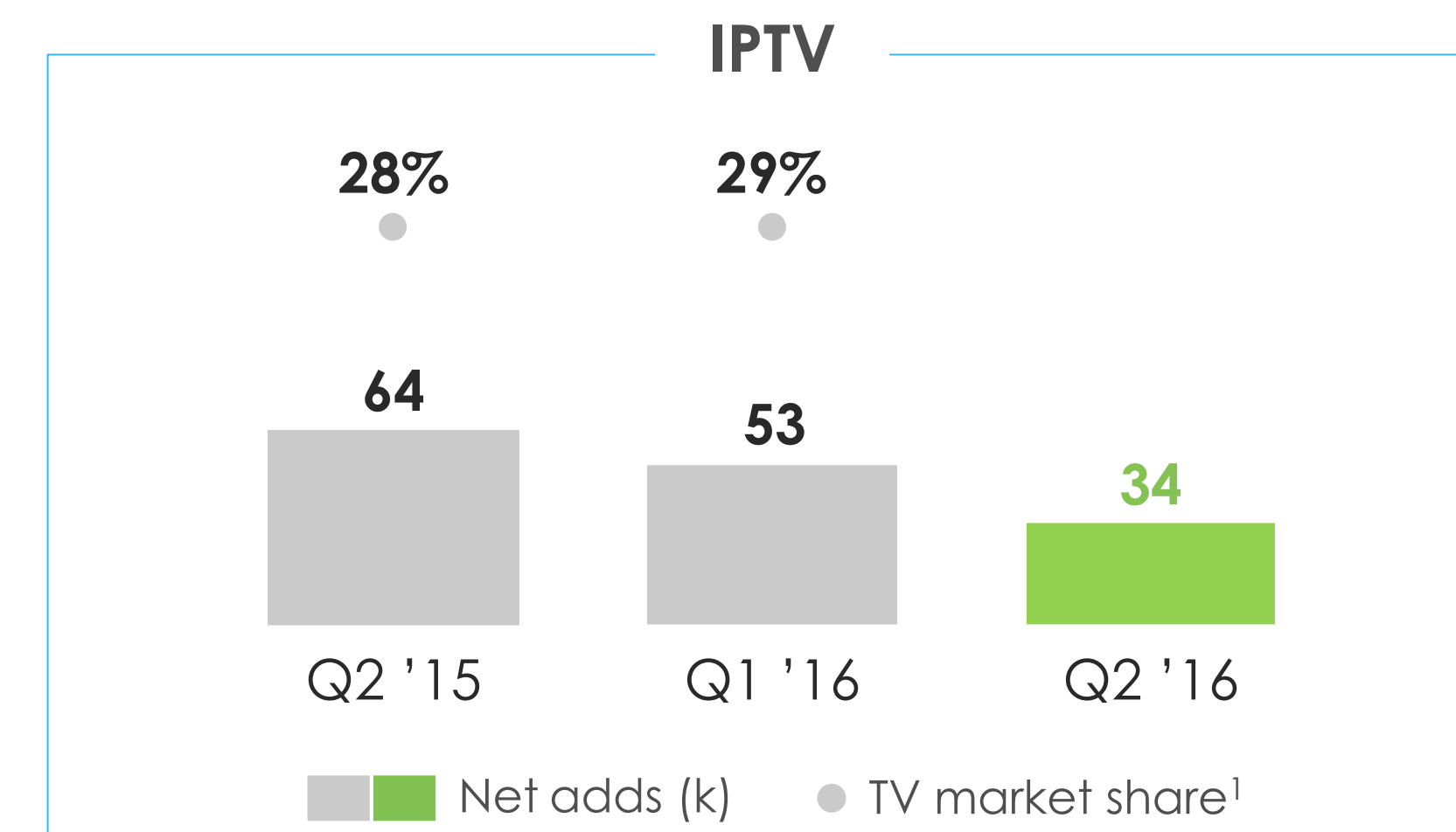
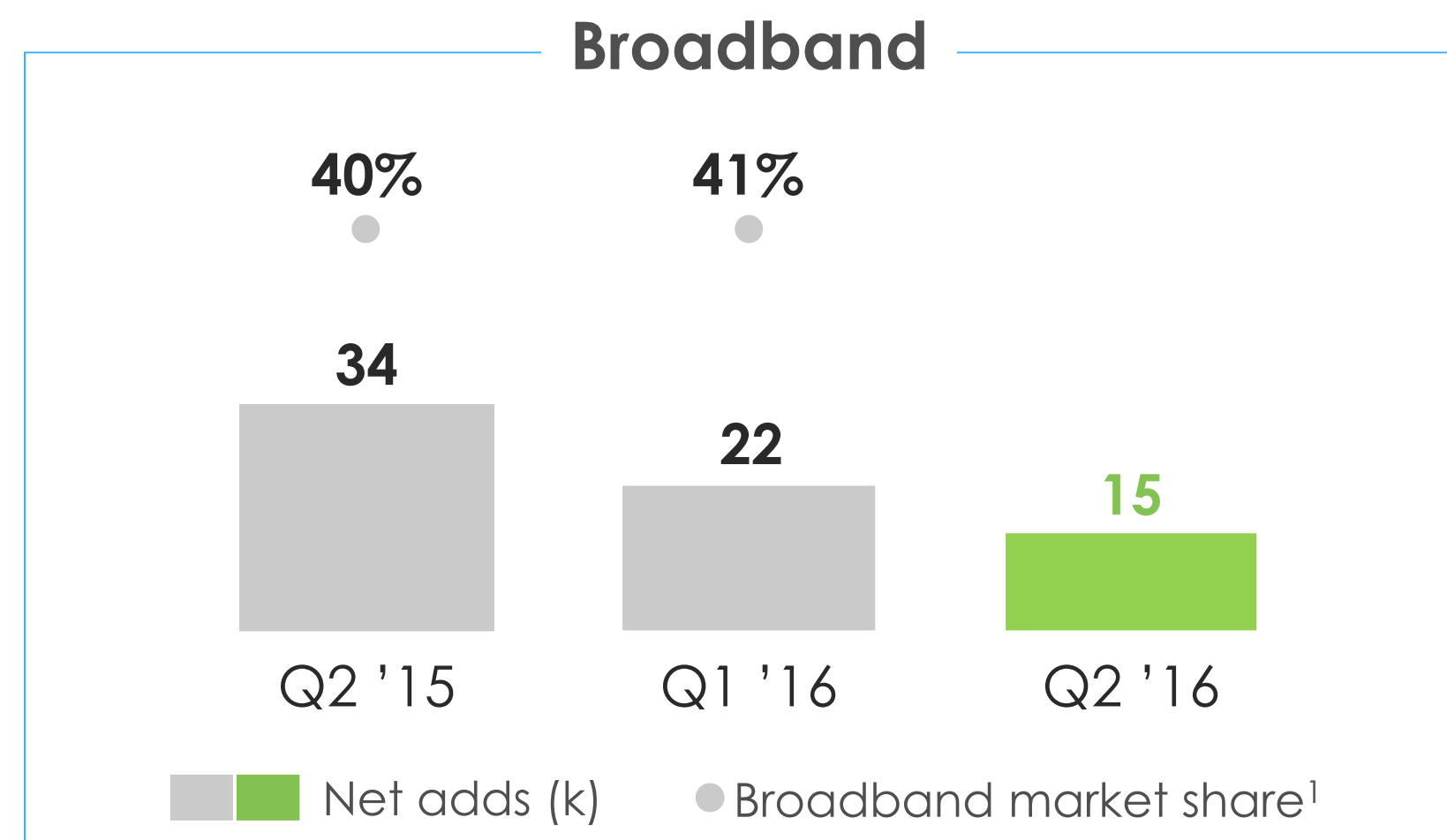
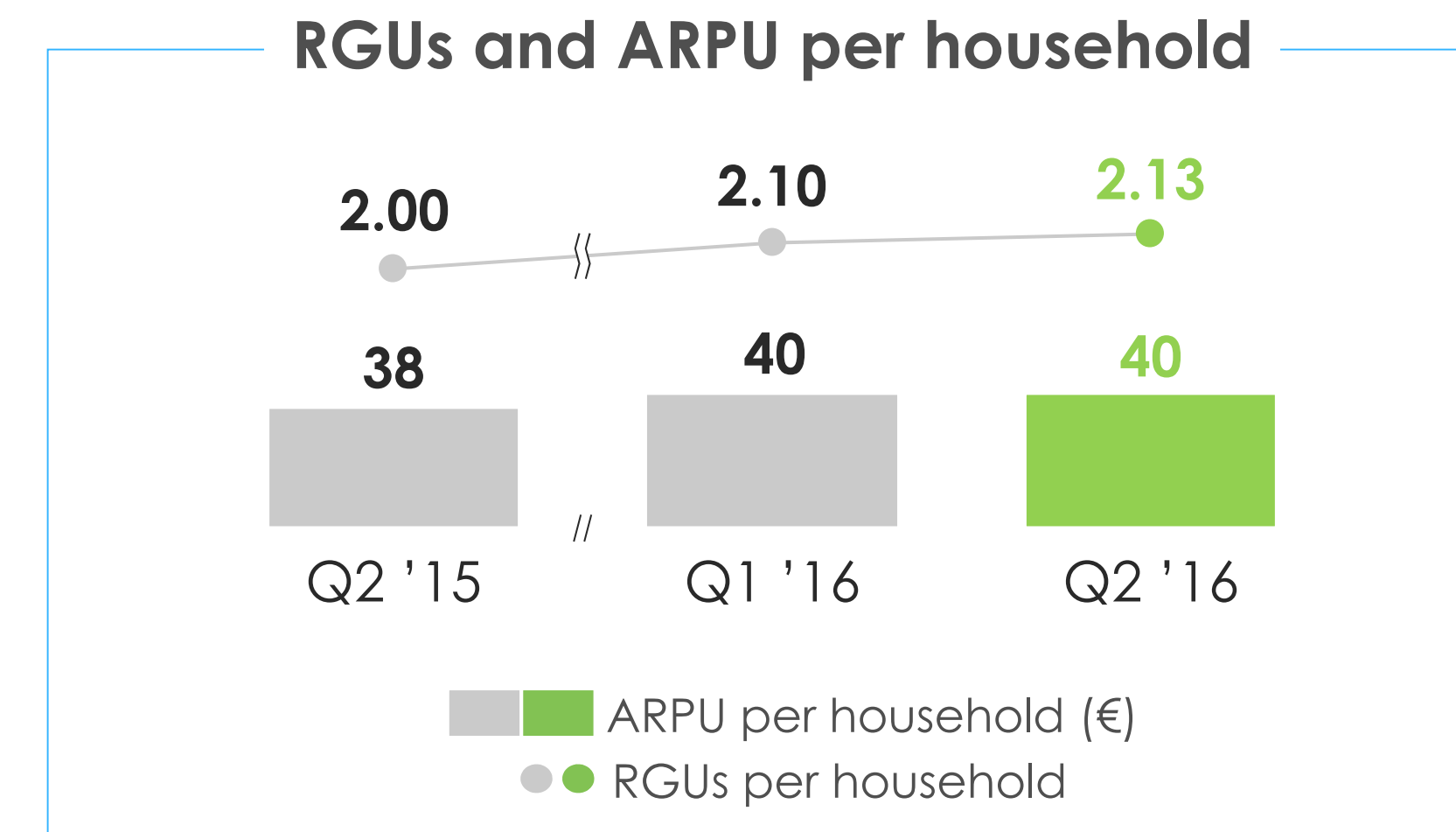
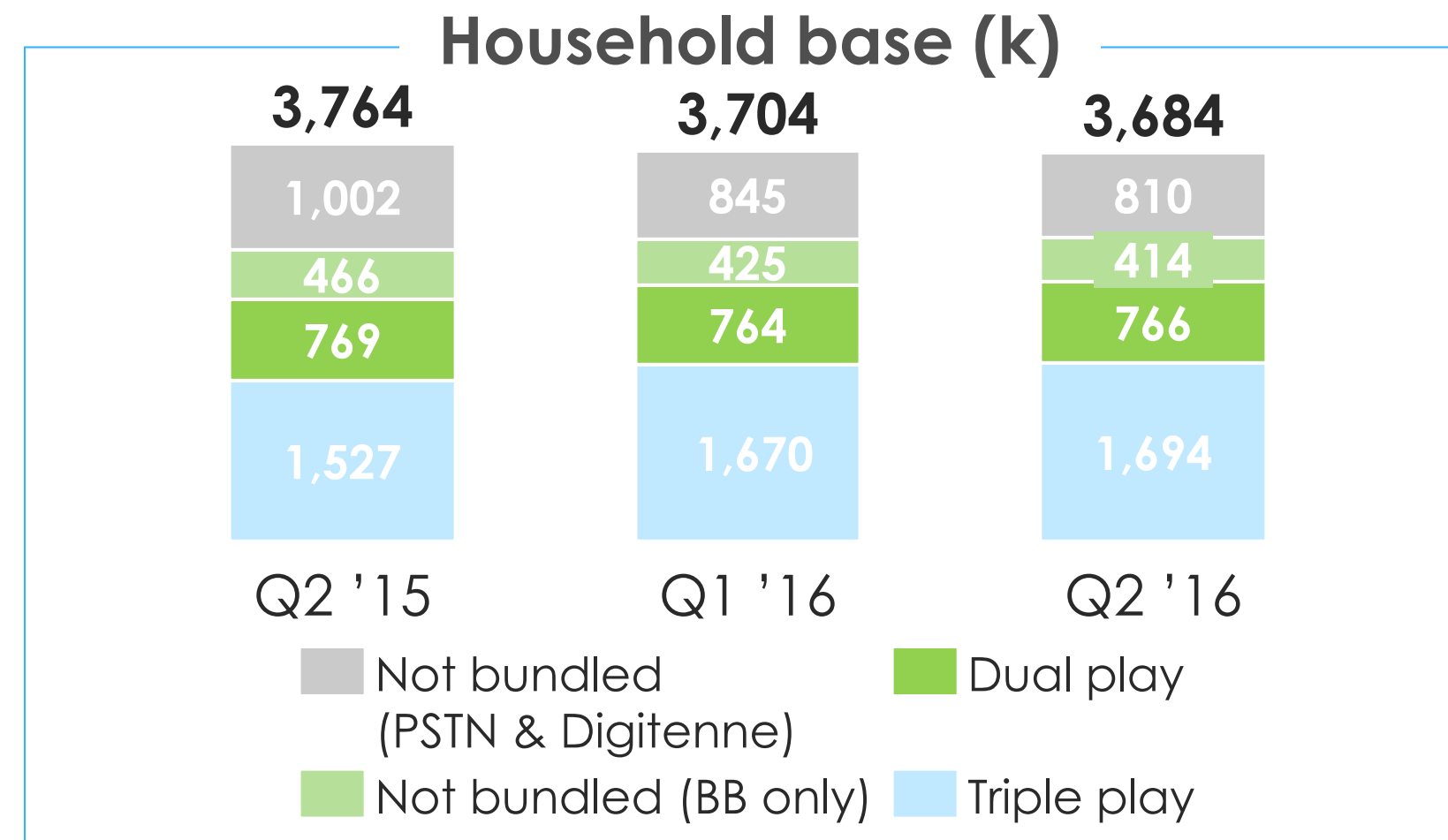


Fixed-Mobile postpaid development



Consumer (cont'd)

Residential KPI's



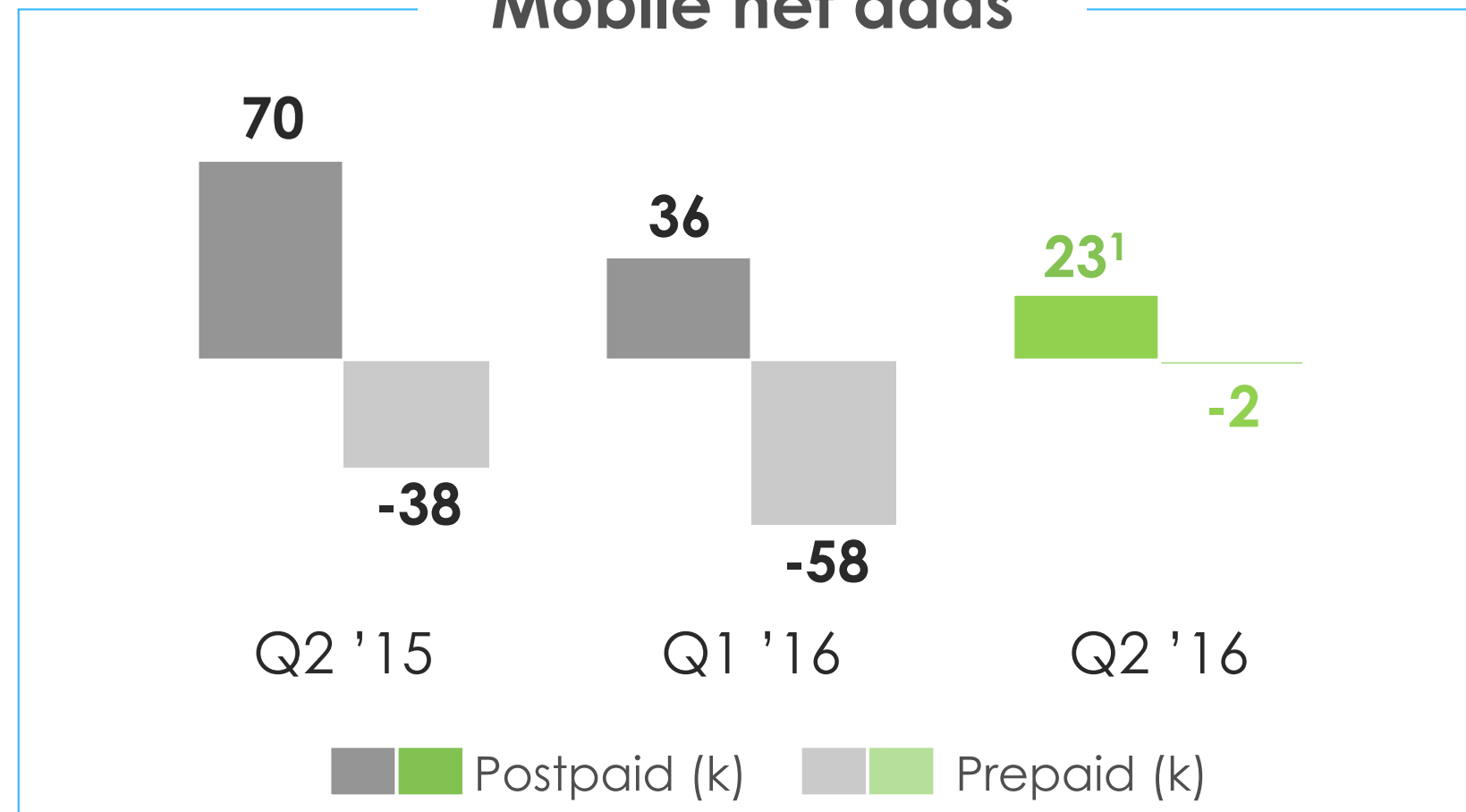
1. Source: Telecompaper

Consumer (cont'd)

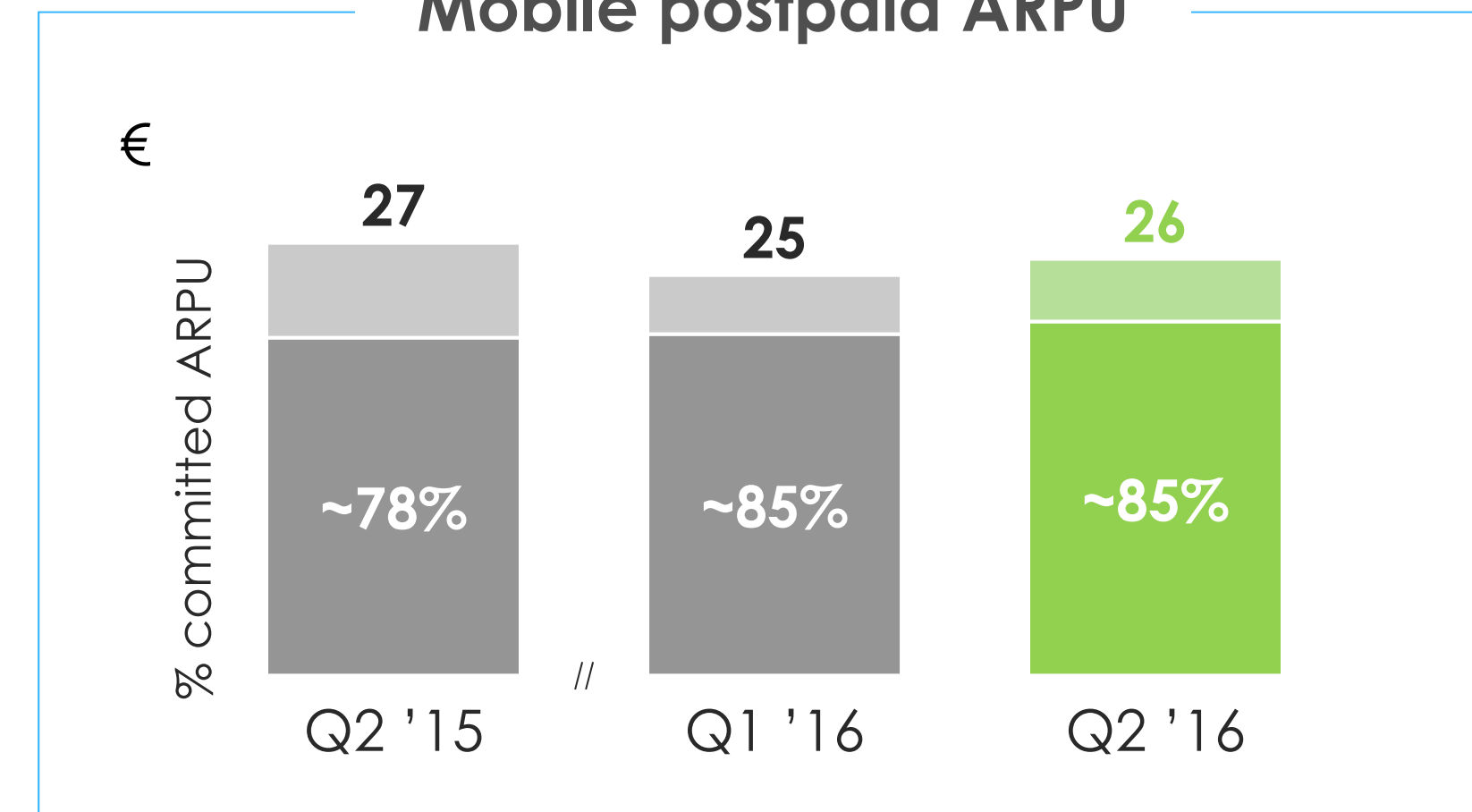
Mobile KPI's



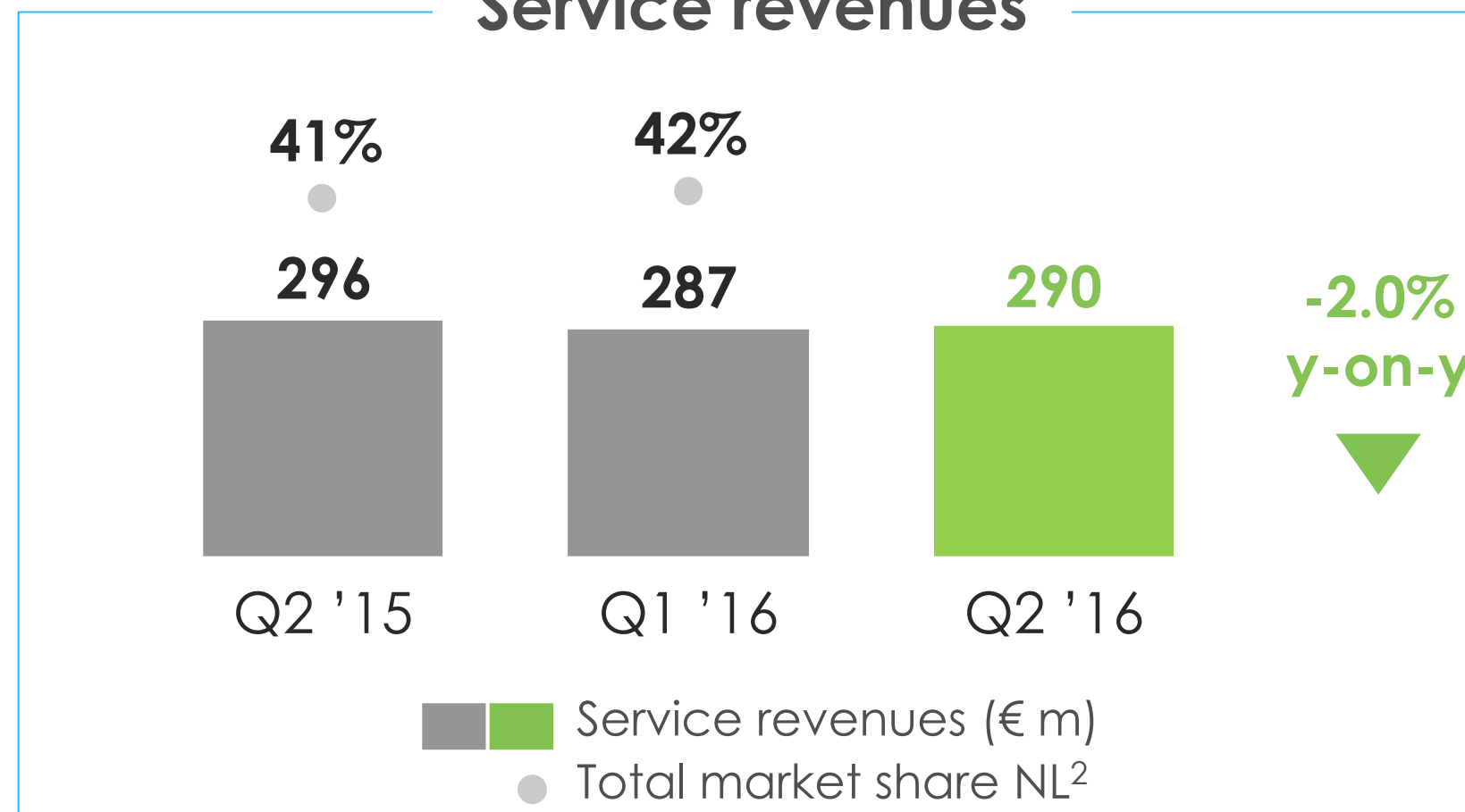
Mobile net adds



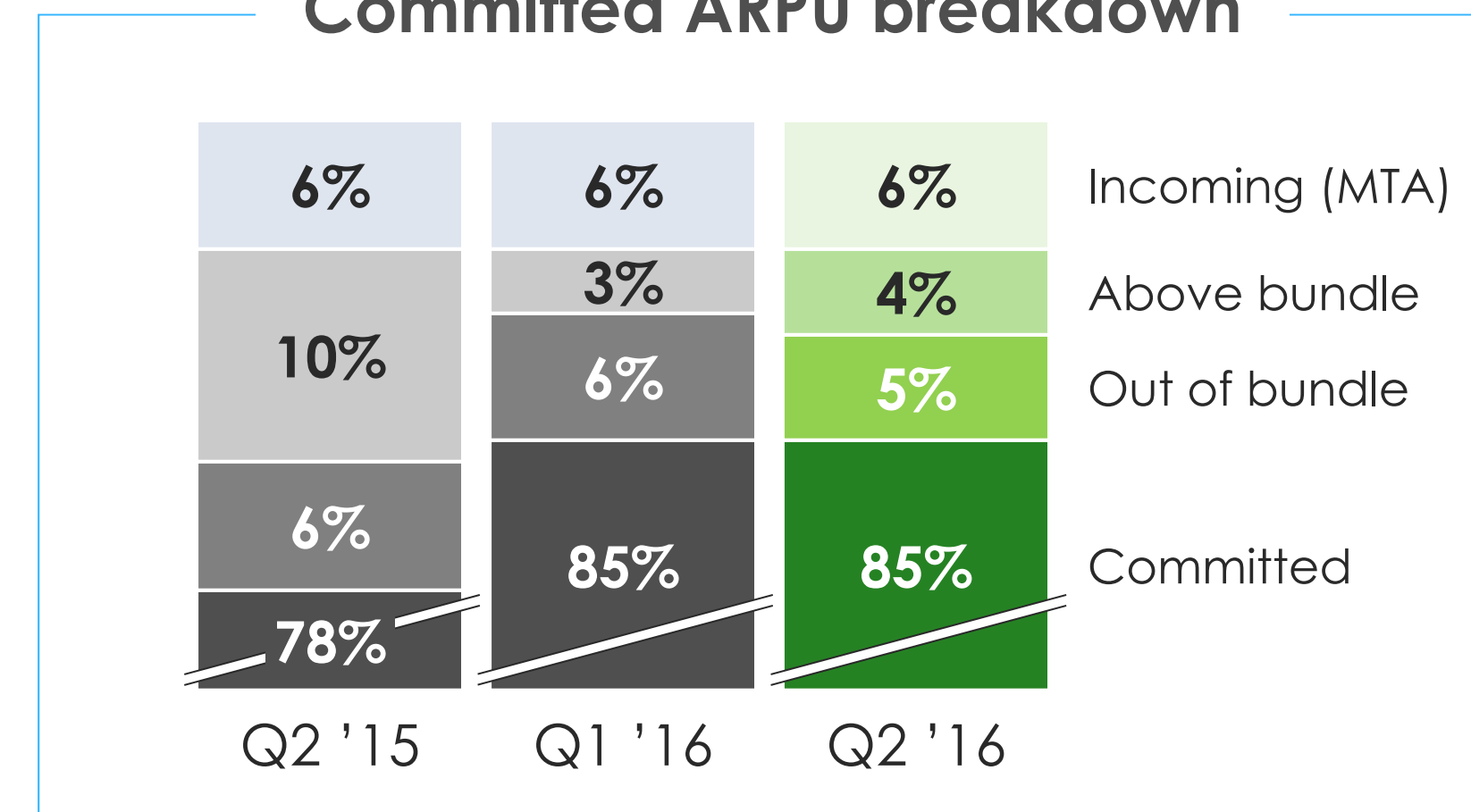
Mobile postpaid ARPU



Service revenues



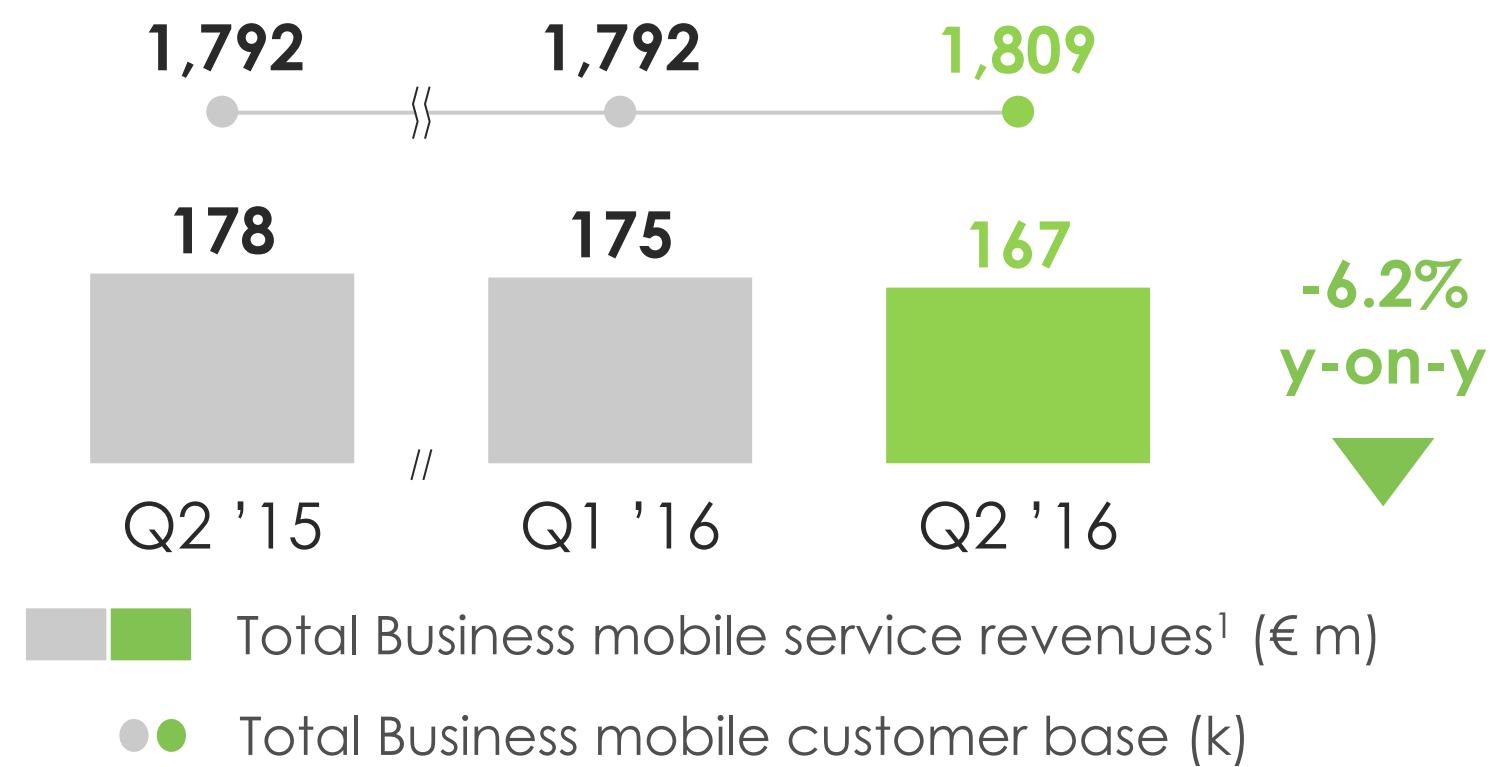
Committed ARPU breakdown



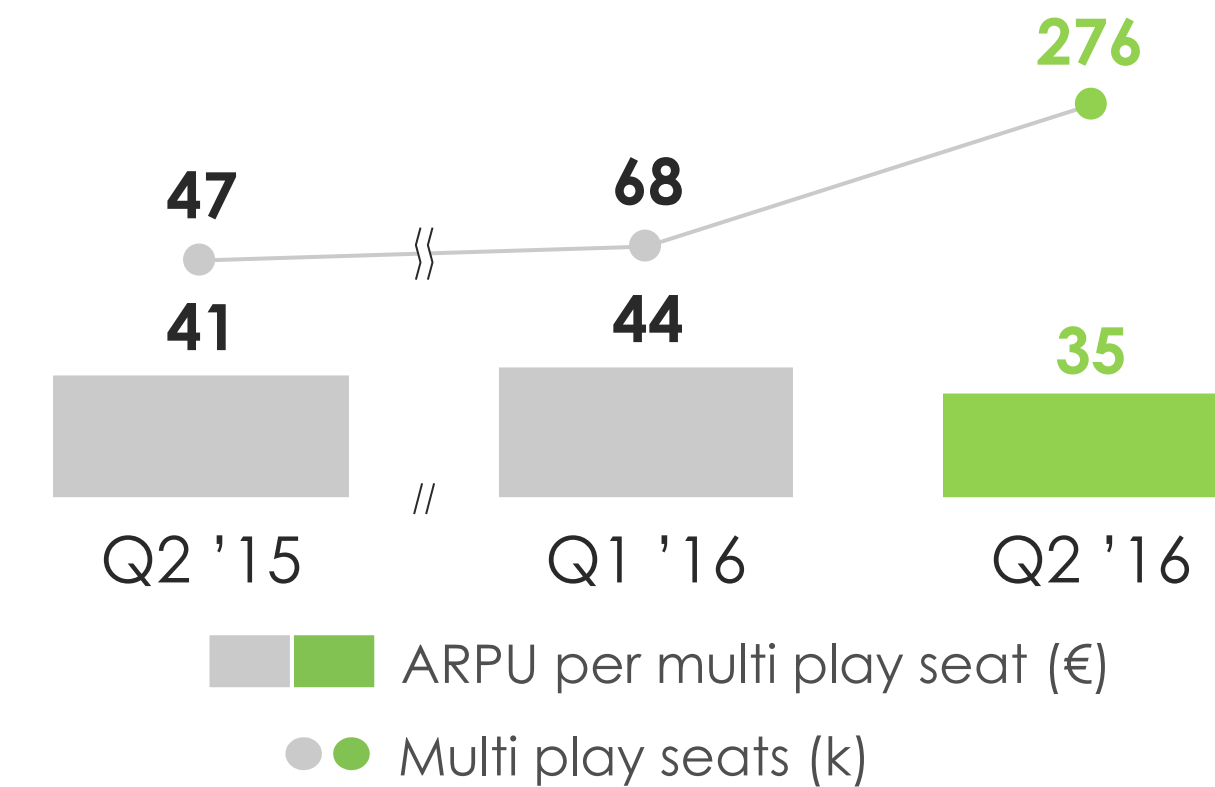
1. Reported net adds of +1k were adjusted for a 22k one-off impact for KPN brand related to migration to new order management IT platform
 2. Management estimates; market shares restated to include all operators



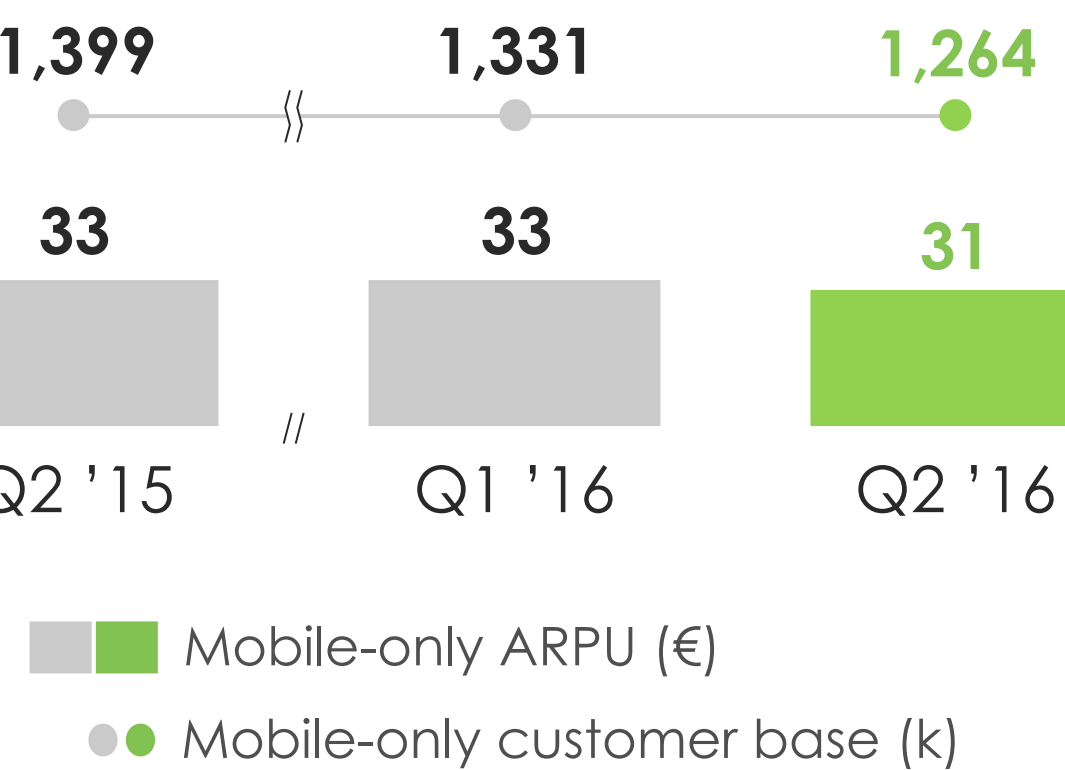
Total Business Mobile



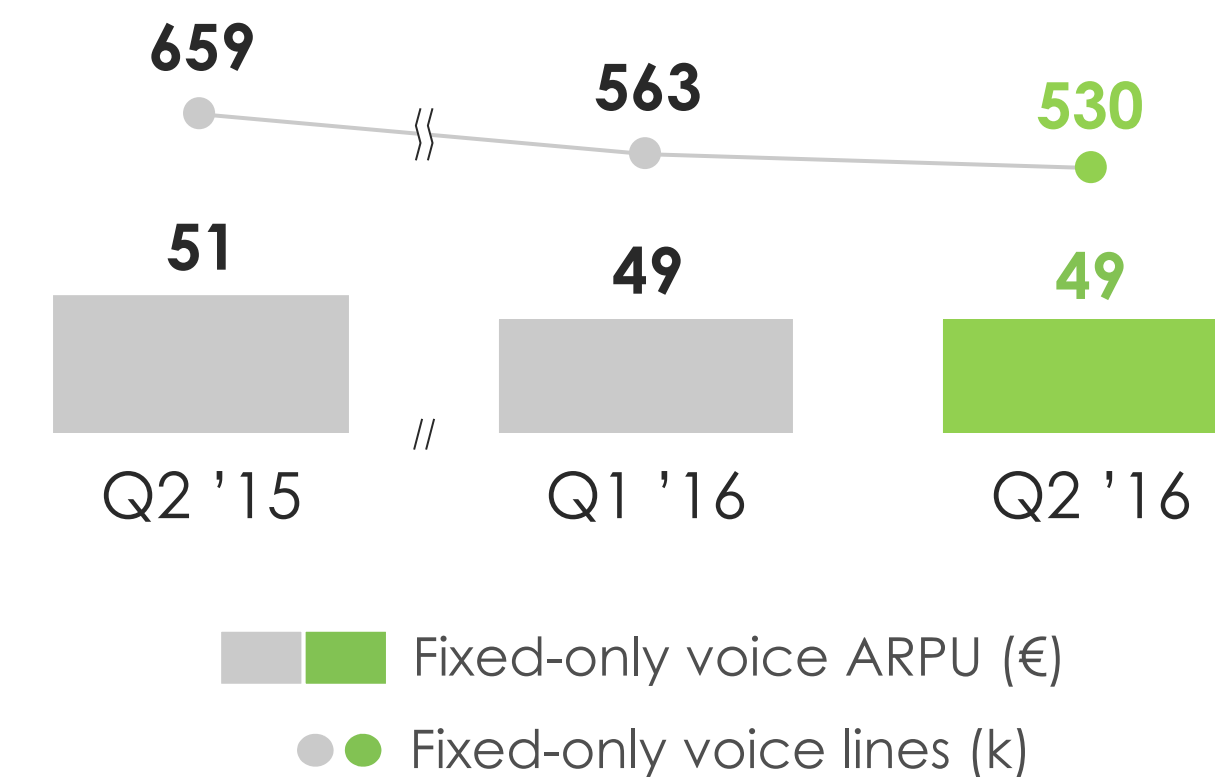
Multi play (mainly SME)²



Mobile-only (mainly SME)



Fixed-only (mainly SME)



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. Including migration of 201k RoutIT seats per Q2 '16, following acquisition remaining shares RoutIT

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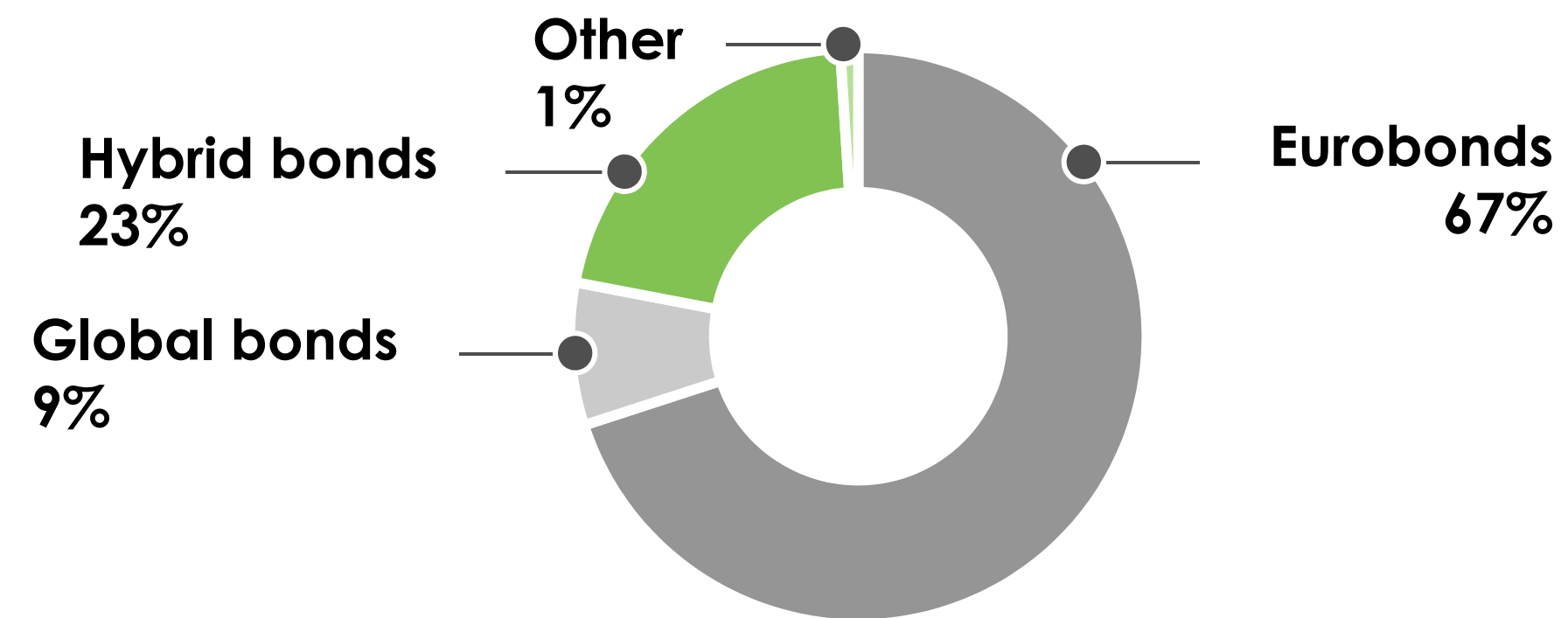
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Debt portfolio

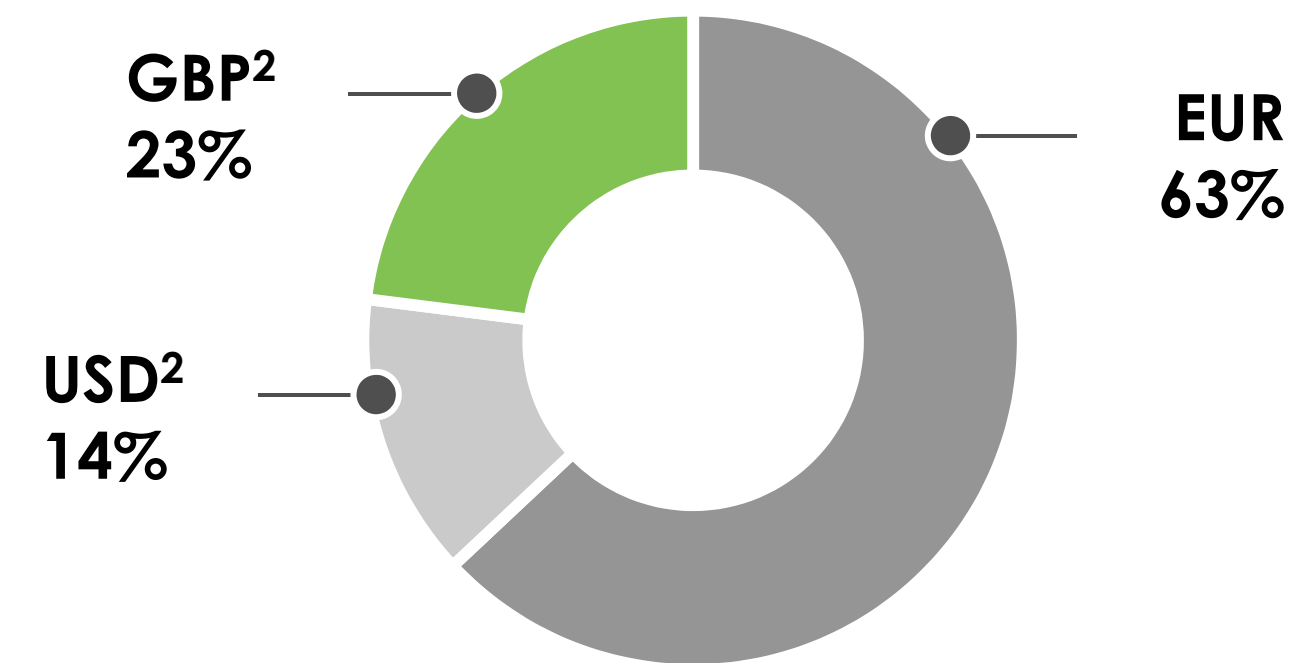
Breakdown of € 8.8bn nominal debt¹ including hybrid bonds



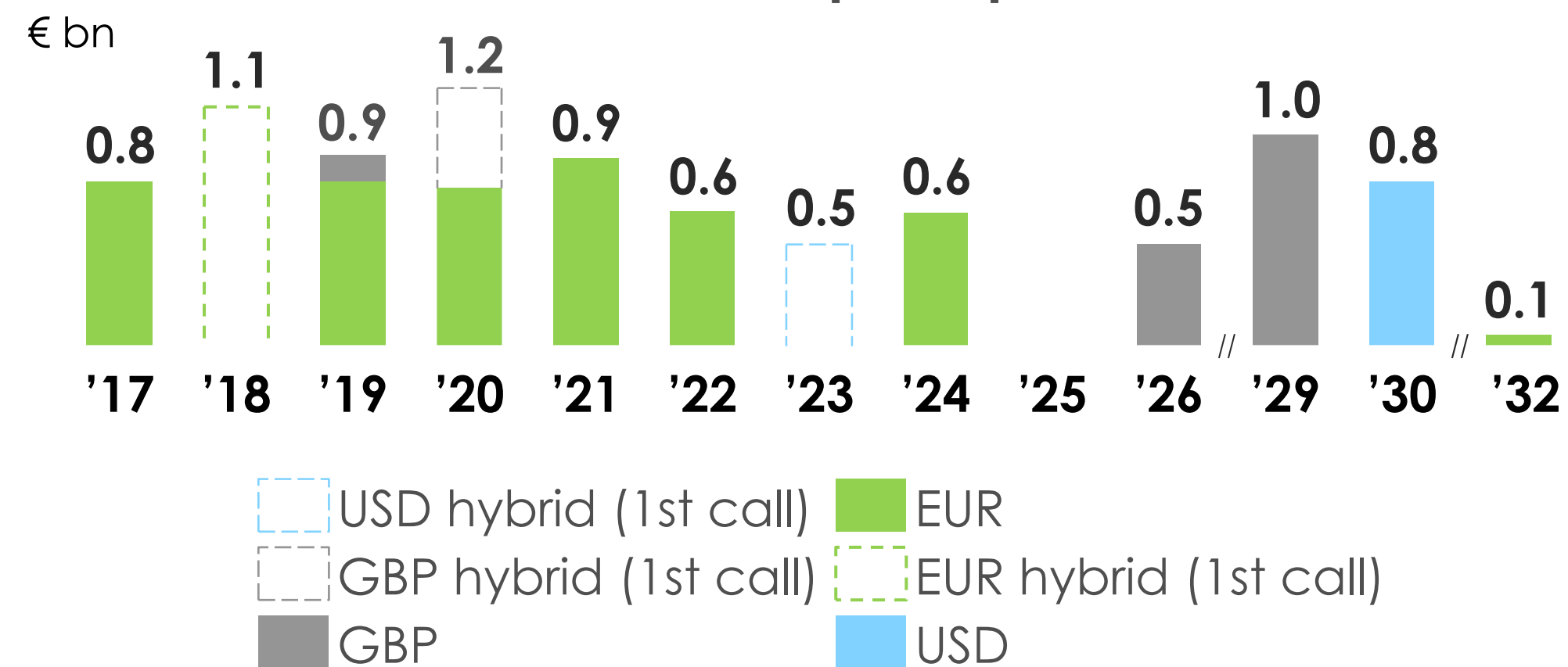
Breakdown nominal debt¹ (total € 8.8bn)



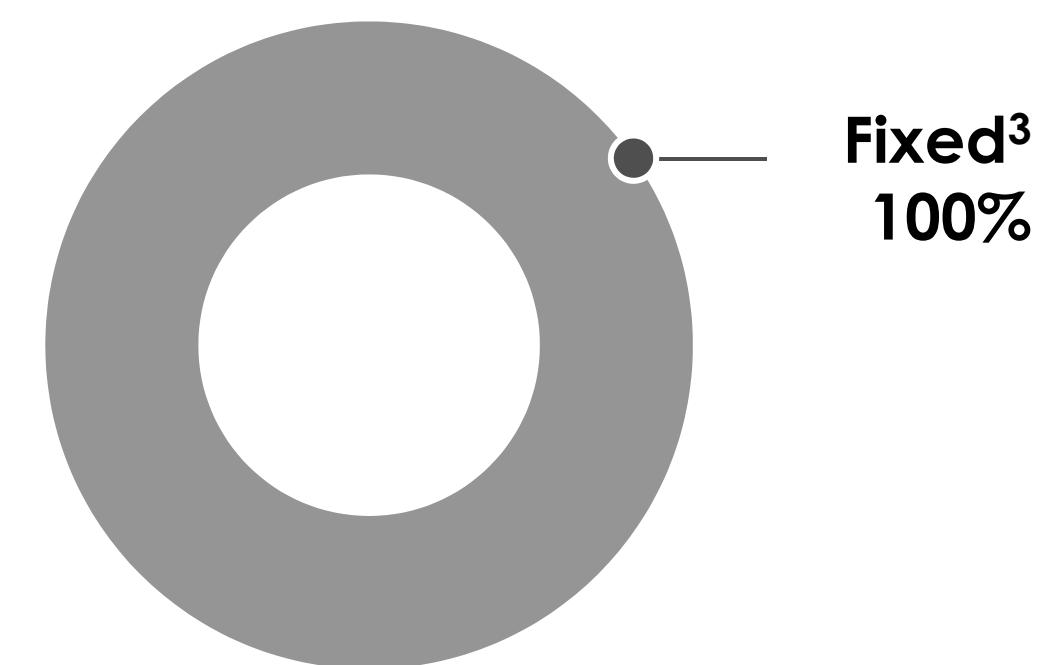
Nominal debt by currency



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

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

Tranch	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				

- 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
- Cash flow item 'Paid coupon perpetual hybrid bonds'

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Spectrum in The Netherlands



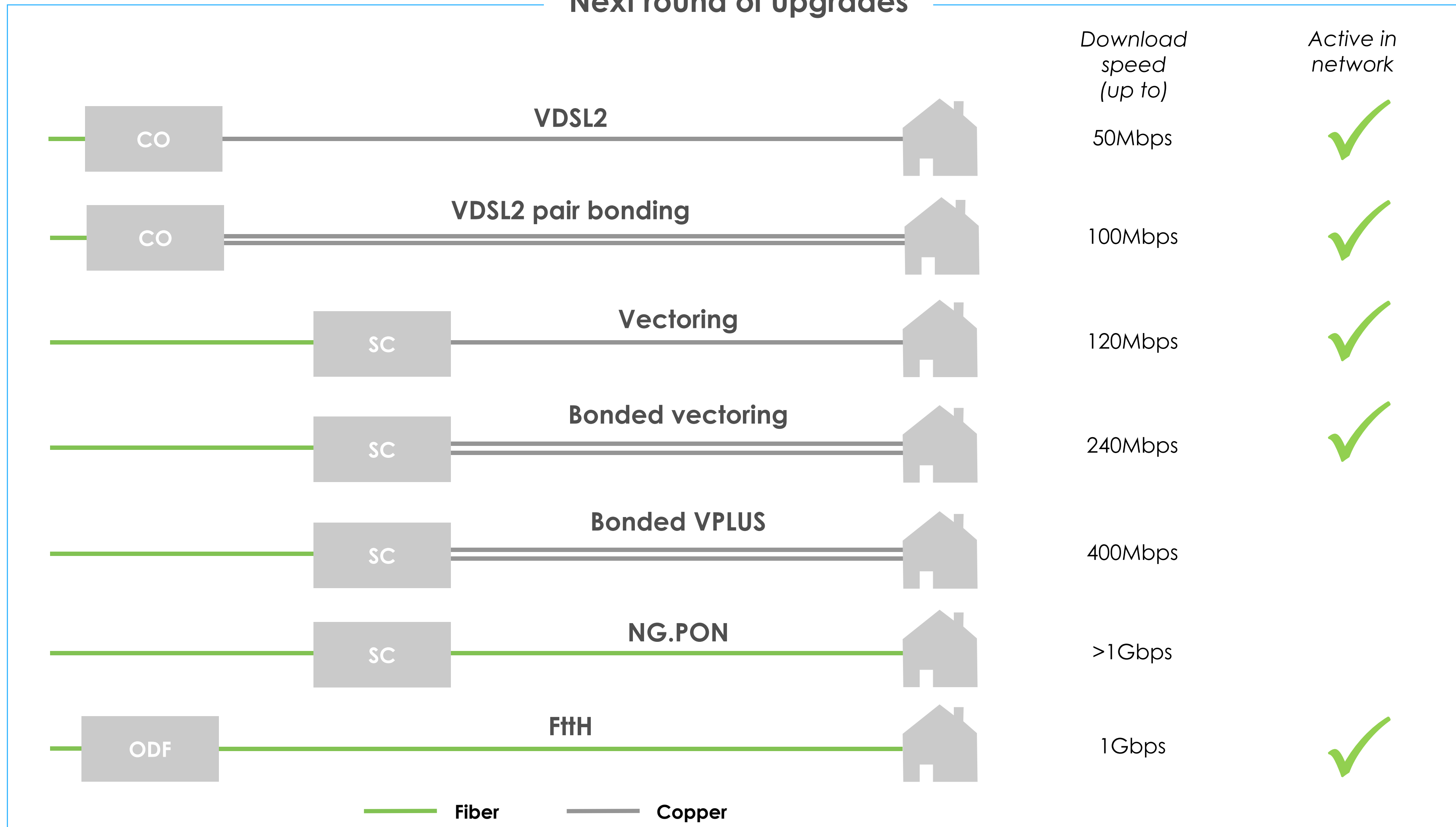
800MHz (Paired)	Tele2 2*10	VOD 2*10	KPN 2*10						2*30
900MHz (Paired)	VOD 2*10	KPN 2*10	T-Mob 2*15						2*35
1.8GHz (Paired)	KPN 2*20		VOD 2*20		T-Mob 2*30				2*70
1.9GHz (Unpaired)	T-Mob 10	KPN 5	VOD 5.4	T-Mob 14.6					1*35
2.1GHz (Paired)	VOD 2*14.6		KPN 2*14.8		T-Mob 2*10	KPN 2*5	VOD 2*5	T-Mob 2*10	2*59.4
2.6GHz (Unpaired)	T-Mob 25			KPN 30			Tele2 5		1*60
2.6GHz (Paired)	VOD 2*10	Ziggo4 2*20		T-Mob 2*5	KPN 2*10	Tele2 2*20			2*65
Total	KPN 174.6MHz		VOD 144.6MHz		T-Mob 189.6MHz		Tele2 65MHz	Ziggo4 40MHz	613.8MHz

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Next round of upgrades



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Telefónica Deutschland stake

Accounting treatment



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

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

Tax

- Dividends received and/or capital gains realized (proceeds above tax book value) on KPN's stake 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