

First Quarter 2016 Results

29 April 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.

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.

Contents

1 **Highlights and operational performance**

Eelco Blok

2 **Financial performance**

Jan Kees de Jager

3 **Outlook and concluding remarks**

Eelco Blok

Highlights Q1 '16

Financial performance reflecting intrayear cost phasing



Services & Innovation

- Focus on high value KPN brand driving service revenue growth in Consumer
- Improving customer satisfaction
 - Rising in Consumer
 - Stable in Business
- Strengthened presence in Cloud and SME distribution through small M&A
- Increasing 100Mbps coverage: 70% of households

Operational

- Continued high value base growth Consumer
 - Increasing penetration fixed-mobile bundles
 - 31% of broadband base
 - 35% of postpaid base
 - +22k broadband net adds
 - +53k IPTV net adds
 - +36k postpaid net adds driven by KPN brand
- Business transformation on track
 - Decline in traditional Telco
 - Growth in multi play and new services

Financial¹ & Portfolio

- Adjusted revenues Q1 '16: € 1,689m, -3.9% y-on-y
- Adjusted EBITDA Q1 '16: € 568m, -4.5% y-on-y
 - Temporarily higher IT related expenses
- FCF Q1 '16 (excl. TEFD dividend): € -40m
- € 28ct capital repayment approved by AGM, payment expected in June
- Intention to pass through expected TEFD dividend

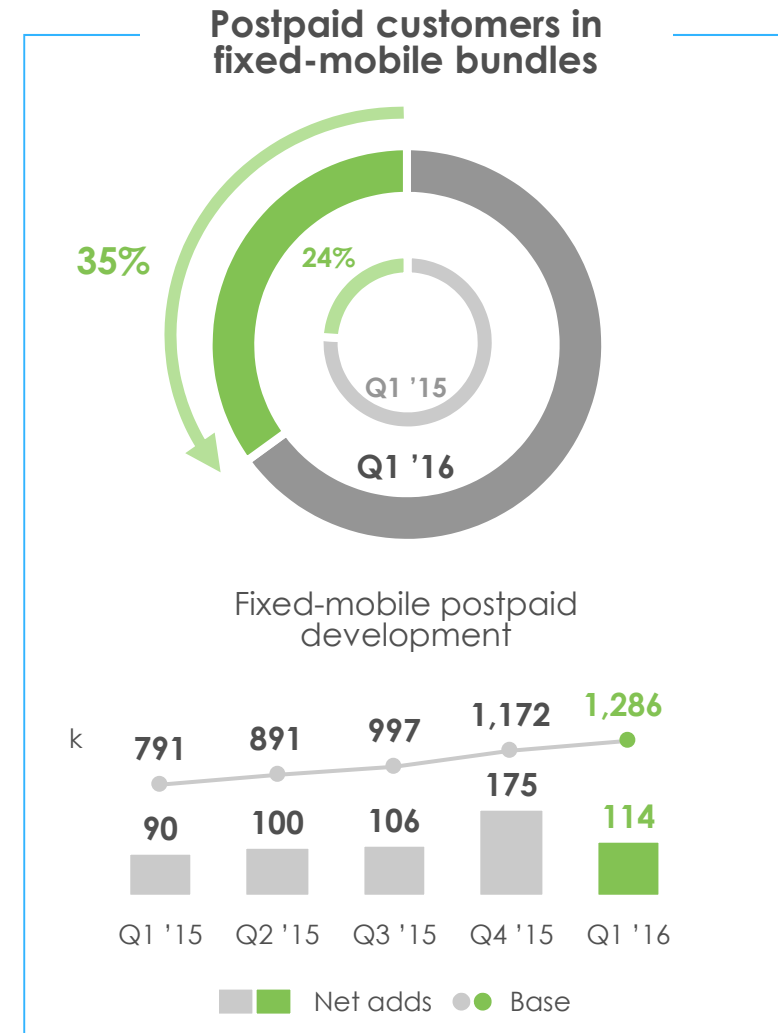
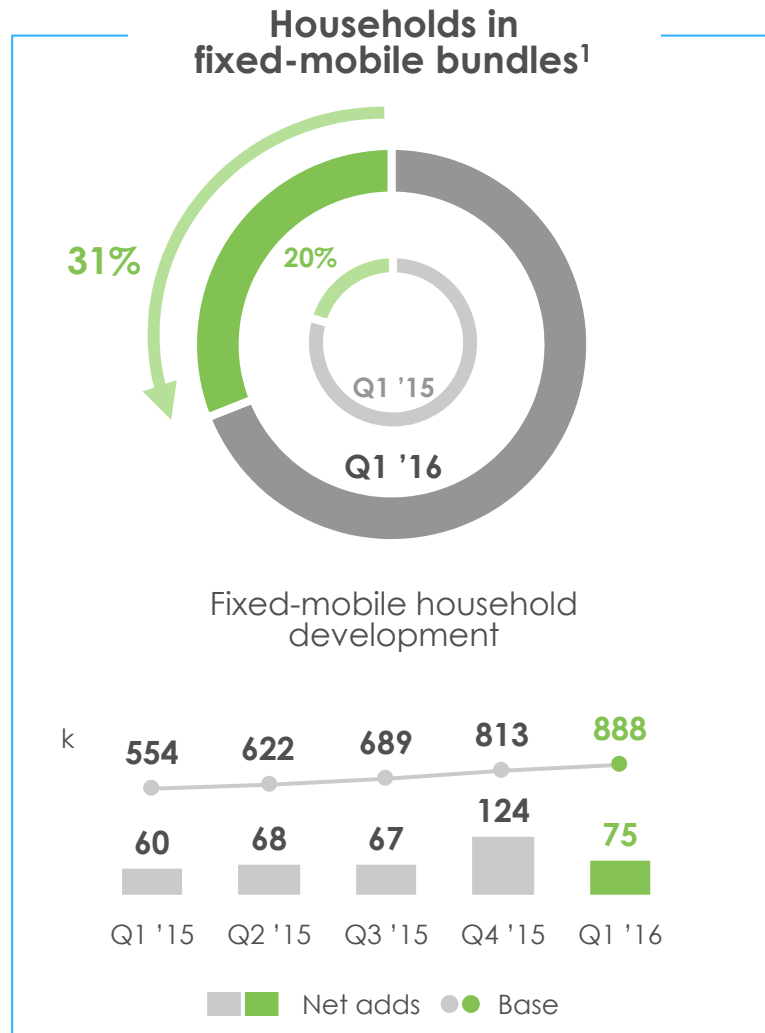
- Continued progress Simplification program: ~€ 300m run-rate savings realized²

¹ All figures based on continuing operations, unless stated otherwise. Certain financial figures and KPIs have been restated, as published on 15 March 2016

² End Q1 '16 vs. end Q4 '13

Increasing penetration fixed-mobile in Consumer

Continued growth



¹ As % of broadband customers

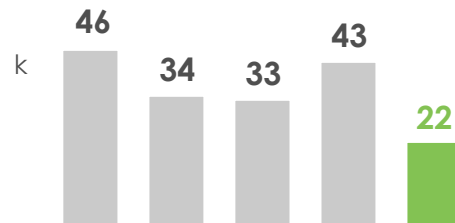
Solid performance in Consumer residential

Increasing share of wallet drives growing ARPU per household

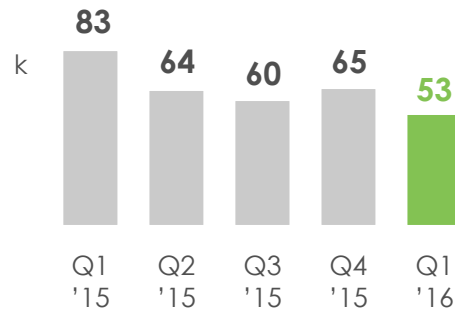


Continued base growth

Broadband net adds

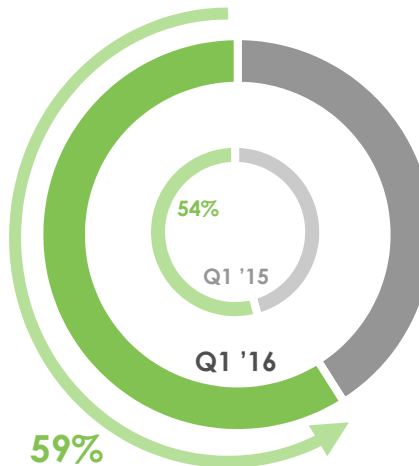


IPTV net adds



Increasing share of wallet

Triple play as % of broadband customers

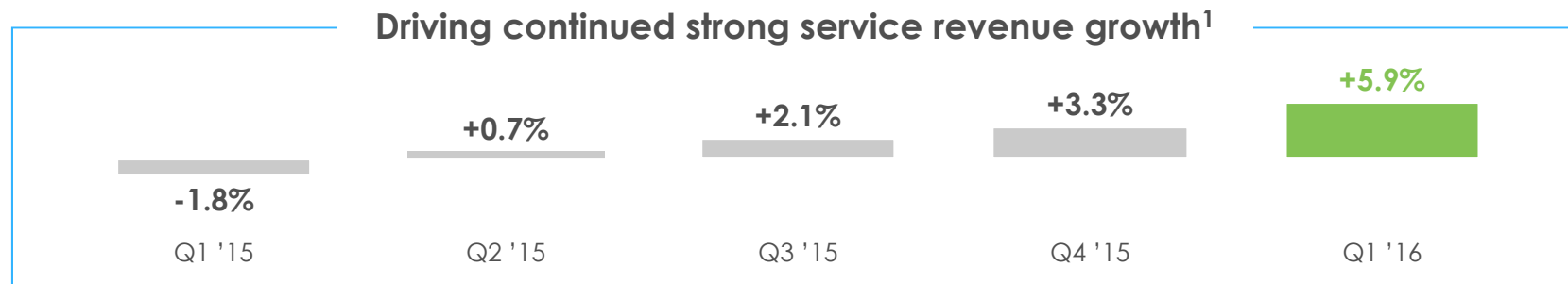
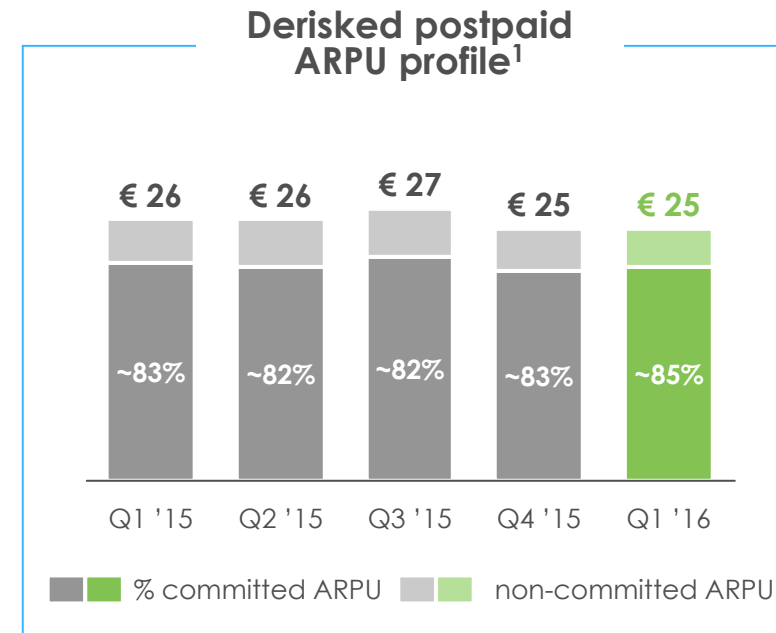
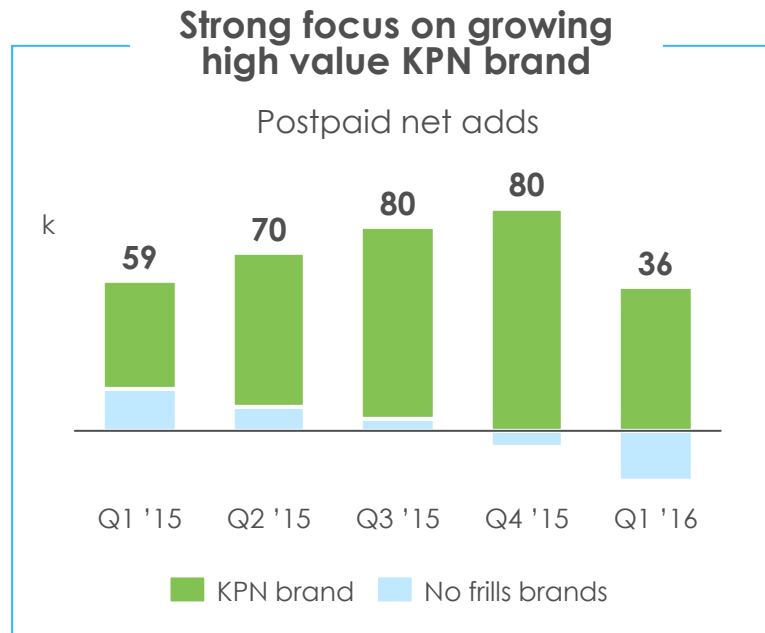


Growing ARPU per household



Value focus in Consumer mobile

High value KPN brand driving strong service revenue growth



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

Transformation of Business segment ongoing

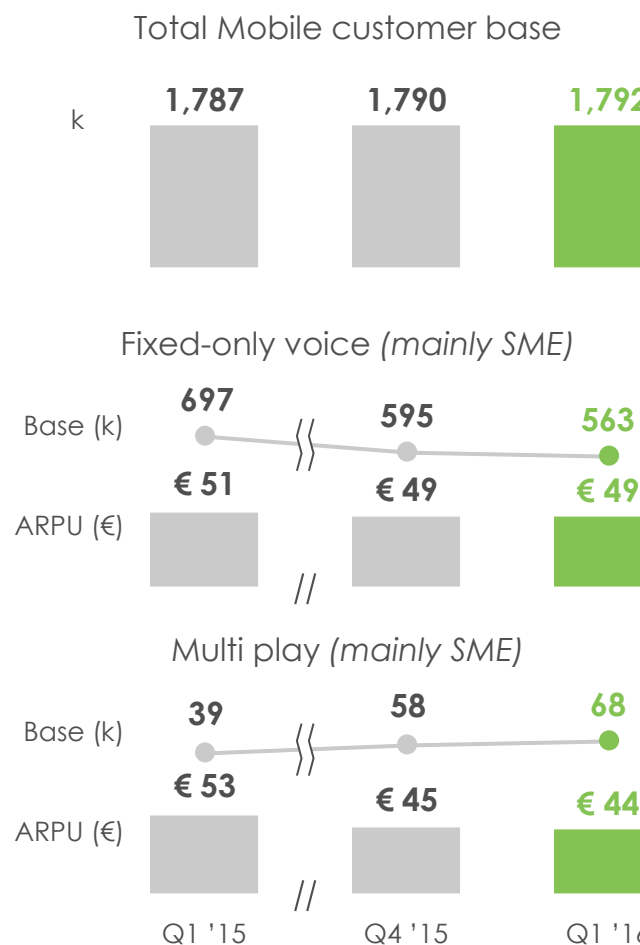
Growth in multi play and new services



Business revenue growth drivers

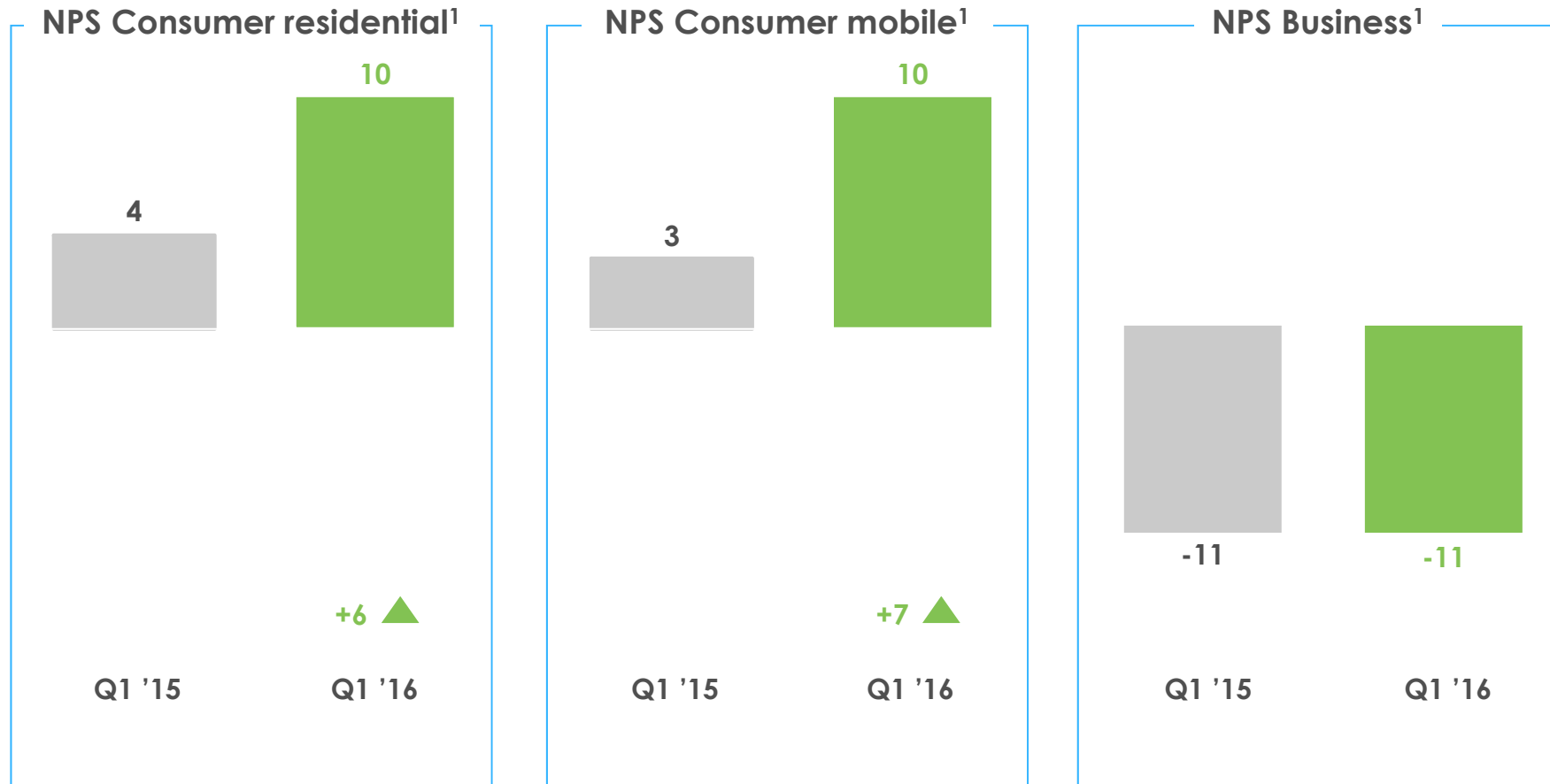
		Q1 '16 adjusted y-on-y growth	Q1 '16 % of total adjusted revenues
	Business total	-6.8%	
Mainly SME	Single play wireless	-13%	24%
	Traditional fixed	-19%	18%
	Multi play	+29%	4.6%
Mainly LE&Corporate	Network & IT services	-9.0%	22%
	Customized solutions	-0.7%	23%
	New services	+47%	4.8%

Challenging environment



Developing as best-in-class service provider

Dedicated programs to improve NPS in Business implemented



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

Contents

1 **Highlights and operational performance**

Eelco Blok

2 **Financial performance**

Jan Kees de Jager

3 **Outlook and concluding remarks**

Eelco Blok

Financial results reflecting intrayear phasing¹

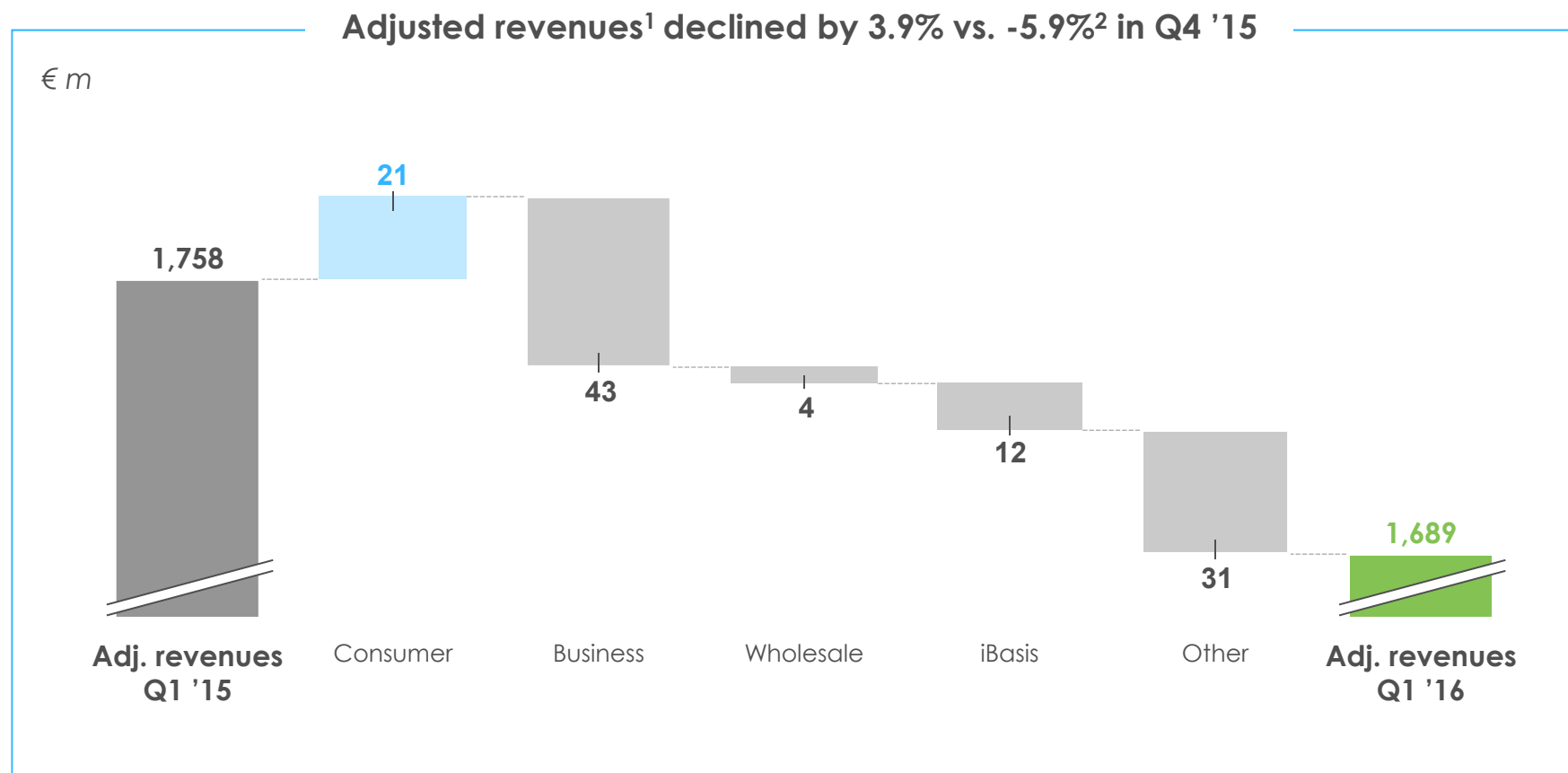


€ m	Q1 '16	Q1 '15	y-on-y %
Adjusted revenues	1,689	1,758	-3.9%
Adjusted EBITDA	568	595	-4.5%
Net profit	48	23	>100%
Capex	-318	-334	-4.8%
FCF	-40	30	n.m.

¹ All figures based on continuing operations, unless stated otherwise

Revenue trend improving

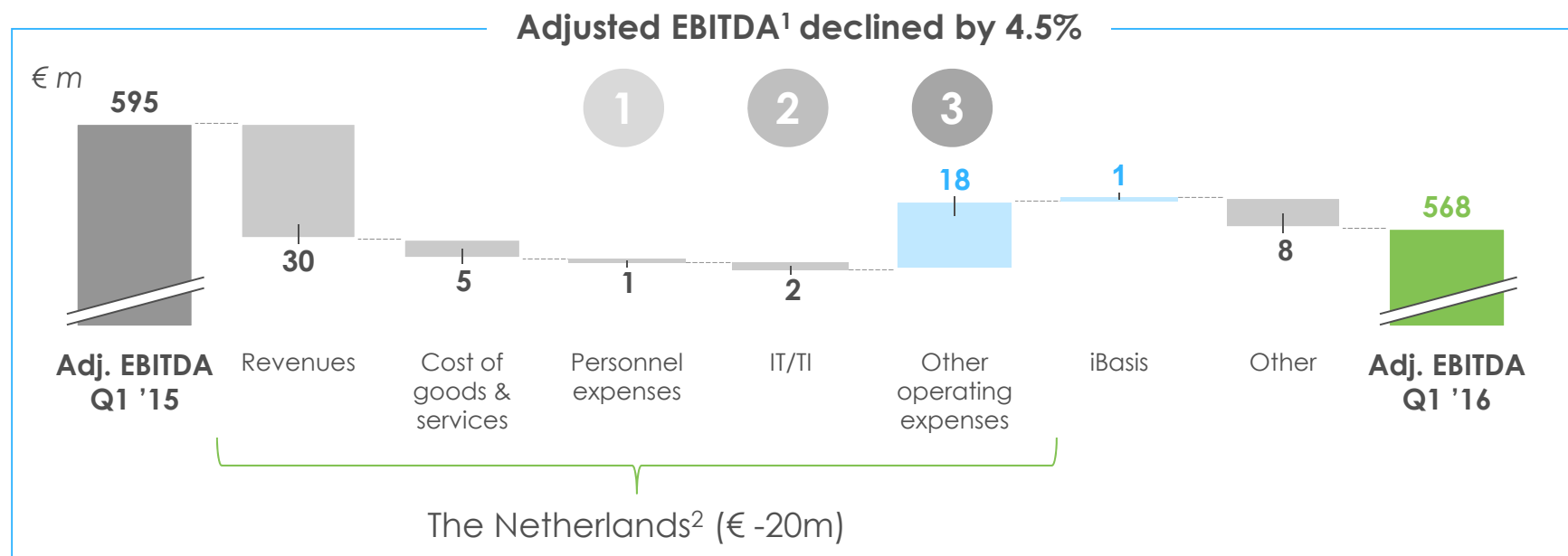
Growth in Consumer offset by Business and impact sale SNT end Q1 '15



¹ All figures based on continuing operations, unless stated otherwise
² Amended for tax settlement benefit in Q4 '14

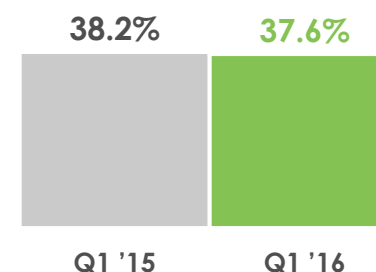
Adjusted EBITDA¹ trend reflects cost phasing

Temporarily higher IT related expenses offsetting cost savings



- 1 Temporary external personnel for IT transformation, offsetting FTE savings
- 2 Higher IT expenses in run-up to IT rationalization, offsetting Simplification savings
- 3 Lower marketing and housing expenses

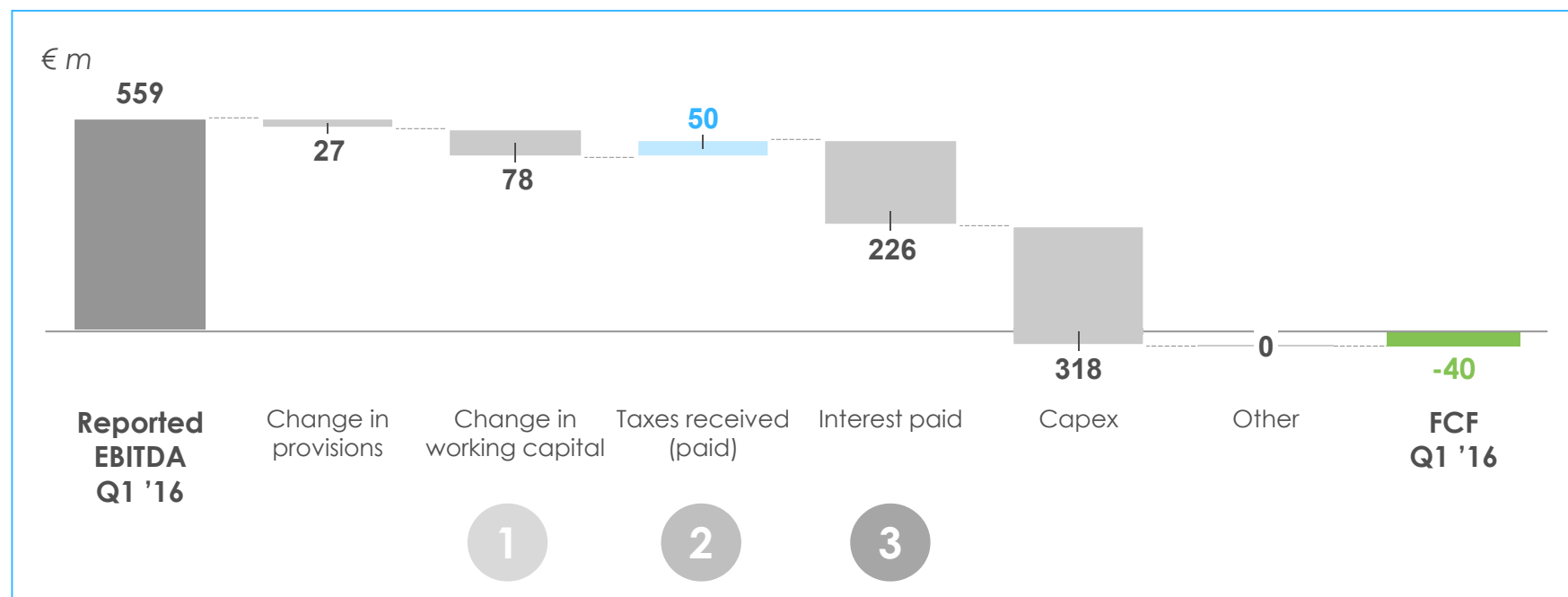
Adjusted EBITDA margin The Netherlands



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

Free cash flow¹ influenced by intrayear phasing



- 1 Less cash from change in working capital mainly due to lower Capex level and intrayear phasing
- 2 Tax reimbursement relating to utilization of DTA against prior years
- 3 Roughly 50% of expected interest payments for FY '16 paid in Q1 '16

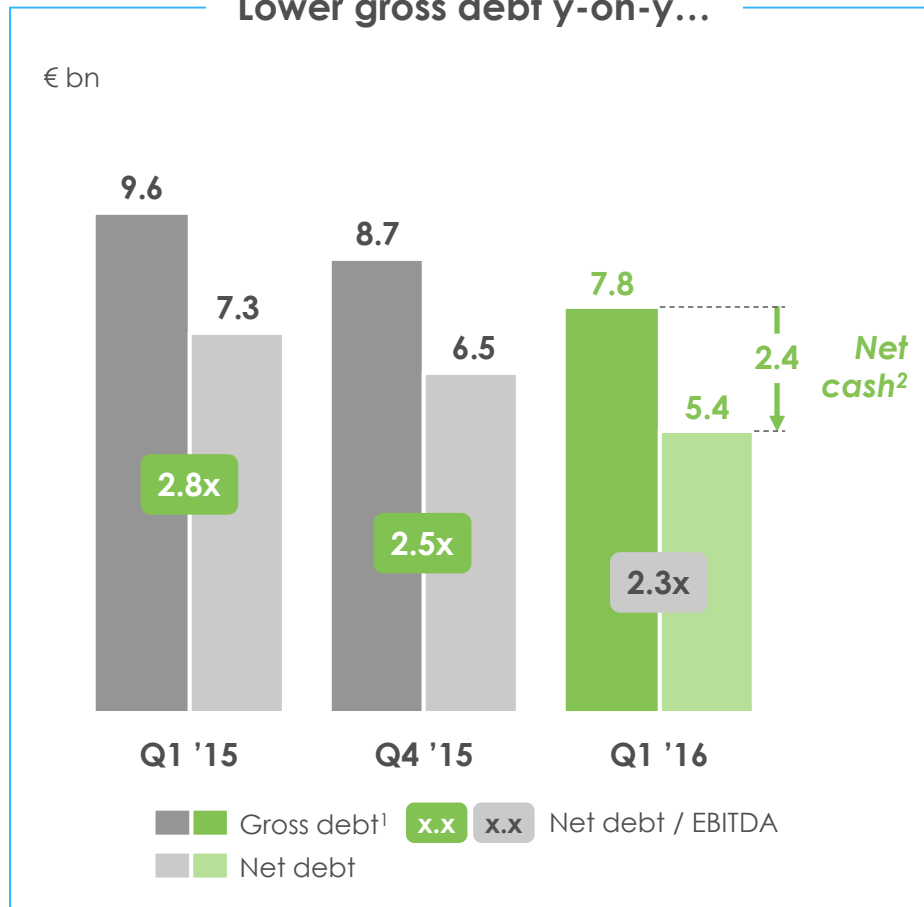
¹ All figures based on continuing operations, unless stated otherwise

Solid financial position

Reduced gross debt resulting in lower cash interest payments



Lower gross debt y-on-y...



...driving lower cash interest

- Gross debt € 0.9bn lower vs. Q4 '15
 - Bond redemptions repaid by available cash
- Net debt € 1.1bn lower vs. Q4 '15
 - Cash proceeds from sale BASE Company
 - € 1.2bn expected to be distributed to KPN shareholders in June 2016
- 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 **Highlights and operational performance**

Eelco Blok

2 **Financial performance**

Jan Kees de Jager

3 **Outlook and concluding remarks**

Eelco Blok

On track for outlook 2016

Growing shareholder remuneration



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
- Intention to grow regular DPS in line with FCF growth profile
- € 28ct distribution as capital repayment expected in June 2016
- Intention to distribute expected TEFD dividend to KPN shareholders (€ 2.5ct per KPN share)
- Excess cash could be utilized for
 - Operational / financial flexibility
 - (Small) in-country M&A
 - Shareholder remuneration



Q&A

Q1 2016 – Information Pack

For further information please contact

KPN Investor Relations

+31 70 44 60986

ir@kpn.com

ir.kpn.com

Contents

- 1 **KPN ADR program**
- 2 Group results analysis
- 3 Group KPI overview
- 4 Debt overview
- 5 Spectrum
- 6 Fixed infrastructure
- 7 Telefónica Deutschland stake

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	Begonia Roberts
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 Group results analysis**
- 3 Group KPI overview
- 4 Debt overview
- 5 Spectrum
- 6 Fixed infrastructure
- 7 Telefónica Deutschland stake

Group results Q1 '16¹



(€ m)	Q1 '16	Q4 '15	Q1 '15	y-on-y %
Revenues	1,689	1,745	1,758	-3.9%
Adjusted revenues	1,689	1,745	1,758	-3.9%
Operating expenses (excl. D&A)	1,130	1,167	1,182	-4.4%
EBITDA	559	578	576	-3.0%
Adjusted EBITDA	568	582	595	-4.5%
Depreciation	251	282	273	-8.1%
Amortization	167	136	128	30%
Operating expenses	1,548	1,585	1,583	-2.2%
Operating profit	141	160	175	-19%
Net finance costs	-82	127	-143	-43%
Share of profit of associates and joint ventures	1	1	-	n.m.
Profit before taxes	60	288	32	88%
Income tax	-12	-34	-9	33%
Profit after taxes	48	254	23	>100%

¹ All figures based on continuing operations, unless stated otherwise

Group cash flow Q1 '16¹



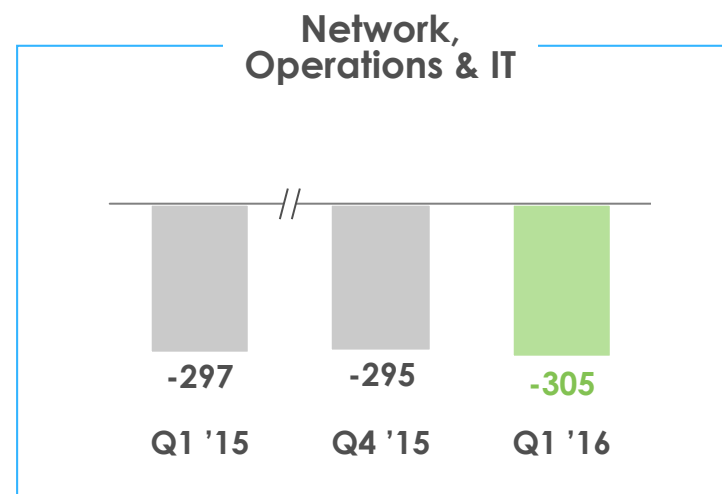
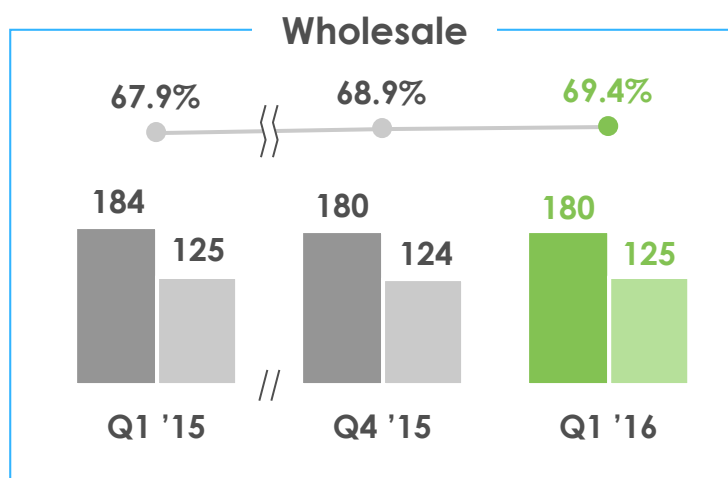
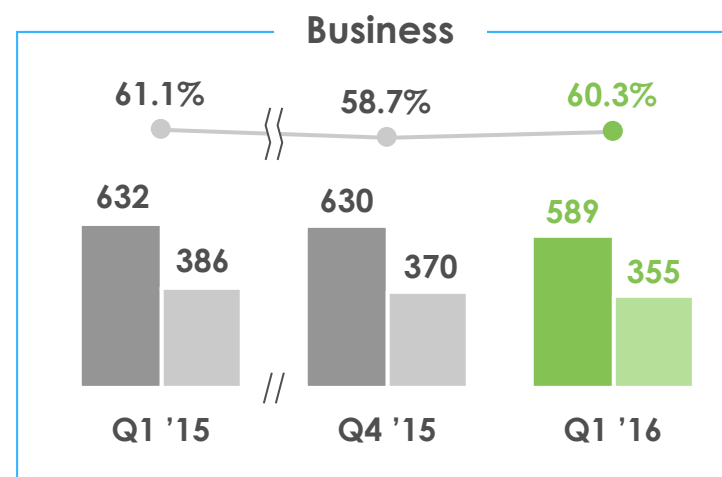
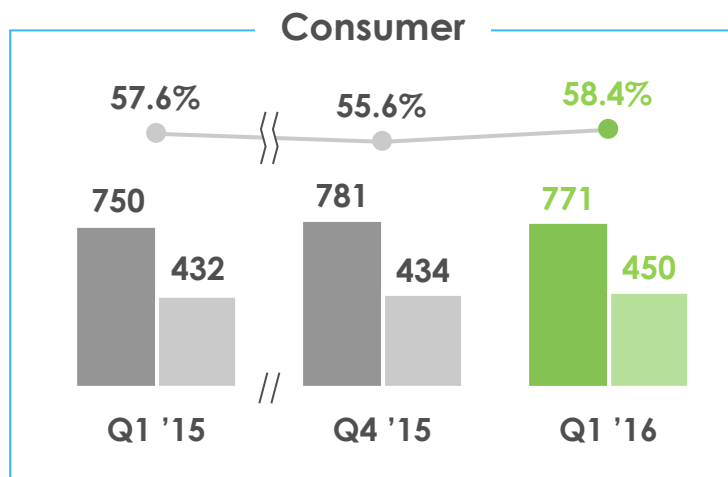
(€ m)	Q1 '16	Q1 '15	y-on-y %
EBITDA	559	576	-3.0%
Interest paid/received	-226	-222	1.8%
Tax paid/received	50	-10	n.m.
Change in provisions ²	-27	-1	>100%
Change in working capital ²	-78	21	n.m.
Other movements	-	-	n.m.
Net cash flow from operating activities	278	364	-24%
Capex	-318	-334	-4.8%
Proceeds from real estate	-	-	n.m.
Free cash flow	-40	30	n.m.
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)	Q1 '16	Q1 '15	%
Consumer	287	271	5.9%
Business ¹	175	178	-1.7%
Other ²	35	37	-5.4%
KPN The Netherlands	497	486	2.3%

SAC/SRC per subscriber (€)	Q1 '16	Q1 '15	%
Consumer (postpaid) ³	221	188	18%
Business (mobile only – mainly SME)	175	195	-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

Contents

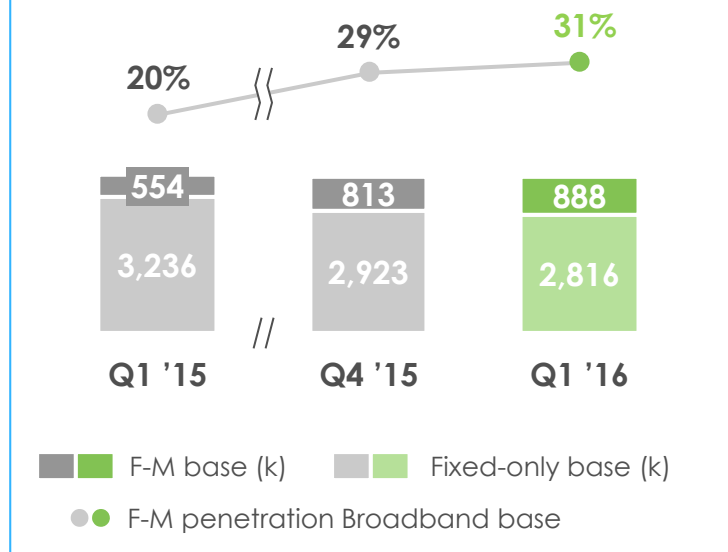
- 1 KPN ADR program
- 2 Group results analysis
- 3 Group KPI overview**
- 4 Debt overview
- 5 Spectrum
- 6 Fixed infrastructure
- 7 Telefónica Deutschland stake

Consumer

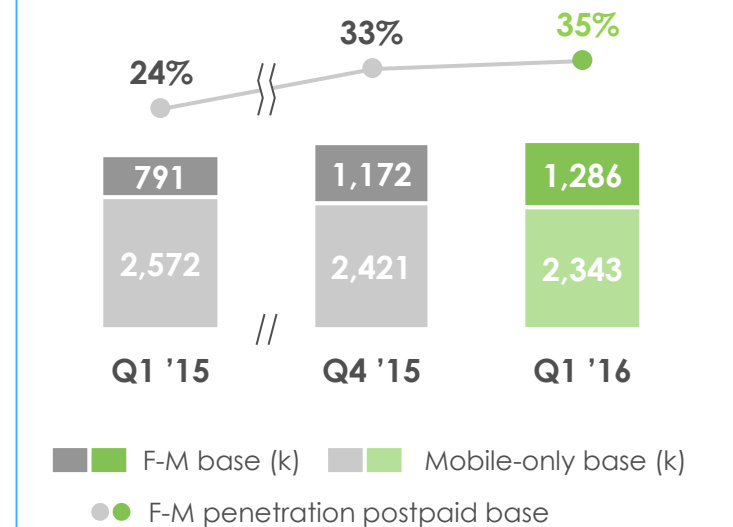
Fixed-Mobile KPI's



Fixed-Mobile household development



Fixed-Mobile postpaid development

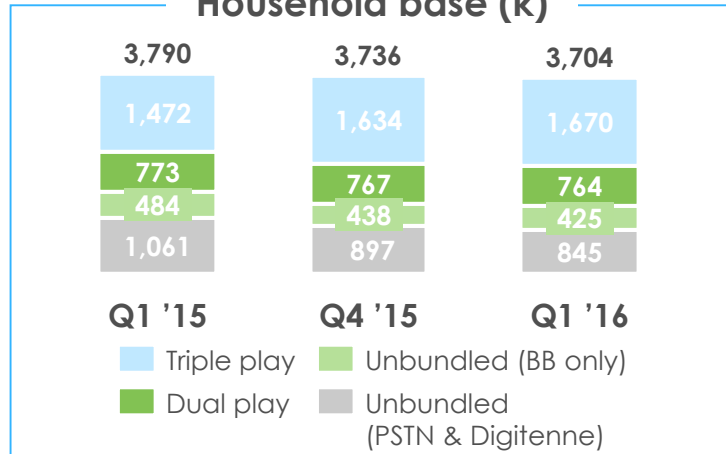


Consumer (cont'd)

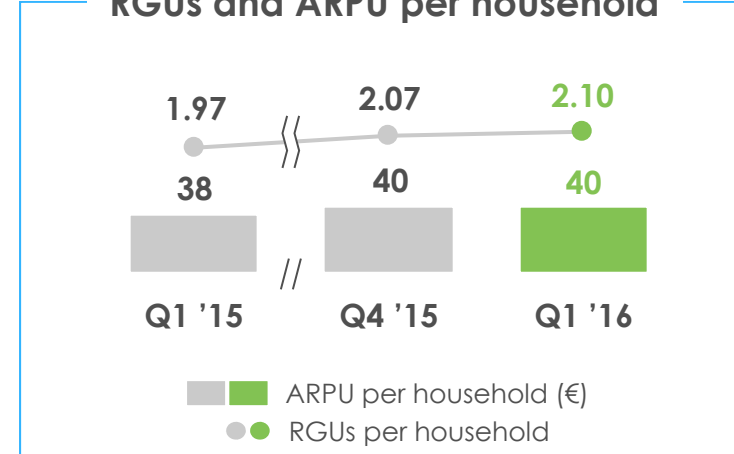
Residential KPI's



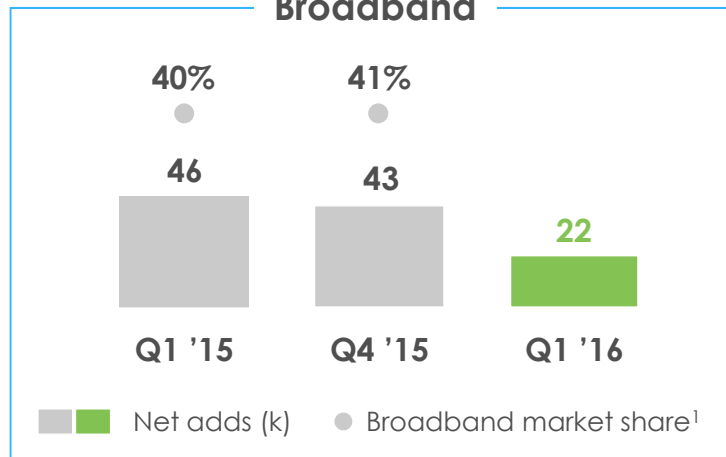
Household base (k)



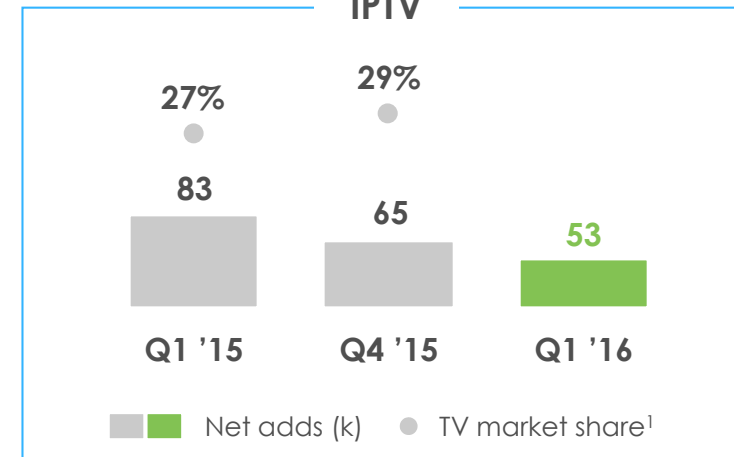
RGUs and ARPU per household



Broadband



IPTV



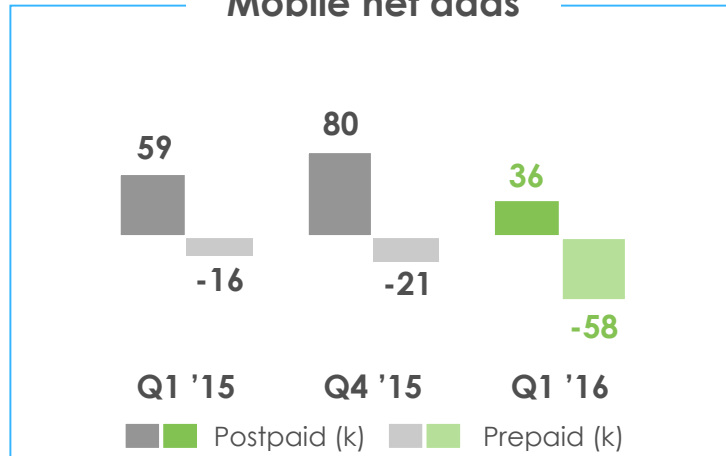
¹ Source: Telecompaper

Consumer (cont'd)

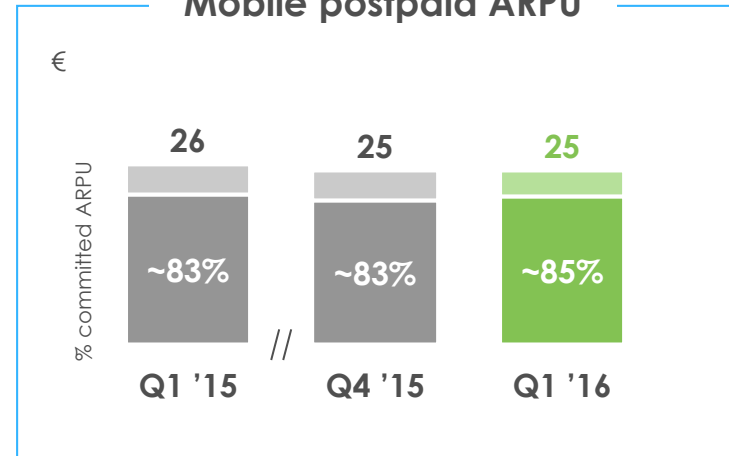
Mobile KPI's



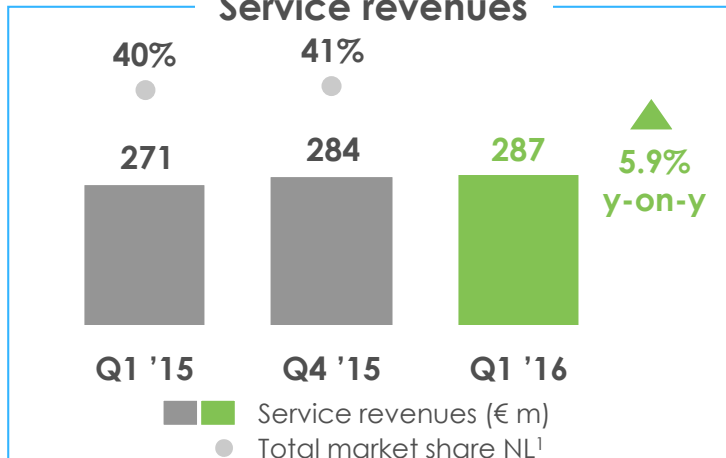
Mobile net adds



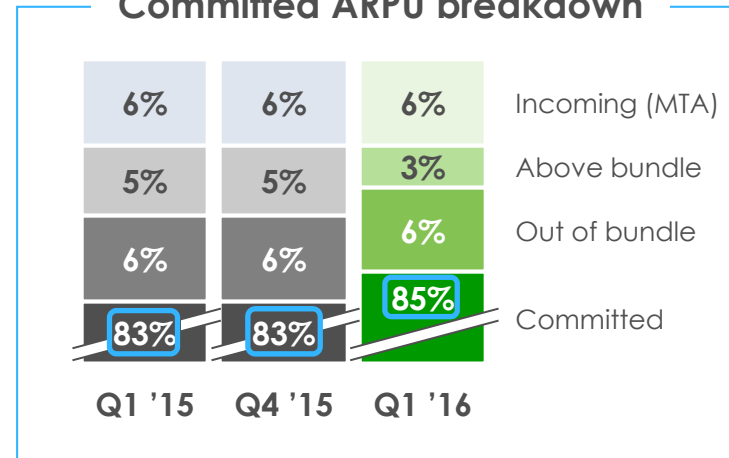
Mobile postpaid ARPU



Service revenues



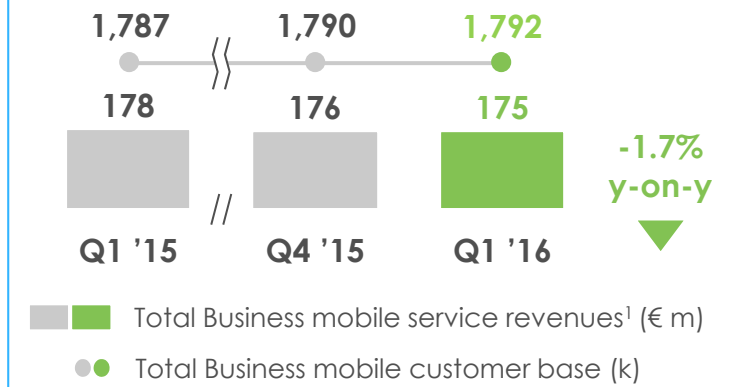
Committed ARPU breakdown



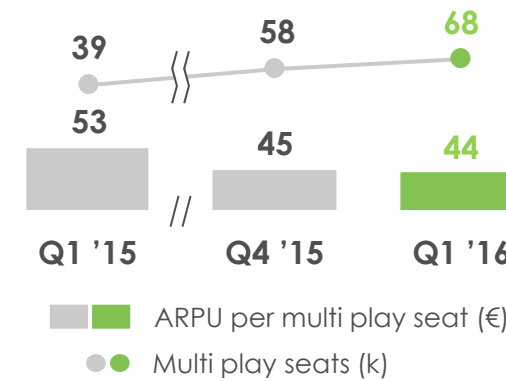
1 Management estimates; market shares restated to include all operators



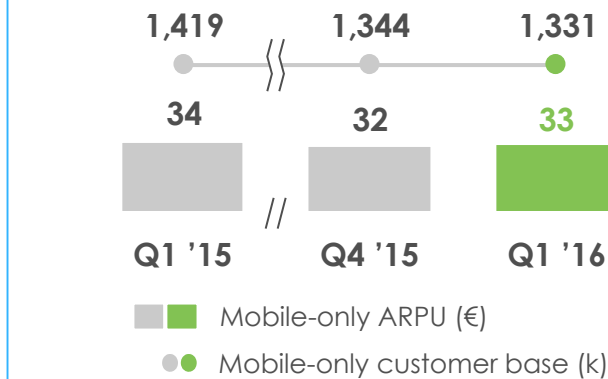
Total Business Mobile



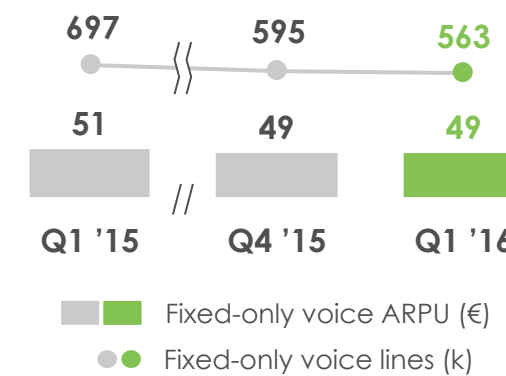
Multi play (mainly SME)



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

Contents

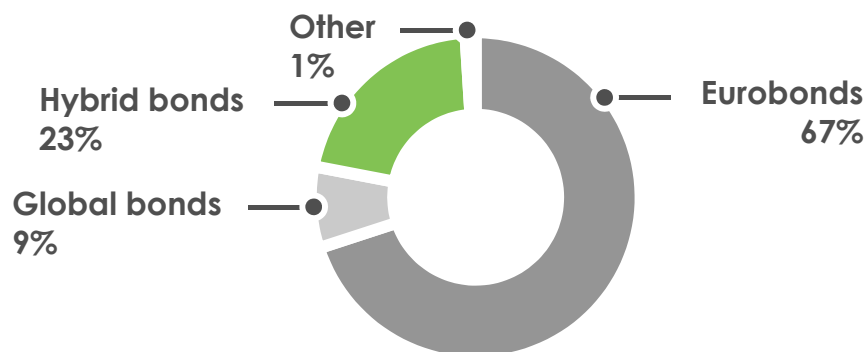
- 1 KPN ADR program
- 2 Group results analysis
- 3 Group KPI overview
- 4 Debt overview**
- 5 Spectrum
- 6 Fixed infrastructure
- 7 Telefónica Deutschland stake

Debt portfolio

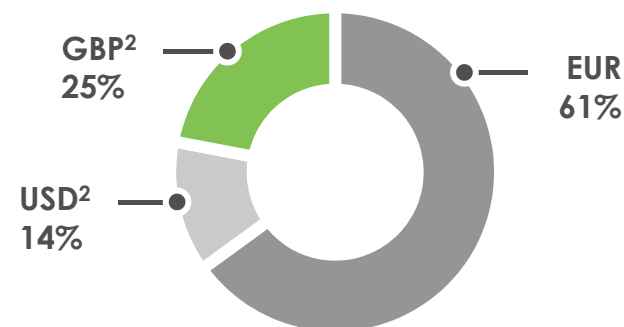
Breakdown of € 8.8bn nominal debt¹ including hybrid bonds



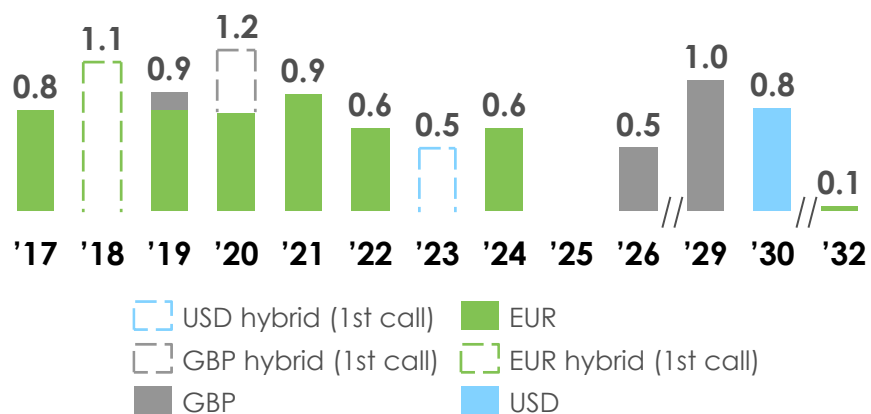
Breakdown nominal debt¹ (total € 8.8bn)



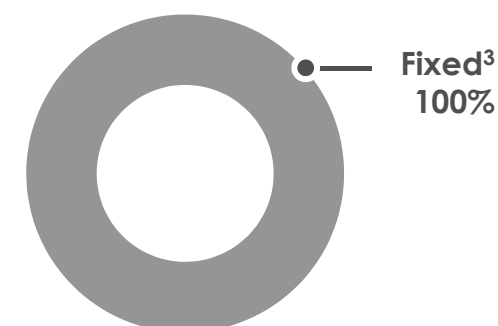
Nominal debt by currency



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

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 Group results analysis
- 3 Group KPI overview
- 4 Debt overview
- 5 Spectrum**
- 6 Fixed infrastructure
- 7 Telefónica Deutschland stake

Spectrum in The Netherlands

Current status



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

Contents

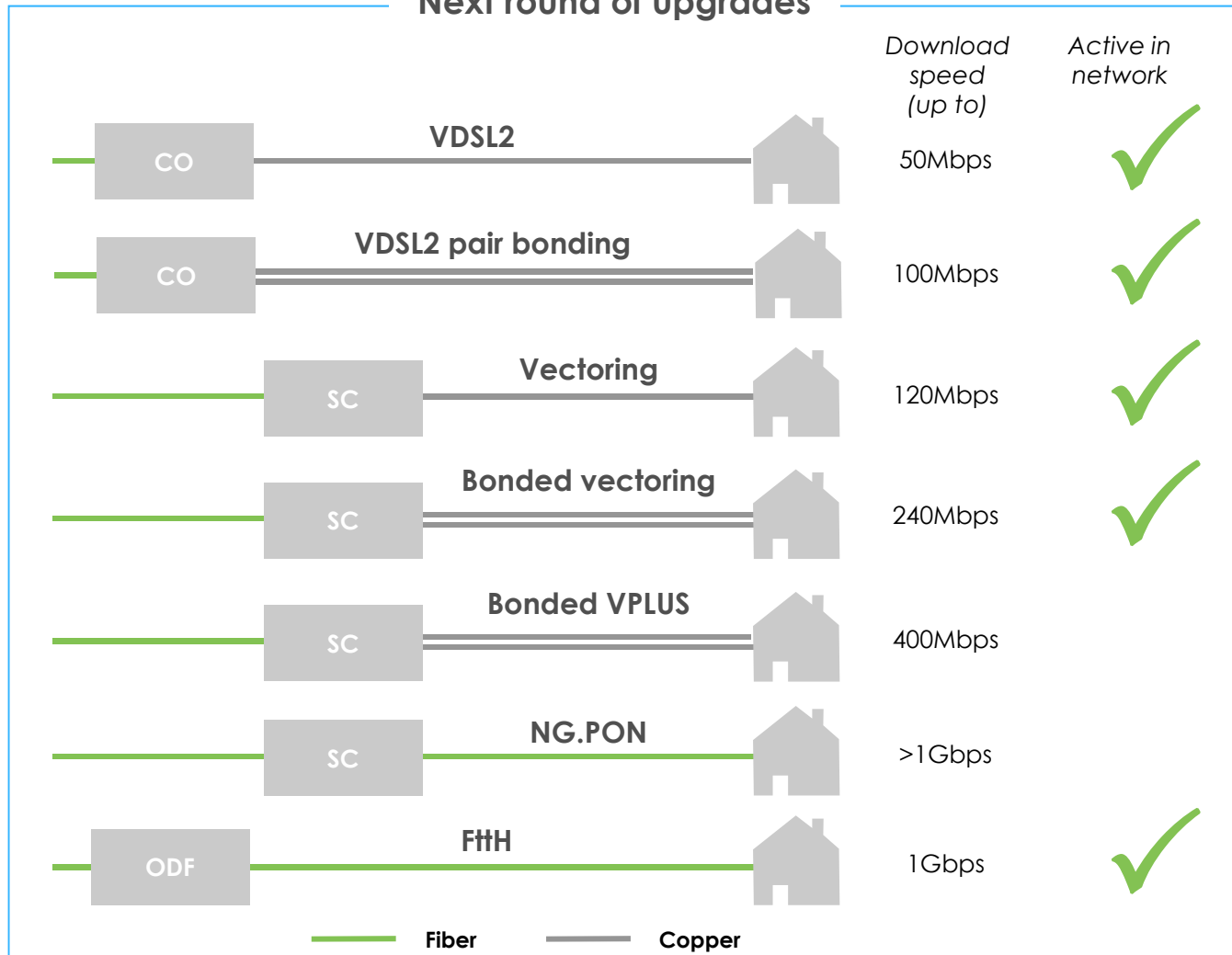
- 1 KPN ADR program
- 2 Group results analysis
- 3 Group KPI overview
- 4 Debt overview
- 5 Spectrum
- 6 Fixed infrastructure**
- 7 Telefónica Deutschland stake

Infrastructure

Fixed network ahead of customer demand



Next round of upgrades



Contents

- 1 KPN ADR program
- 2 Group results analysis
- 3 Group KPI overview
- 4 Debt overview
- 5 Spectrum
- 6 Fixed infrastructure
- 7 Telefónica Deutschland stake**

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