

Q4 & FY 2019 RESULTS

29 January 2020

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 the 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.

Comparative figures regarding IFRS 16

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.

Additional information regarding impact of divestments on Q4 and FY 2018 financial figures

KPN's Q4 2019 Press Release and Q4 2019 Analyst Presentation include additional information regarding impact of divestments on the Q4 and FY 2018 comparative financial figures, as KPN's Board of Management deems it important to provide readers with additional information on the financial impact of the following divestments: NLDC, International Network Services and Argeweb.

The impact of divestments as mentioned represents the estimated financial impact (transfer of revenues, addition of COGS and transfer of indirect costs) of the combined completed divestments as if the actual transfer of shares (closing) had taken place 12 months earlier. This information has been included for comparison reasons only and is not considered to be an alternative performance measure. Please note that the financial impact of divestments is based on management estimates, which have not and will not be audited.

Operational highlights FY 2019

good progress on the execution of our strategy

The best converged smart infrastructure

Accelerated fiber roll-out strategy

Mobile network modernization

Migration legacy lines to all-IP

Focus on profitable growth segments

Consumer: focus on households and convergence

Business: focus on stabilizing end-to-end Adj. EBITDA AL

Wholesale: grow WBA/VULA portfolio

Accelerating simplification & digitalization

Digital transformation

IT rationalization

Sustainable opex reductions

Focus on core activities

The best converged smart infrastructure

2019 – 2021 strategy

Fiber roll-out
acceleration

+1 million

FttH households

by end 2021

Full mobile network
modernization

100%

5G ready

by end 2021

Moving to All-IP

100%

by end 2021

Stable Capex envelope € 1.1bn

substantial shift in mix from ~35% to ~50% access investments (2019-2021)

Fiber roll-out acceleration

progress made in 2019

FttH roll-out in progress

~120k

additional households

>70

new projects up and running

Future proof technology

Deploying latest technologies
G-PON & XGS-PON

1Gbps proposition will become available on fiber as of March 2020

FttC roll-out nearly finalized

~390k

additional households¹

¹ Technically ready

FttH access investments

driving higher returns in Consumer

+2

NPS¹

+€ 6

Fixed ARPU

+6%_{opt}

Convergence
penetration

-40%

Churn

Fiber vs. Copper customers Q4 2019

Full mobile network modernization

progress made in 2019

Strong start to
mobile network
modernization...

640

sites modernized
since September 2019

...using latest
technologies...

Massive
MIMO

5G
ready

...significantly
improving
download speed

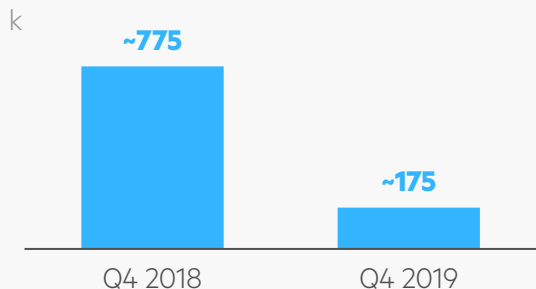
>30%

higher download speed
on modernized sites

Moving to all-IP

progress made in 2019

Migration legacy lines
well on track



Shutting down
legacy networks

PSTN SDH
ISDN **3G**
Copper in fiber areas

Consumer: targeted household approach

2019 – 2021 strategy

Grow converged
households...

+300k

by end 2021

...and SIMs
per household...

+10%

by end 2021

...to drive higher
converged postpaid
base (all brands)

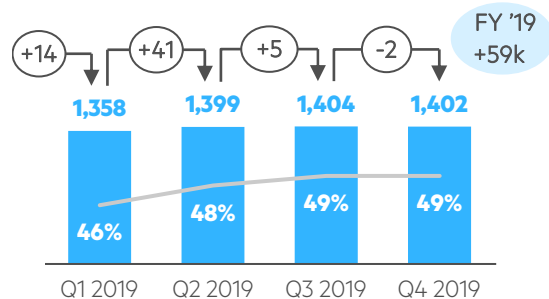
70%

by end 2021

Consumer convergence

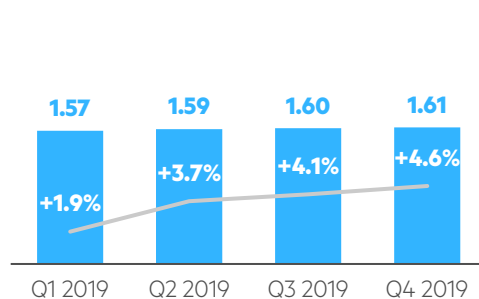
progress made in 2019

+59K converged households



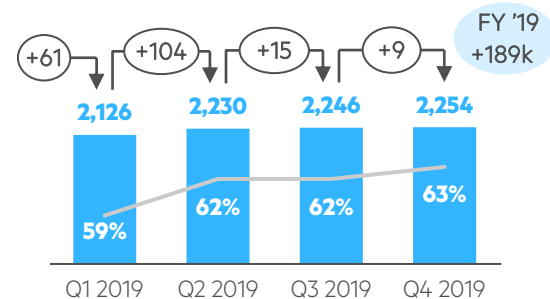
- Converged household base (k)
- Convergence penetration all brands

+4.6% SIMs per household



- SIMs per household
- % growth vs. FY 2018

+189k converged postpaid base

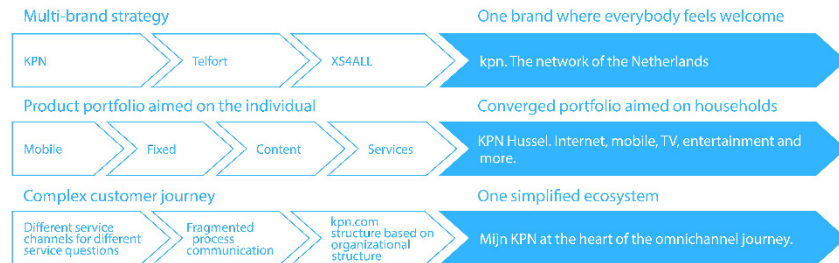


- Converged postpaid base (k)
- Convergence penetration all brands

Consumer: strategic actions in 2019

executing our convergence strategy

Convergence strategy



Brand strategy

One strong brand: KPN

Strengthen household relationships

Drive simplification

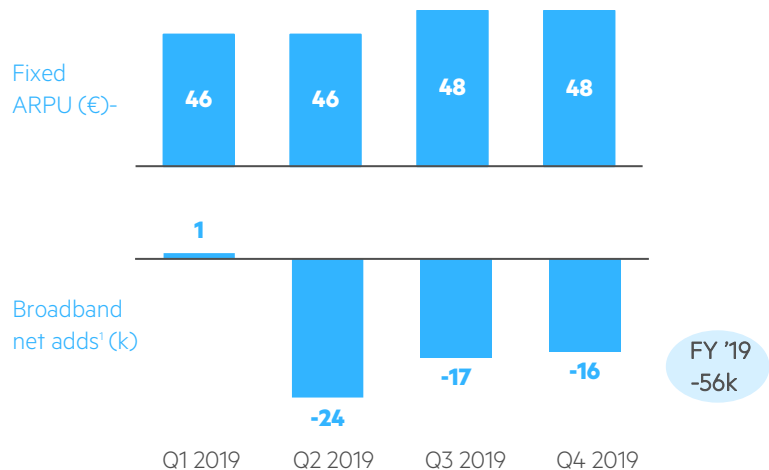
Launch of KPN Hussen

Fully flexible household proposition

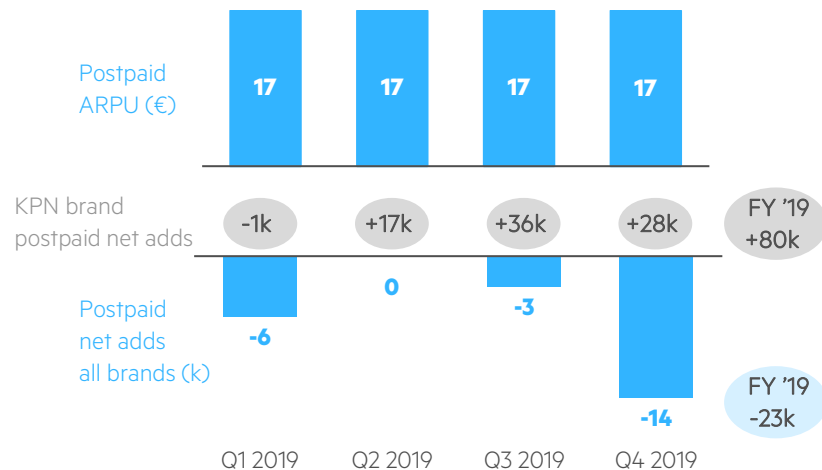
Consumer Fixed and Mobile KPIs

quarterly trends in 2019

Fixed KPIs

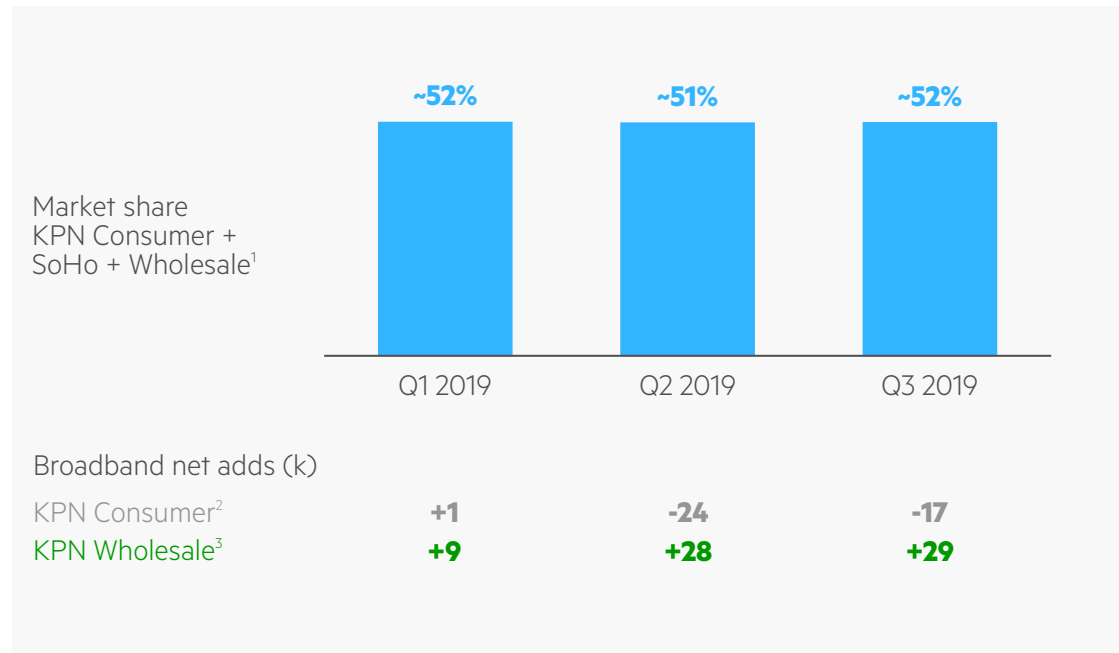


Mobile KPIs



¹ Corrected for migrations to and new customers of small business propositions (Q1: 8k, Q2: 7k, Q3: 7k, Q4: 7k)

Stable broadband network share



KPN invests in a future-proof network, benefitting all our customers

Significant Wholesale market share adds to KPN's strong position in the Dutch fixed market

1 Source: Telecompaper, company reported data, management estimates; Q4 2019 market share data not available

2 Corrected for migrations to and new customers of small business propositions (Q1: 8k, Q2: 7k, Q3: 7k)

3 Wholesale includes MDF, ODF and WBA/VULA

Business: stabilizing end-to-end Adj. EBITDA AL

2019 – 2021 strategy

Transformation of
operating platform

100% customer
migrations from legacy portfolio

SME and LE in 2020¹

Future-proof, simplified product portfolio
Standardized converged solutions
Up- and cross-sell opportunities

Value over
volume strategy

**LE &
Corporate**

Customer retention
Increase share of wallet
Improve customer lifetime value

Lean & digital
operations

Simplifying IT infrastructure

>25% lower cost to serve KPN EEN
by 2021

-75% of IT systems
by 2021

Simplified end-to-end organization

Business transformation

along customer segments

1

Small business (SoHo)

**KPN small
business**

+30k

net adds in 2019
small business proposition¹

2

SME

**KPN EEN
SME**

+158k

net adds in 2019

3

LE & Corporate

**KPN smart
combinations**

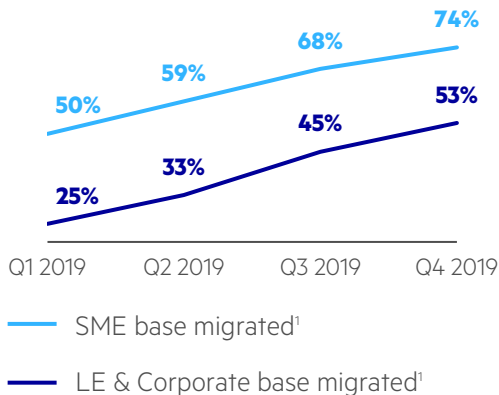
launched in 2019

¹ Incl. migrations from Consumer

Business: strategic actions in 2019

strong progress in operational transformation

Migrations from legacy portfolio



¹ Migrated from traditional fixed voice and legacy broadband services

Value over volume strategy

Data-Driven Pricing model introduced to maximize value per order

Hardware only in combination with recurring services contract

Lean & digital operations

>25% lower cost to serve KPN EEN realized

IT integration ongoing

Post-merger integration

Activities of telco and IT subsidiaries integrated into KPN organization

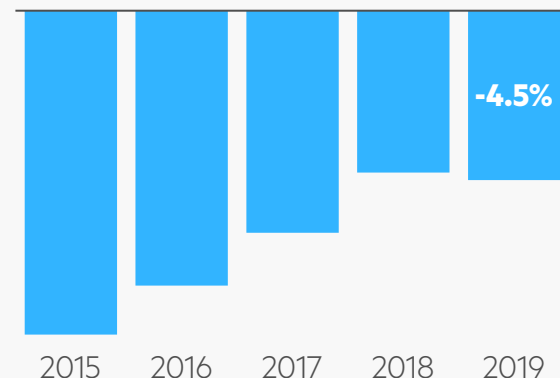
Business revenue trend

strategic actions considerably impacted 2019 revenue

Adjusted revenues y-on-y growth trend

	Q4 2019	FY 2019
Communication Services	-9.1%	-8.4%
Mobile service revenues	-11%	-9.1%
IoT	19%	15%
Broadband & Network Services	-7.9%	-3.1%
Fixed voice	-25%	-19%
Other	27%	0.5%
IT Services (a.o. security, cloud, workspace)	7.8%	0.5%
Professional Services	4.1%	4.3%
KPN Consulting	-7.1%	2.3%
Total	-3.7%	-4.4%

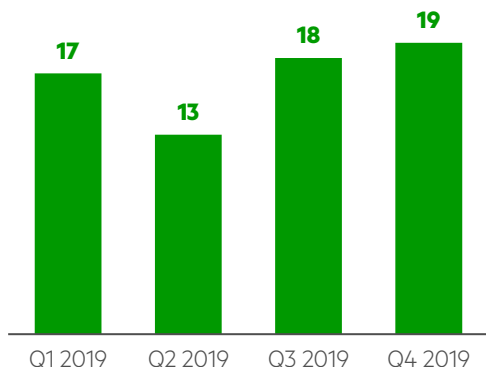
Organic revenue trend¹



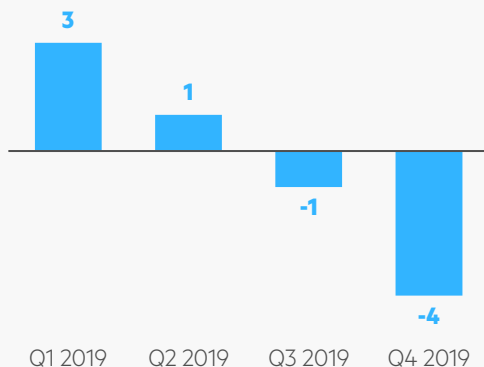
¹ Revenues for FY 2017, FY 2018 and FY 2019 excluding M&A and additional hardware

Customer experience & recognition

Consumer NPS¹



Business NPS¹



Awards



#1 reputation²

Best mobile provider³

Strongest Dutch brand⁴

Best retail chain⁵

Global Microsoft
Security & Compliance
Partner of the Year **2019**

KPN EEN nominated **best**
offer for SME customers⁶

1 Source: Kantar TNS

2 Industry adjusted, source: Reputation institute

3 Source: Consumentenbond (Dutch Consumers' Association)

4 Source: Brand Finance

5 Category Telecoms, source: Retailer of the Year (Q&A)

6 Source: Computable awards

Acceleration of simplification & digitalization

From **20 to 2**
converged IT
stacks

From **5** core
networks **to 1**

Simplified
end-to-end
organization

~€ 350 million

2019-2021 net opex
savings program¹

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

€ 141 million net indirect opex savings in 2019

contributing strategic actions

Digital transformation

Agile based operating model
Simplified organization
Right sizing
Skill-based management
B2B transformation

Opex reduction

Portfolio rationalization
Brand rationalization
Contract (re)negotiations
Resource optimization
Energy and cost management

IT rationalization

TV platform optimization
Mobile IT consolidation following brand integration
Decommissioning legacy IT

Doing business in a sustainable manner

A-list CDP and #2 in Dow Jones Sustainability Index

Secure future-proof infrastructure – **SDG 9**

Facilitate private and public partners

Drive future-proof innovation across various sectors

Social and digital inclusion – **SDG 11**

Improve life in cities and remote areas

Stimulate diversity and social inclusion

Avoid social exclusion of groups due to digital transformation

Environmental impact – **SDG 12**

Commit to circular economy principles

Enable customers to reduce energy consumption



Financial highlights FY 2019

Adjusted revenues

€ 5,486m

-2.7% y-on-y¹

2018: € 5,639m¹

Adjusted EBITDA
after leases

€ 2,317m

+1.2% y-on-y¹

2018: € 2,290m¹

Free Cash Flow

(excl. TEFD dividend)

€ 726m

-8.6% y-on-y¹

2018: € 795m¹

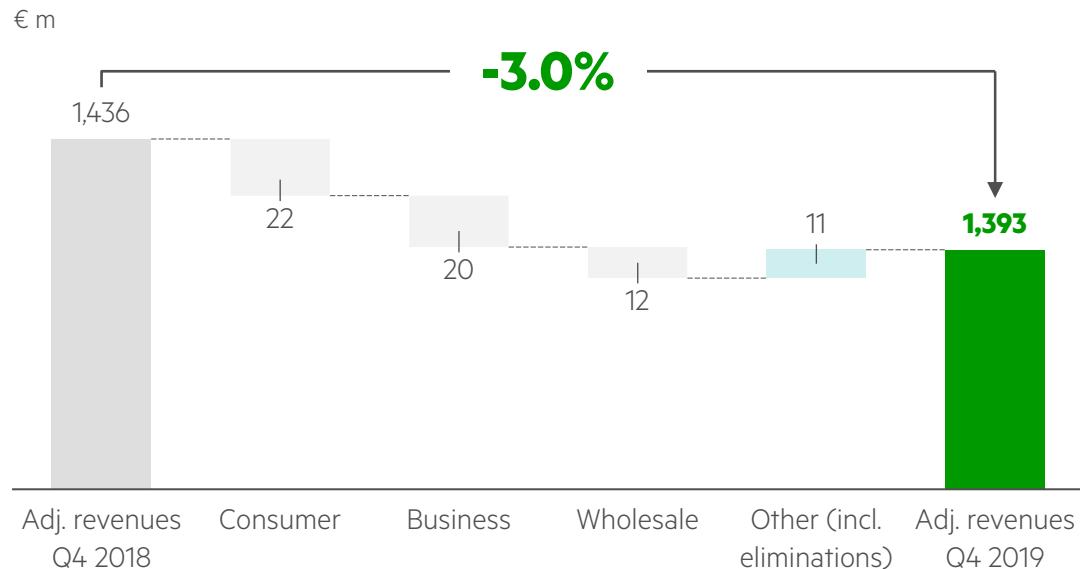
¹ Key figures for FY 2018 and y-on-y trend are not corrected for impact of closed divestments (NLDC, International Network Services and Argeweb). For information purposes only, FY 2018 corrected for impact of divestments to be found in the Appendix

Financial performance Q4 and FY 2019

€ m	Q4 2018	Q4 2019	Δ y-on-y	FY 2018	FY 2019	Δ y-on-y
Consumer	756	734	-2.9%	2,986	2,916	-2.3%
Business	548	528	-3.7%	2,137	2,042	-4.4%
Wholesale	158	146	-7.6%	623	628	0.7%
Other	-26	-15	-42%	-107	-100	-6.7%
Adjusted revenues	1,436	1,393	-3.0%	5,639	5,486	-2.7%
Adjusted direct costs	354	362	2.1%	1,332	1,301	-2.3%
Adjusted indirect costs after leases	512	470	-8.1%	2,017	1,868	-7.4%
Adjusted EBITDA after leases	570	561	-1.6%	2,290	2,317	1.2%
Reported						
EBITDA	571	598	4.7%	2,353	2,578	9.6%
EBIT	185	202	9.2%	820	1,041	27%
Net profit	-47	84	n.m.	292	614	>100%

Key figures for Q4 2018 and FY 2018 and y-on-y trend are not corrected for impact of closed divestments (NLDC, International Network Services and Argeweb). For information purposes only, Q4 and FY 2018 corrected for impact of divestments to be found in the Appendix

Adjusted revenues declined in Q4 and FY 2019



FY 2019 € 5,486

-2.7% y-on-y

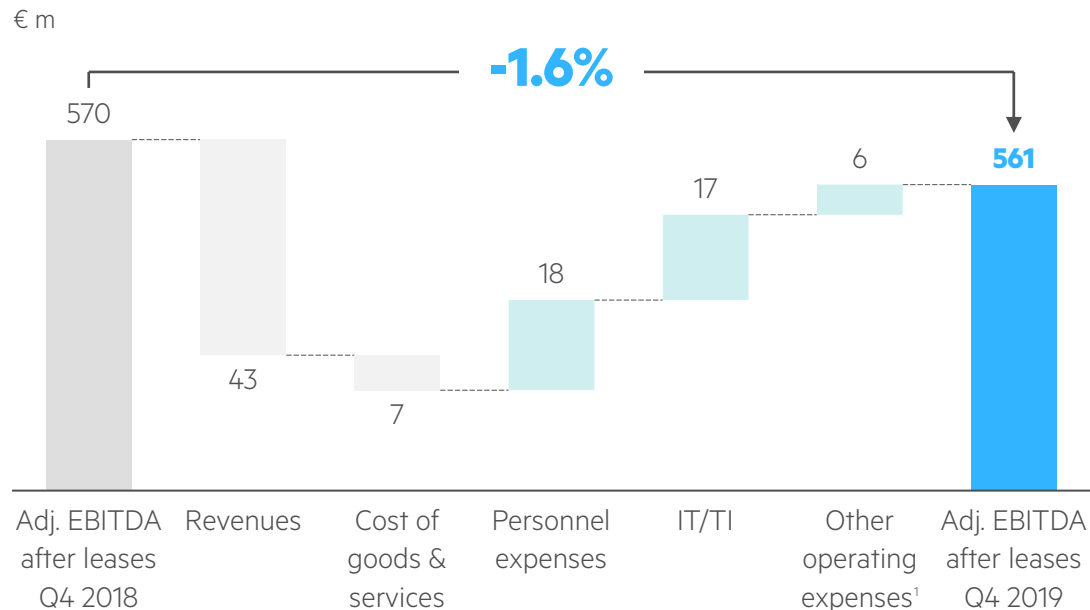
FY 2018: € 5,639m

€ 2m negative
impact from divestments¹

¹ For information purposes only, Q4 and FY 2018 corrected for impact of divestments to be found in the Appendix

Slightly growing Adjusted EBITDA AL in FY 2019

supported by simplification and digitalization



FY 2019: € 2,317

+1.2% y-on-y

FY 2018: € 2,290m

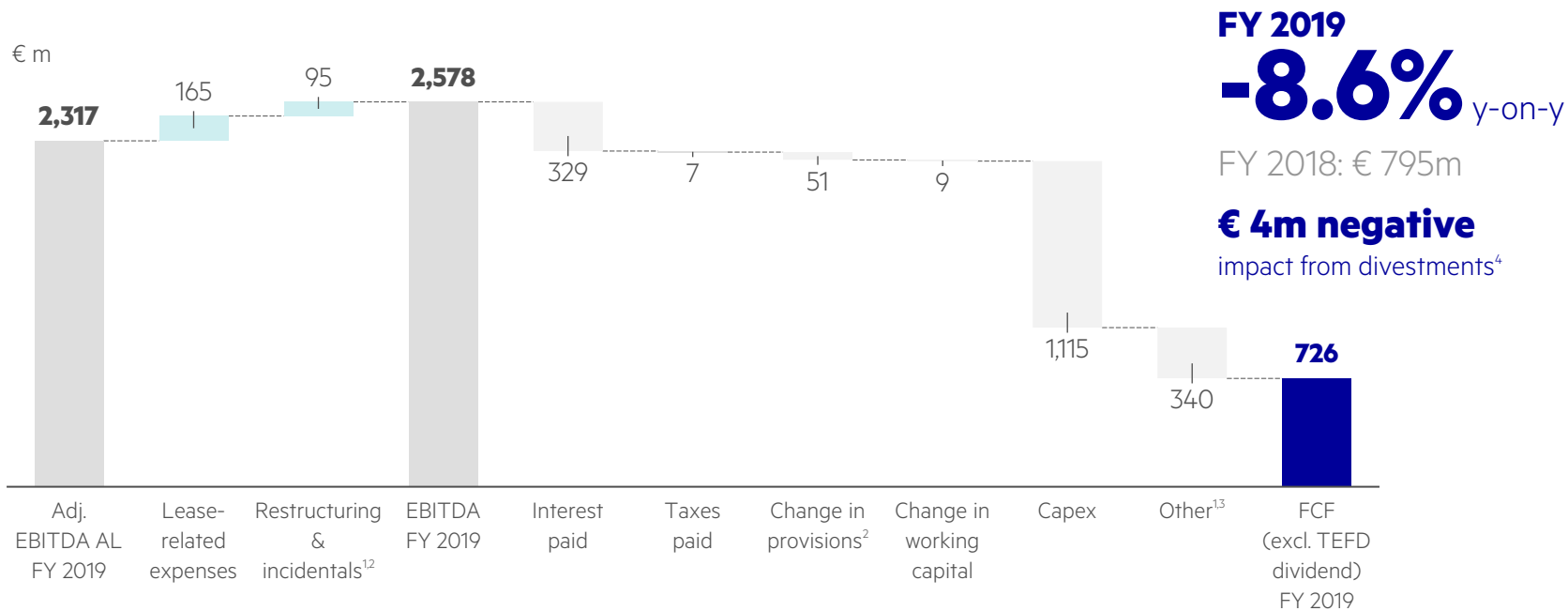
€ 6m negative
impact from divestments¹

¹ Incl. lease-related expenses

Financial performance Q4 and FY 2019 – FCF

€ m	Q4 2018	Q4 2019	Δ y-on-y	FY 2018	FY 2019	Δ y-on-y
Adjusted EBITDA after leases	570	561	-1.6%	2,290	2,317	1.2%
Interest lease liabilities	8	6	-27%	33	28	-16%
Depreciation right-of-use asset	36	33	-6.6%	146	138	-6.0%
Restructuring	-27	-22	-18%	-101	-115	13%
Incidentals	-16	19	n.m.	-16	210	n.m.
EBITDA	571	598	4.7%	2,353	2,578	9.6%
Interest paid / received	-77	-64	-17%	-339	-329	-2.9%
Tax paid / received	16	-	n.m.	-9	-7	-16%
Change in provisions	21	-19	n.m.	56	-51	n.m.
Change in working capital	90	148	64%	-8	-9	16%
Other movements (incl. TEFD dividend)	2	-30	n.m.	46	-176	n.m.
Net CF from operating activities	622	632	1.7%	2,099	2,005	-4.5%
Capex	-368	-322	-13%	-1,106	-1,115	0.8%
Proceeds from real estate	-	1	n.m.	5	1	-74%
Repayments of lease liabilities	-33	-27	-18%	-149	-141	-5.3%
Free cash flow	220	284	29%	849	750	-12%
TEFD dividend	-	-	n.m.	54	24	-56%
Free cash flow (excl. TEFD dividend)	220	284	29%	795	726	-8.6%

FCF development in FY 2019



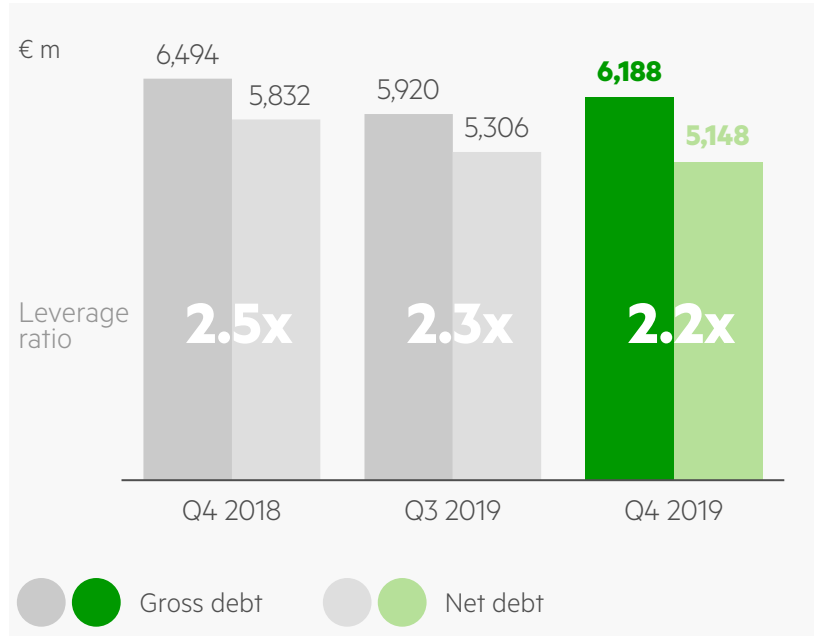
1 Incl. € 171m book profit from the sale of NLDC in Q3 2019 and € 25m book profit from the sale of International Network Services in Q4 2019

2 Incl. € 20m release of revenue related provisions in Q3 2019

3 Incl. € 141m repayments of lease liabilities and € 5m book profit from the sale of Argeweb in Q4 2019

4 For information purposes only, Q4 and FY 2018 corrected for impact of divestments to be found in the Appendix

Solid financial position



Refinancing in 2019 leading to ~€ 67m lower cash interest payments in 2020

- Q1 2019, € 465m 7.5% bond redeemed
- Q2 2019, £ 96m 6.0% bond redeemed¹
- Q4 2019, \$ 405m 8.375% senior bond repurchased

Other refinancing in 2019

- Q2 2019, € 300m EIB facility signed (undrawn)
- Q4 2019, € 500m 2.0% perpetual hybrid bond issued²
 - To replace £ 400m 6.875% hybrid bond which will be called in March 2020

¹ Swapped to € 123m with a fixed rate of 4.58%

28 ² The perpetual hybrid bond is accounted for as equity under IFRS. The coupon is treated as a dividend payment and interest expense is not accrued through the P&L. Therefore the coupon payment is not part of KPN's Free Cash Flow definition

Outlook 2020 and 2019 – 2021 ambitions

	Outlook 2020	2019 – 2021 ambitions
Adjusted EBITDA AL	Stable to slightly growing compared to 2019 ¹	Organic growth
Capex	€ 1.1bn	Stable at € 1.1bn annually
FCF (excl. TEFD dividend)	At least mid-single digit percentage growth compared to 2019 ²	Three-year mid-single digit CAGR ³
Regular DPS	€ 13.0 cents	Progressive dividend, supported by FCF

Outlook is based on composition of the Group as per 31 December 2019, also taking into account the completion of the sale of KPN Consulting, which is planned in Q1 2020. Outlook is based on comparable basis corrected for divestments^{1,2,3}

The historical comparable basis figures are based on management estimates and are not audited

1 FY 2019 Adjusted EBITDA AL of € 2,287m, corrected for divestments. This is € 30m lower compared to € 2,317m as reported for FY 2019

2 FY 2019 FCF (excl. TEFD dividend) of € 718m, corrected for divestments. This is € 8m lower compared to € 726m as reported for FY 2019

3 Three-year CAGR calculated from the end of 2018 to the end of 2021, based on FY 2018 FCF of € 772m, corrected for divestments. This is € 23m lower compared to € 795m as reported for FY 2018

**ORGANIC
SUSTAINABLE
GROWTH**

**Value
over
volume.**

**Lean
operating
model.**

INFORMATION PACK

Q4 & FY 2018 corrected for divestments
Tax
Debt portfolio
Treatment of hybrid bonds
Fixed infrastructure
Spectrum
Business go-to-market strategy



Q4 & FY 2018 corrected for divestments

divestments: NLDC, International Network Services and Argeweb¹

€ m	Q4 2018	Impact divestments	Q4 2018 excl. divestments	FY 2018	Impact divestments	FY 2018 excl. divestments
Consumer	756	-	756	2,986	-	2,986
Business	548	-3	545	2,137	-3	2,134
Wholesale	158	-12	146	623	-12	611
Network. Operations & IT	5	-	5	14	-	14
Other	-31	13	-18	-121	13	-108
Adjusted revenues	1,436	-2	1,434	5,639	-2	5,636
Cost of goods & services (direct costs)	354	11	365	1,332	11	1,343
Personnel expenses	272	-2	271	1,103	-2	1,101
IT/TI	101	-1	100	412	-1	410
Other operating expenses	137	-1	137	439	-1	439
Lease-related expenses	44	-3	40	179	-3	176
Incidentals	16	-	16	16	-	16
Restructuring	27	-	27	101	-	101
Adjusted indirect costs after leases	555	-7	505	2,017	-7	2,010
Adjusted EBITDA AL	570	-6	564	2,290	-6	2,284
Free cash flow (excl. TEFD dividend)	220	-4	216	795	-4	790

¹ Estimated adjustments of Q4 and FY 2018 results for the combined impact of completed divestments of NLDC, International Network Services and Argeweb, as if the actual transfer of shares (closing) had taken place 12 months earlier

Tax Q4 and FY 2019

Regions (€ m)	P&L				Cash flow			
	Q4 2018	Q4 2019	FY 2018	FY 2019	Q4 2018	Q4 2019	FY 2018	FY 2019
The Netherlands	-132	54	-224	-49	16	-	-9	-7
Other	-	-	-5	-	-1	-	-4	-
Total reported tax	-132	54	-229	-49	15	-	-13	-7
Of which discontinued operations	-	-	-5	-	-1	-	-4	-
Reported tax from continuing operations	-132	54	-224	-49	16	-	-9	-7
Effective tax rate continuing operations	138.0%	-169.9%	42.7%	7.3%				

The effective tax rate for Q4 2019 was mainly influenced by the participation exemption, the tax rate changes and the Innovation Box facility

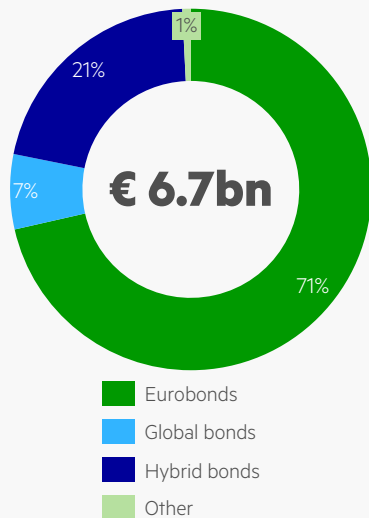
Without one-off effects¹ the effective tax rate would have been ~22% in Q4 2019

For 2019, the effective tax rate was ~22%, excluding one-off effects¹

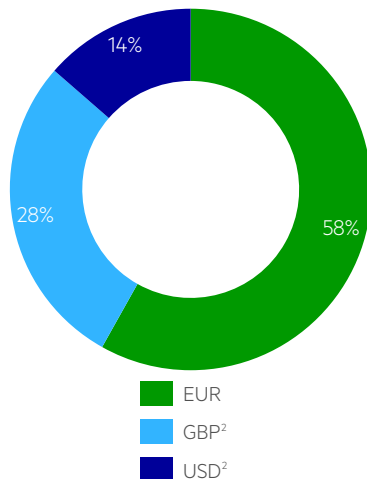
¹ Among others, tax law changes, settlements with tax authorities, impairments, revaluations

Debt portfolio

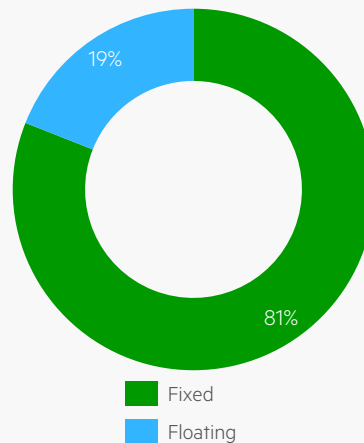
Nominal debt¹
by type



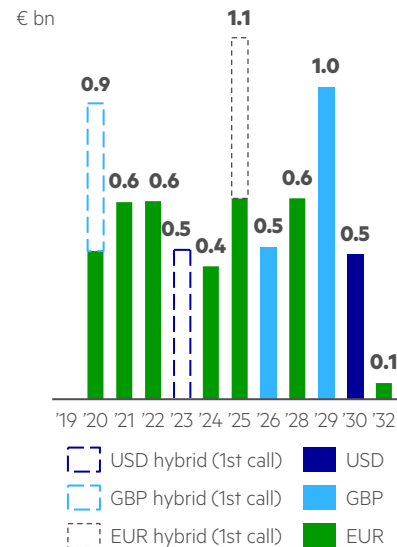
Nominal debt¹
by currency



Fixed vs. floating
interest³



Bond redemption
profile



¹ Based on the nominal value of interest-bearing liabilities after swap to EUR

² Foreign currency amounts hedged into EUR

³ Excludes bank overdrafts

Treatment of hybrid bonds

KPN & credit rating agencies

Hybrid bonds are recognized as 50% equity and 50% debt by the rating agencies. The GBP tranche is considered 100% debt as it has been replaced by the EUR NC2025 tranche

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 instrument, accounted for as equity
Coupon payments treated as equity distribution, hence not expensed through P&L, not included in FCF, but in financing cash flow¹

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

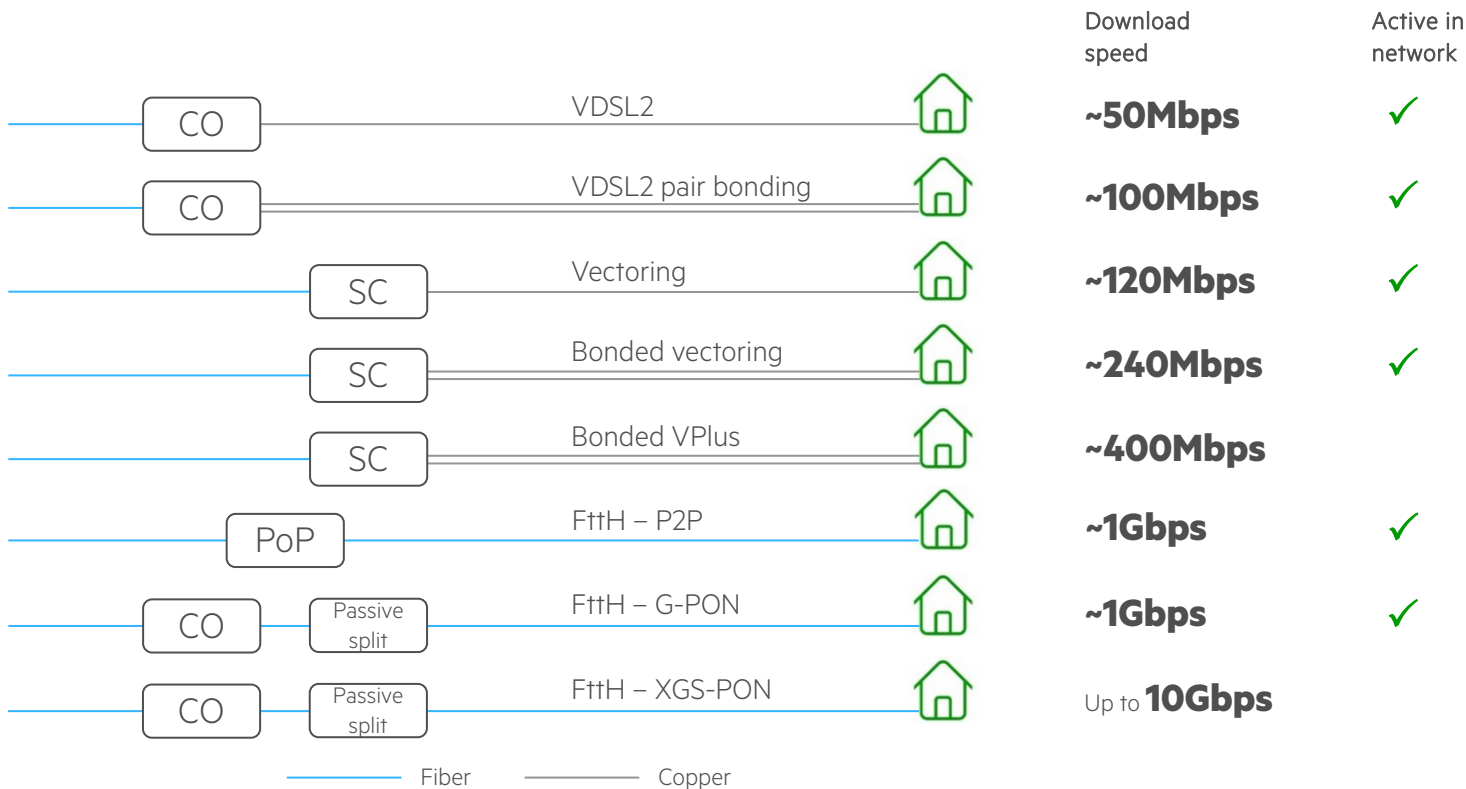
- Coupon payments treated as regular bond coupon, hence expensed through P&L, included in FCF

Tranche	Nominal	KPN net debt	Maturity	Rates ²	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)
EUR 0.5bn 2.000%	€ 500m	€ 250m	Perpetual (1st-call Feb 2025)	2.000%	Equity	Financing cash flows (not incl. in FCF)
Total	€ 1,425m	€ 713m				

¹ Cash flow item 'Paid coupon perpetual hybrid bonds'

² Rates after swaps. GBP tranche has annual coupon payments in March; USD tranche has semi-annual coupon payments (March / September); EUR tranche has short first coupon in Feb 2020 (0.25 years) thereafter annual coupons in February

Fixed infrastructure



Spectrum in the Netherlands

800MHz (Paired)	T-Mob 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			T-Mob 5	1*60
2.6GHz (Paired)	VodZig 2*30		T-Mob 2*5	KPN 2*10	T-Mob 2*20		2*65
Total	KPN 169.6MHz		VodZig 179.2MHz		T-Mob 230MHz		578.8MHz

T-Mobile including Tele2

Business go-to-market strategy

smartly positioned solutions for every customer

Themes



Client
Interaction



Organizational
Performance



Employee Productivity
& Collaboration

Propositions



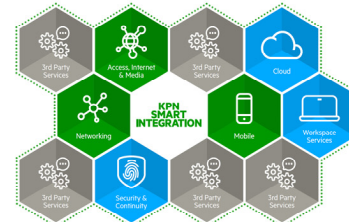
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