

Third Quarter 2016 Results

27 October 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. 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 2015.

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Eelco Blok



Services & Innovation

- Value focus reflected in new consumer propositions
- Strong improvement customer satisfaction in Business
- 1.1Gbps download speed reached in a test on 4G
- KPN awarded best digital customer experience in The Netherlands¹
- CSR strategy recognized with CDP award and DJSI World inclusion

Operational

- Continued high value base growth in Consumer
 - Increasing penetration of fixed-mobile bundles
 - 35% of broadband base, reached 1 million households
 - 40% of postpaid base
 - +6k broadband net adds
 - +22k IPTV net adds
 - +36k postpaid net adds, driven entirely by KPN brand
- Business still challenging
 - Growth in multi play and IT related services
 - Decline in traditional telco services

Financial²

- Adjusted revenues Q3 '16: € 1,711m, -3.0% y-on-y
 - The Netherlands: -1.9% y-on-y
- Adjusted EBITDA Q3 '16: € 662m, +3.4% y-on-y
 - The Netherlands: +4.3% y-on-y
- FCF YTD '16 (excl. TEFD dividend): € 313m vs. € 329m YTD '15
 - Excl. € 63m cash optimization actions
- Successful new bond issue and € 1bn tender offer

- Continued progress Simplification program: ~€ 405m run-rate savings realized³

¹ Source: Digital Excellence Monitor 2016
² All figures based on continuing operations, unless stated otherwise
³ End Q3 '16 vs. end Q4 '13

Value focus reflected in new consumer propositions

Enrichment of bundles in combination with price adjustments



1 July

- Internet security service added to bundled packages
- Prices KPN residential bundles +€ 2.50



26 September

- New mobile line-up launched
- EU roaming included in premium bundles

Q2 '16

Q3 '16

Q4 '16

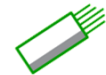
22 August

- Live Dutch football included in fixed-mobile bundles



24 October

- Integrated FttH / copper proposition
 - Pricing of packages aligned

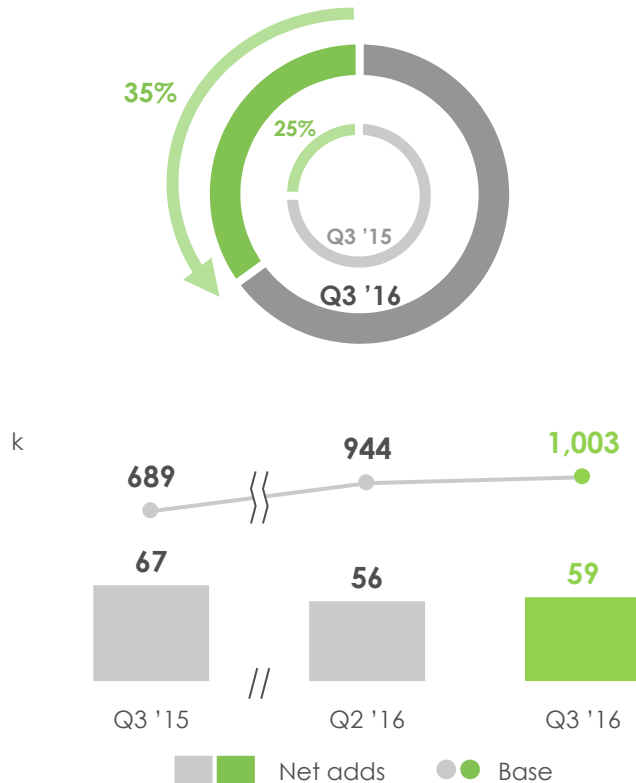


Continued growth of fixed-mobile bundles in Consumer

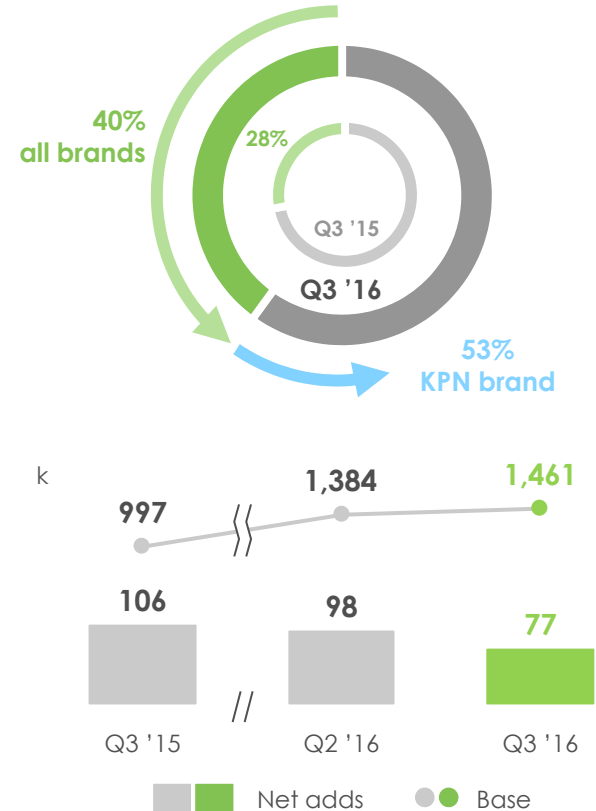
Over half of KPN brand postpaid customers in fixed-mobile bundles



Households in fixed-mobile bundles¹



Postpaid customers in fixed-mobile bundles



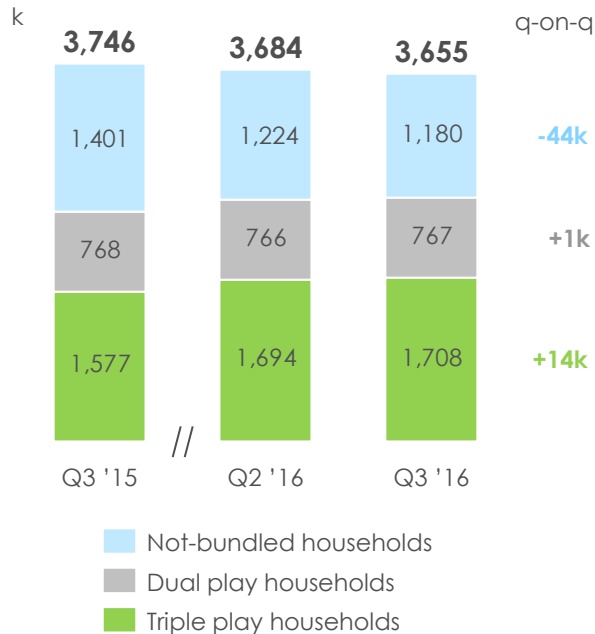
¹ As % of broadband customers

Bundled residential services driving RGUs per household

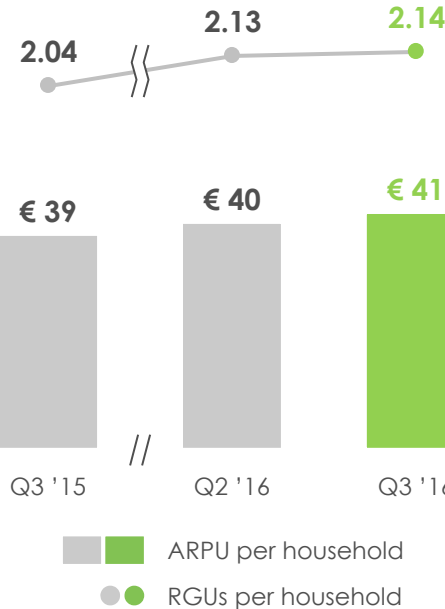
ARPU per household supported by price adjustments



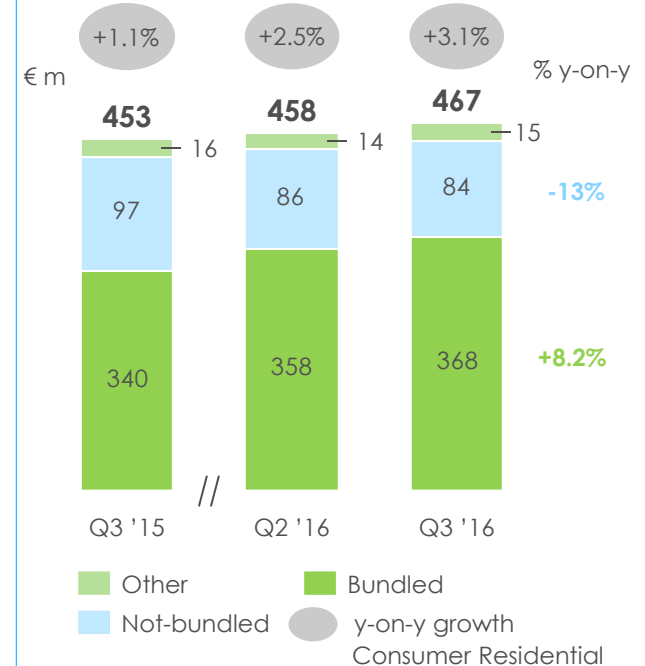
Triple play growth...



...driving RGU and ARPU per household growth



Continued growth bundled service revenues

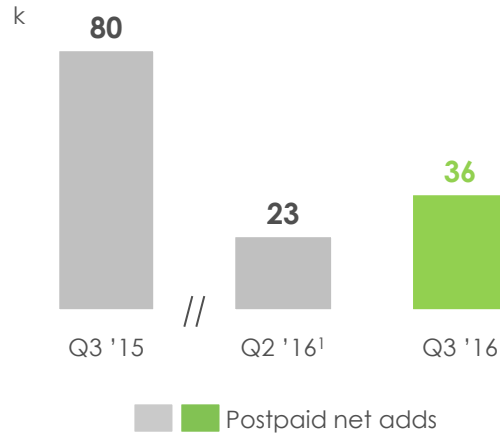


Continued value focus in Consumer mobile

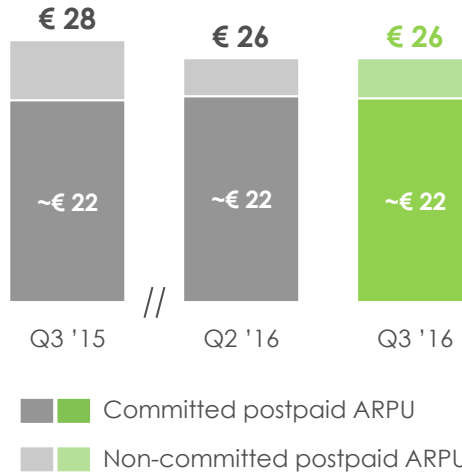


Strong competitive position driven by high value KPN brand and fixed-mobile bundles

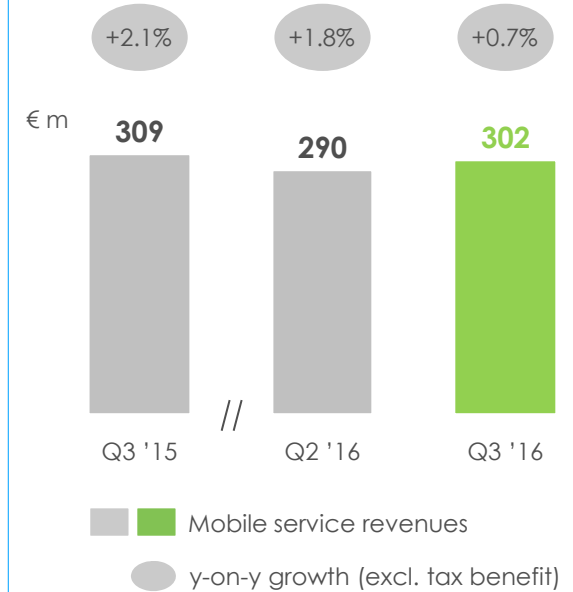
Customer base growth



Committed ARPU stable y-on-y



Continued service revenue growth

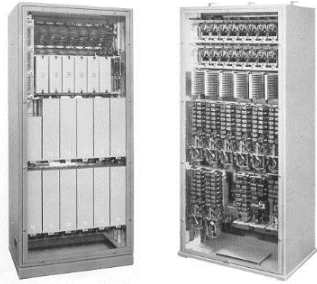


1 Reported net adds of +1k were adjusted for a 22k one-off impact for KPN brand related to migration to new order management IT platform

Migration to multi play in SME providing up- and cross-sell opportunities...



Traditional telco



Repricing



Migration to
KPN ONE

Multi play Hosted voice



50%
RGU uplift¹

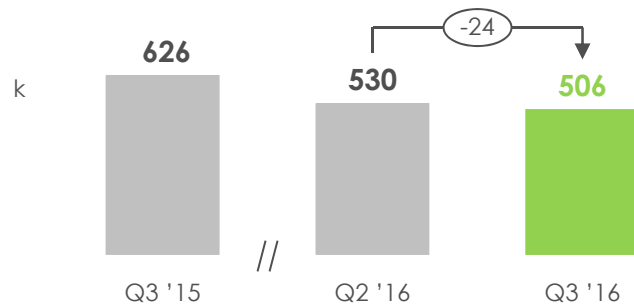


Up- and cross-sell

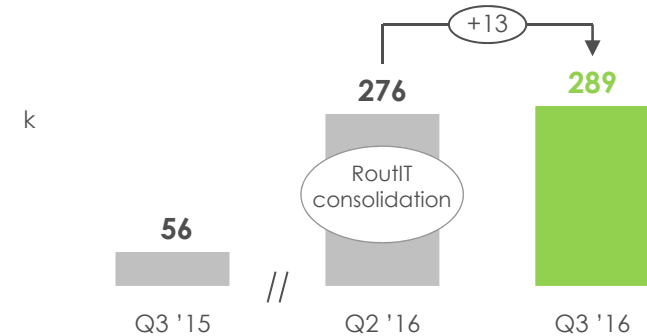
Multi play Additional services



Ongoing decline in fixed-only voice lines...



...but multi play seats in SME increasing



...but challenges in Business remain

Impact from repricing and migration to IP-based services



Business revenue growth drivers

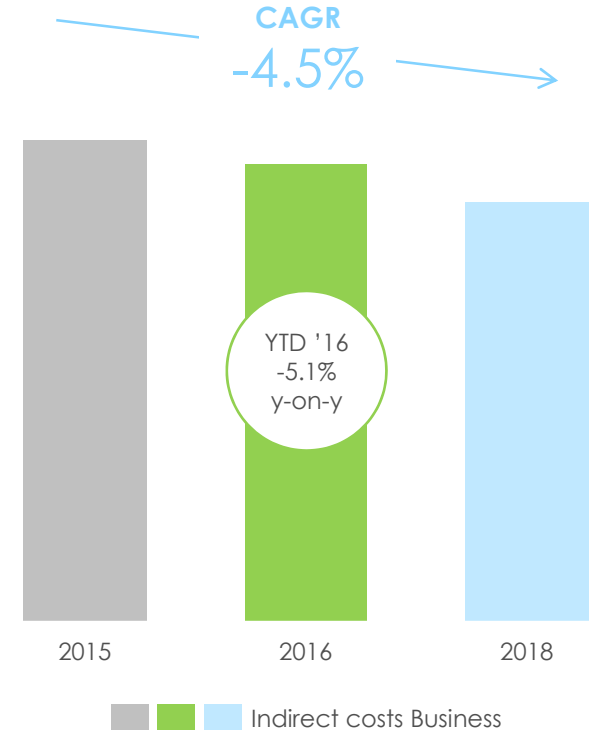
		Q3 '16 adjusted y-on-y growth	Q3 '16 % of total adjusted revenues	
Business total				
Mainly SME	Single play wireless	-13%	23%	1
	Traditional fixed	-18%	16%	
	Multi play	+25%	5.3%	2
Mainly LE&Corporate	Network & IT services	-9.9%	22%	3
	Customized solutions	+1.5%	24%	2
New services		+7.1%	5.3%	

1 Single play wireless impacted by repricing, lower roaming fees and migration to multi play and customized solutions

2 Strategic focus on integrated offerings driving growth in multi play and customized solutions

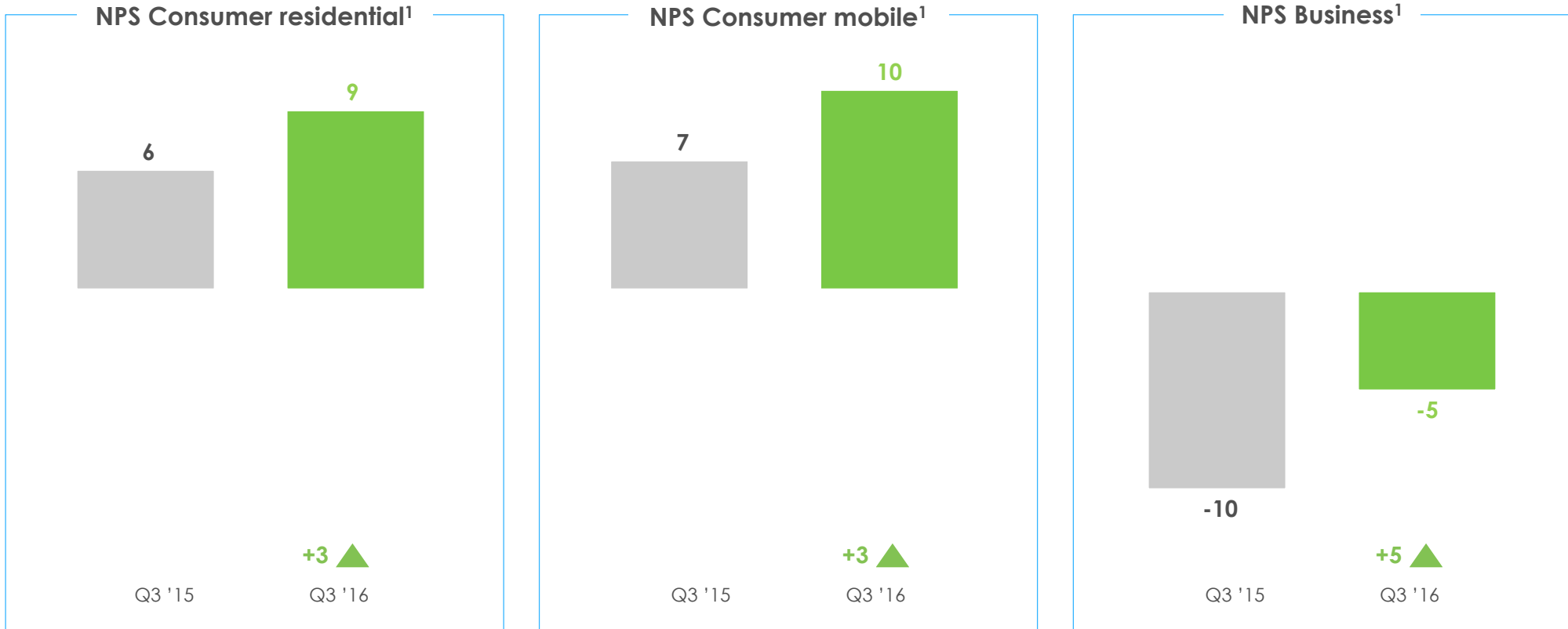
3 Price pressure on Network services and lower hardware sales

Further progress reducing indirect costs



Customer satisfaction improving further

Strong improvement in Business driven by dedicated NPS programs



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

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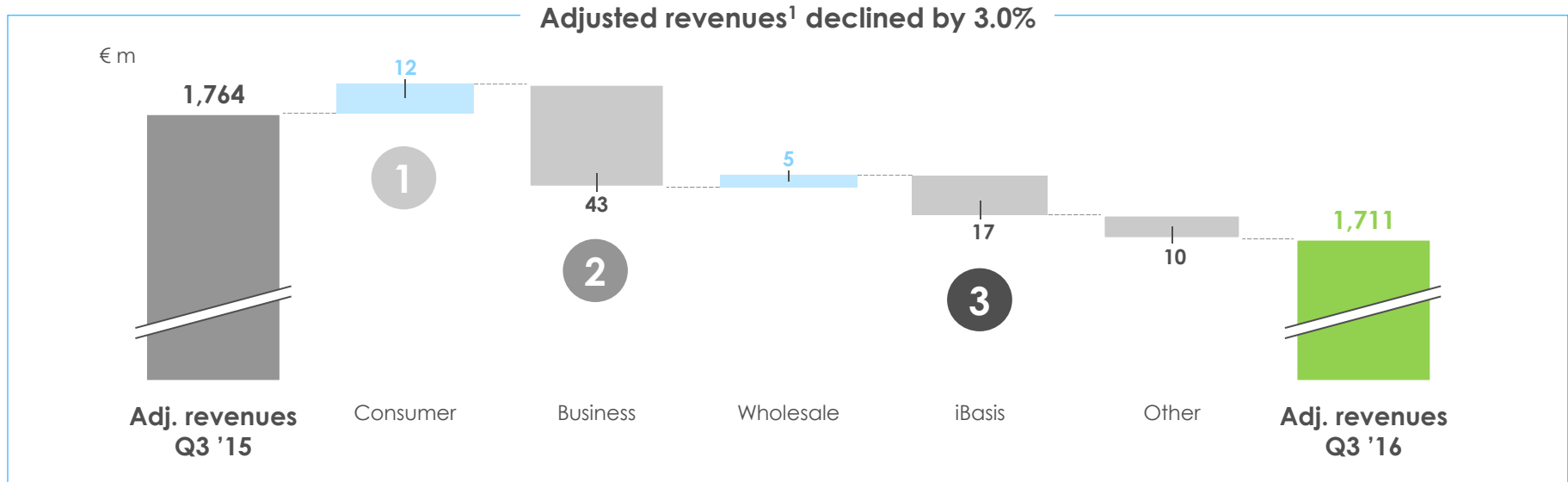
Financial performance supported by cost savings¹



€ m	Q3 '16	Q3 '15	y-on-y %
Adjusted revenues	1,711	1,764	-3.0%
Adjusted EBITDA	662	640	3.4%
Net profit	45	87	-48%
Capex	265	305	-13%
Operating FCF ²	397	335	19%
FCF	146	213	-31%

¹ All figures based on continuing operations, unless stated otherwise
² Adjusted EBITDA minus Capex

Revenue trend improving



1

Customer base growth and improving ARPU trend

2

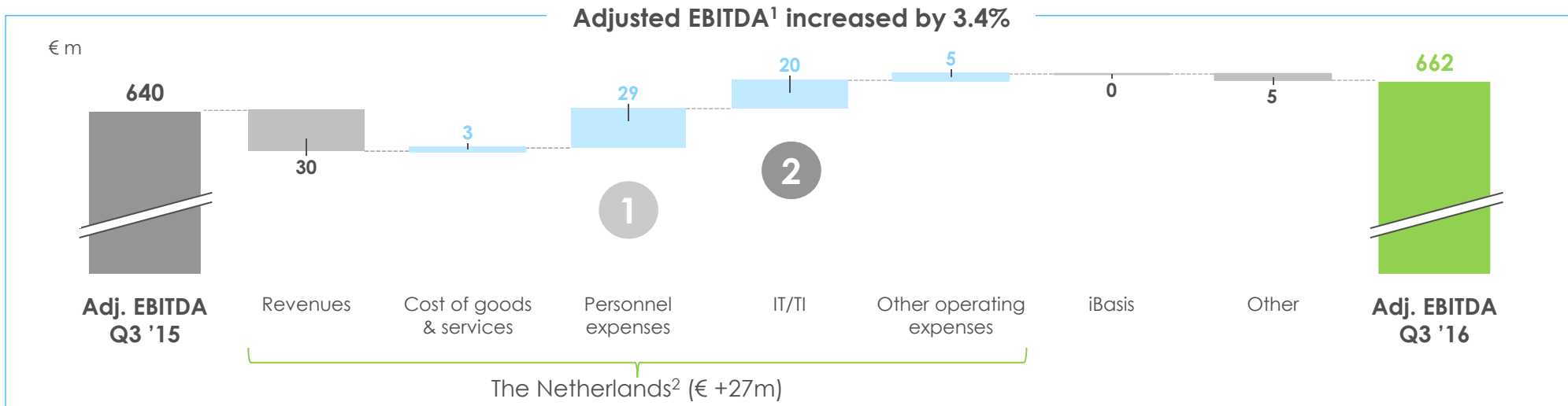
Impact of repricing and migrations to IP-based services

3

Market share growth offset by declining wholesale voice carrier market size

Adjusted EBITDA¹ improving

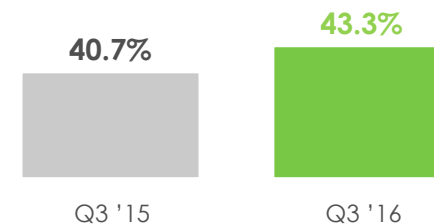
Supported by positive impact of cost savings related to Simplification program



1 Savings from reduction in own and external personnel

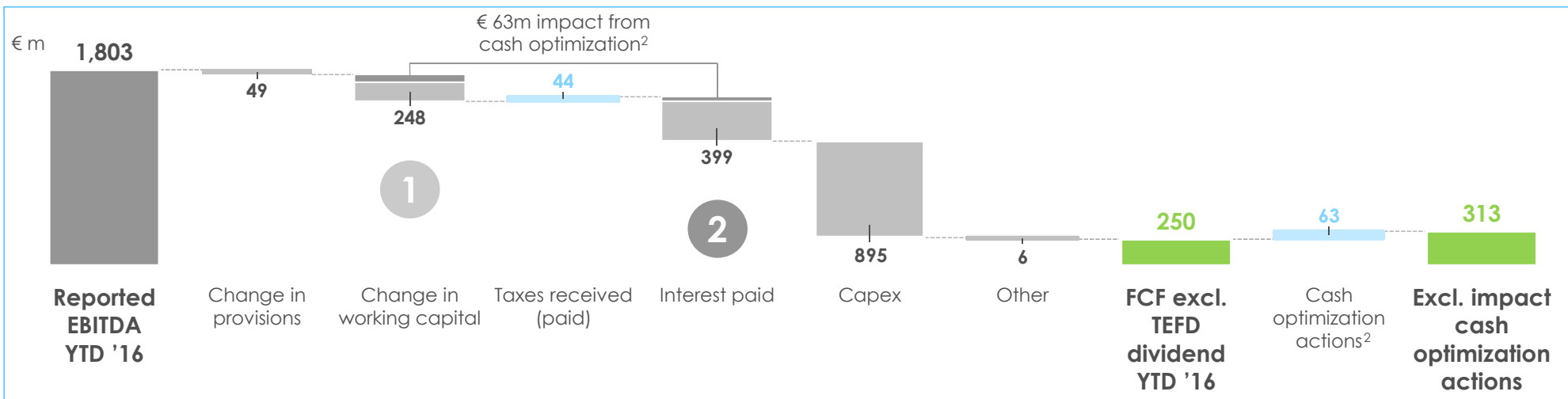
2 Savings mainly from decommissioned legacy IT systems

Adjusted EBITDA margin The Netherlands



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

Free cash flow¹ impacted by changes in working capital

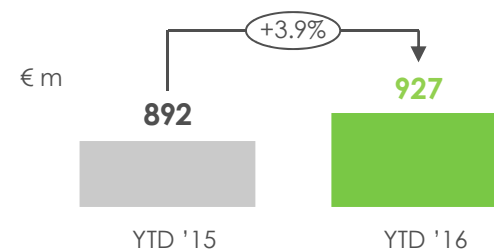


1 Changes in working capital related to lower spend levels, phasing within the year and reduced payment terms

2 ~85% of expected interest payments for FY '16 already paid, including accrued interest related to the bond tender

- 1 All figures based on continuing operations, unless stated otherwise
 2 Consisting of € 40m working capital impact related to reduced payment terms and € 23m additional interest related to the bond tender
 3 Adjusted EBITDA minus Capex

Growing operating free cash flow³

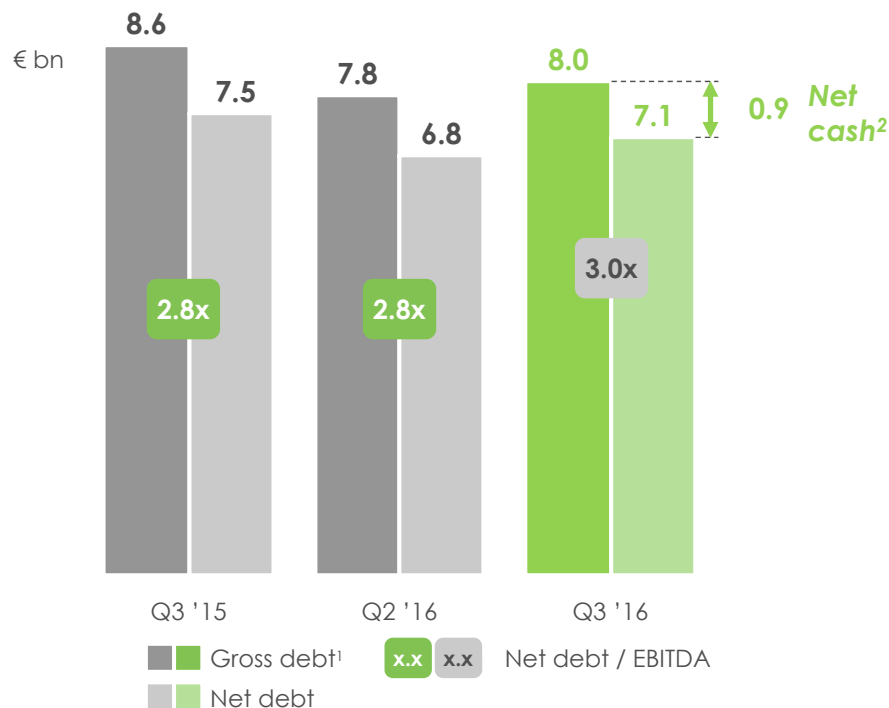


Solid financial position



Successful bond tender and new issue will result in lower interest payments

Lower gross debt y-on-y



Debt portfolio further optimized

- Successful bond tender and new issue in September
 - Issued € 625m 0.625% bond due 2025 and € 625m 1.125% bond due 2028
 - Repurchased € 1.0bn of bonds with maturities between 2017 and 2024
 - Average coupon senior bonds 4.1% (Q2 '16: 5.0%)
- Net debt € 0.3bn higher vs. Q2 '16
 - Premiums and accrued interest related to bond tender
 - Payment € 3.3ct per share interim dividend over 2016 in August

Financial flexibility

- Additional financial flexibility via 15.5% stake in Telefónica Deutschland

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)
 - Excl. € 52m impact from cash optimization¹
- 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
- Excess cash could be utilized for
 - Operational / financial flexibility
 - (Small) in-country M&A
 - Shareholder remuneration

¹ Consisting of € 40m working capital impact related to reduced payment terms and € 12m additional interest related to the bond tender for FY '16



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¹ Source: Digital Excellence Monitor 2016
² All figures based on continuing operations, unless stated otherwise
³ End Q3 '16 vs. end Q4 '13

Q3 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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Successful CSR strategy¹

2015

18%

vs. 2010



Energy
reduced

77%

vs. 70% end 2014



Engaged
employees

73%²

vs. 69% end 2014



Secure
connectivity



Recognition



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



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

Social and environmental achievements in 2016

- KPN included in CDP's Climate A list
 - Leading the corporate response to climate change
 - Included in Dow Jones Sustainability World Index for the fifth consecutive time
 - #1 position transparency & anti-corruption in The Netherlands
 - Transparency International, leading indicator corporate integrity
 - KPN joined the 'Circular Coalition'
 - Initiative of 50+ larger corporates to accelerate the transition to a circular economy
 - Rijksmuseum and KPN extended their partnership by 3 years
-  **kpn** | Hoofdsponsor van het **RIJKS MUSEUM**
- KPN launched a secured messenger-app for medical personnel to safely exchange information
 - Messages are encrypted and handled via KPN's cloud

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Group results Q3 '16 (continuing operations)¹



(€ m)	Q3 '16	Q2 '16	Q3 '15	y-on-y %
Revenues	1,718	1,676	1,764	-2.6%
Adjusted revenues	1,711	1,676	1,764	-3.0%
Operating expenses (excl. D&A)	1,053	1,097	1,162	-9.4%
EBITDA	665	579	602	10%
Adjusted EBITDA	662	592	640	3.4%
Depreciation	251	252	276	-9.1%
Amortization	122	122	122	0.0%
Operating expenses	1,426	1,471	1,560	-8.6%
Operating profit	292	205	204	43%
Net finance costs	-246	10	-108	>100%
Share of profit of associates and joint ventures	1	-2	1	0.0%
Profit before taxes	47	213	97	-52%
Income tax	-2	-51	-10	-80%
Profit after taxes	45	162	87	-48%

¹ All figures based on continuing operations, unless stated otherwise

Group results YTD '16 (continuing operations)¹



(€ m)	YTD '16	Q3 '15	y-on-y %
Revenues	5,083	5,263	-3.4%
Adjusted revenues	5,076	5,273	-3.7%
Operating expenses (excl. D&A)	3,280	3,517	-6.7%
EBITDA	1,803	1,746	3.3%
Adjusted EBITDA	1,822	1,837	-0.8%
Depreciation	754	823	-8.4%
Amortization	411	375	9.6%
Operating expenses	4,445	4,715	-5.7%
Operating profit	638	548	16%
Net finance costs	-318	-232	37%
Share of profit of associates and joint ventures	-	1	-100%
Profit before taxes	320	317	0.9%
Income tax	-65	-47	38%
Profit after taxes	255	270	-5.6%

¹ All figures based on continuing operations, unless stated otherwise

Group cash flow Q3 '16 (continuing operations)¹



(€ m)	Q3 '16	Q3 '15	y-on-y %
EBITDA	665	602	10%
Interest paid/received	-136	-113	20%
Tax paid/received	-	-1	-100%
Change in provisions ²	-15	9	n.m.
Change in working capital ²	-103	18	n.m.
Other movements	-8	3	n.m.
Net cash flow from operating activities	403	518	-22%
Capex	-265	-305	-13%
Proceeds from real estate	8	-	n.m.
Free cash flow	146	213	-31%
Coupon on perpetual hybrid	-67	-67	0.0%

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	1,803	1,746	3.3%
Interest paid/received	-399	-414	-3.6%
Tax paid/received	44	-13	n.m.
Change in provisions ²	-49	-1	>100%
Change in working capital ²	-248	-51	>100%
Other movements	96	152	-37%
Net cash flow from operating activities	1,247	1,419	-12%
Capex	-895	-945	-5.3%
Proceeds from real estate	8	1	>100%
Free cash flow	360	475	-24%
Coupon on perpetual hybrid	-67	-67	0.0%

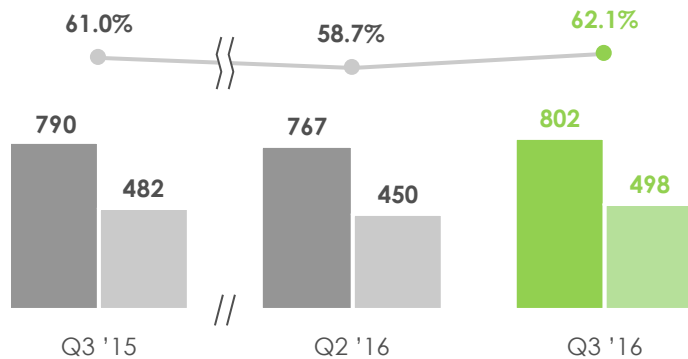
¹ All figures based on continuing operations, unless stated otherwise
² Excluding changes in deferred taxes

Financials by segment

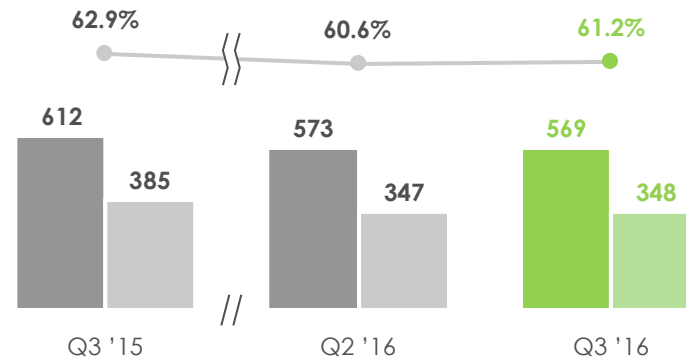
The Netherlands



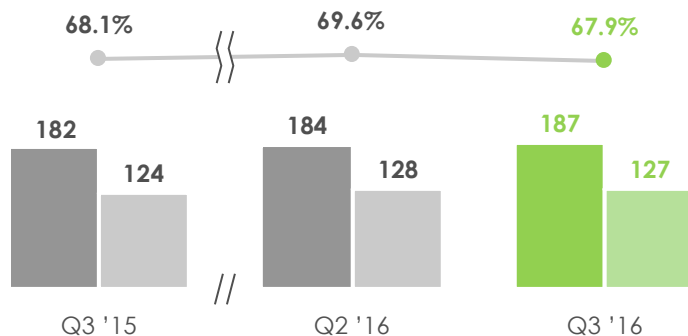
Consumer



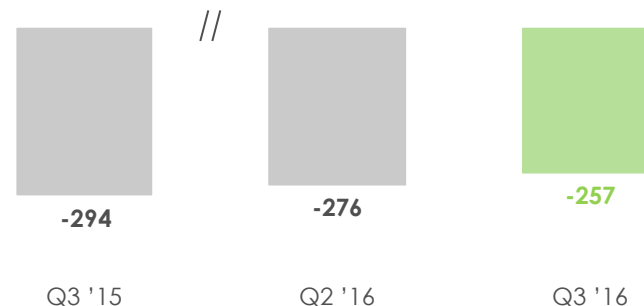
Business



Wholesale



Network, Operations & IT



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



Service revenues (€ m)	Q3 '16	Q3 '15	y-on-y %
Consumer	302	309	-2.3%
Business ¹	174	179	-2.8%
Other ²	42	37	14%
KPN The Netherlands	518	525	-1.3%

SAC/SRC per subscriber (€)	Q3 '16	Q3 '15	y-on-y %
Consumer (postpaid) ³	203	193	5.2%
Business (mobile only – mainly SME)	203	218	-6.9%

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

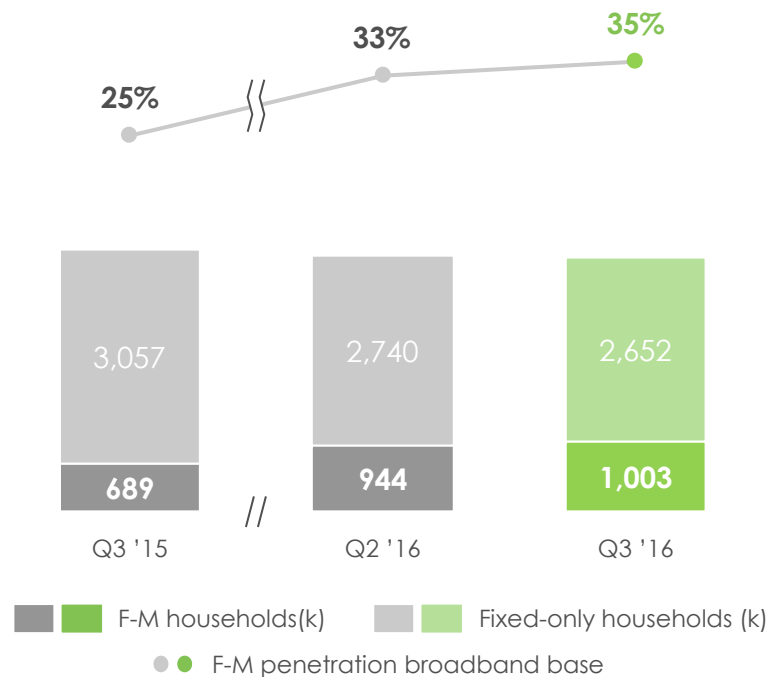
³ Including handset subsidies, commissions and SIM costs

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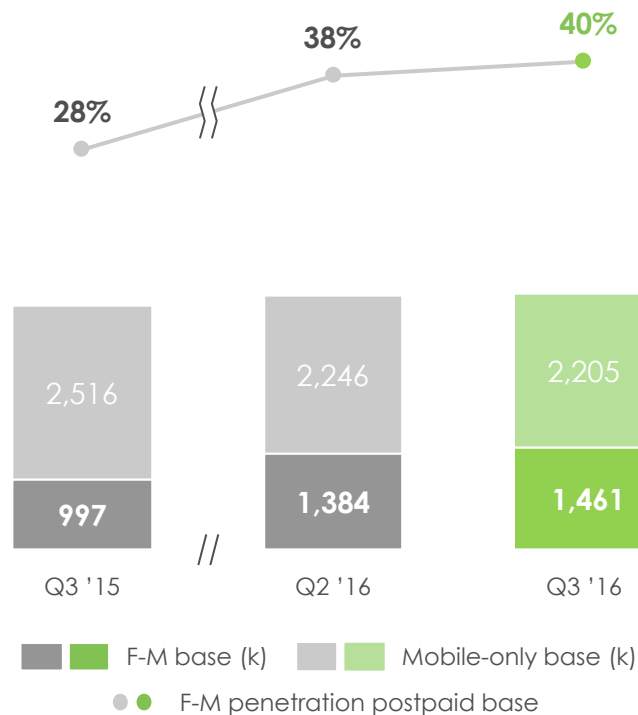
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Fixed-Mobile household development



Fixed-Mobile postpaid development

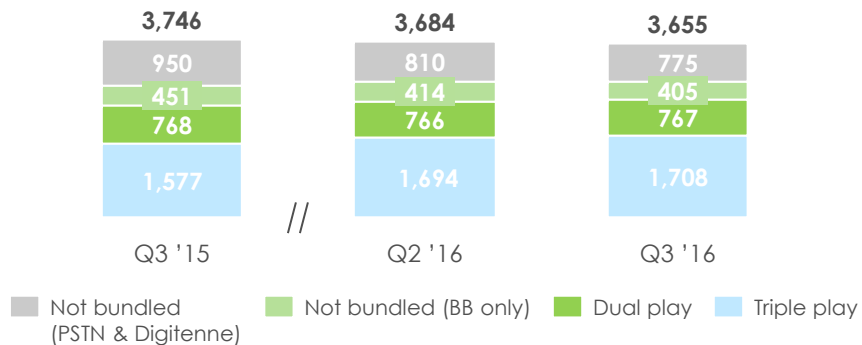


Consumer (cont'd)

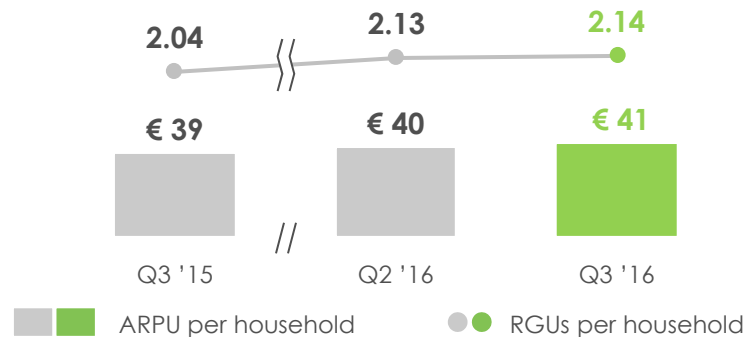
Residential KPIs



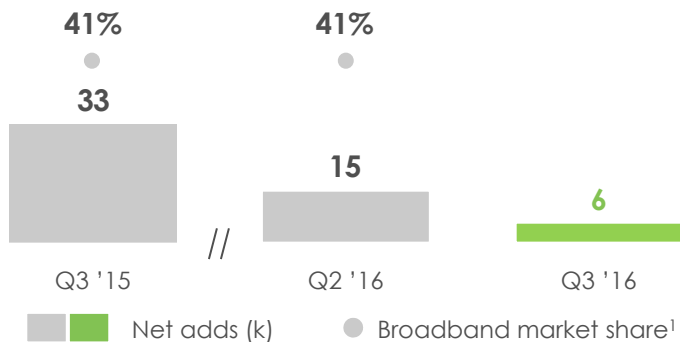
Household base (k)



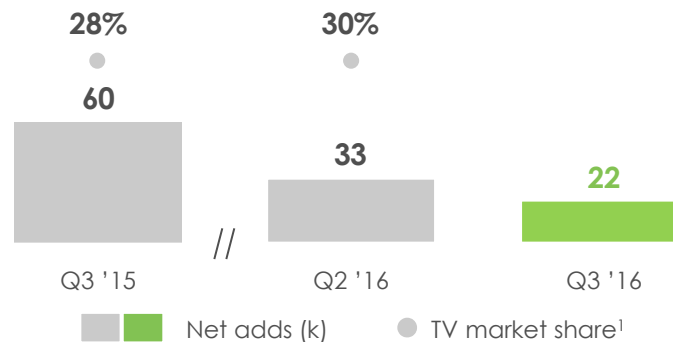
RGUs and ARPU per household



Broadband



IPTV

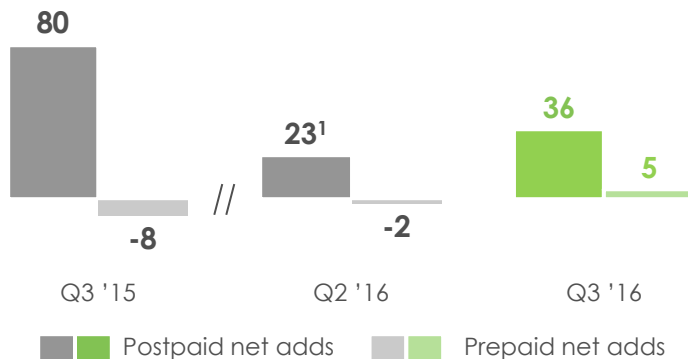


Consumer (cont'd)

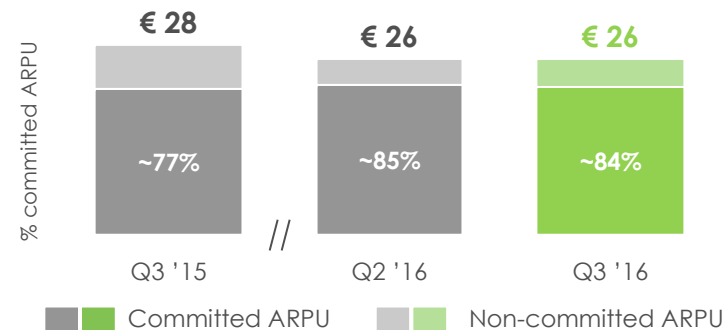
Mobile KPIs



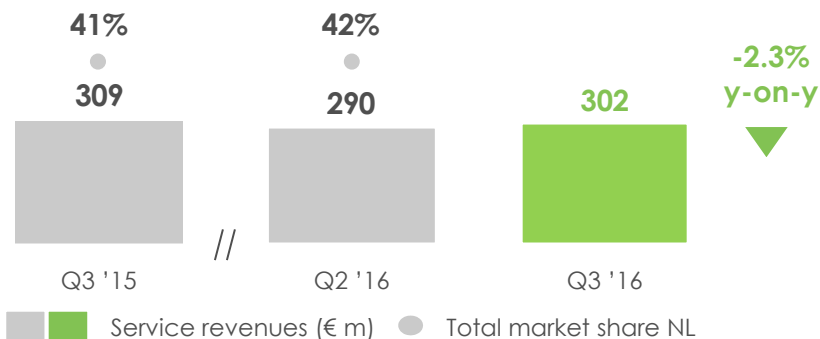
Mobile net adds



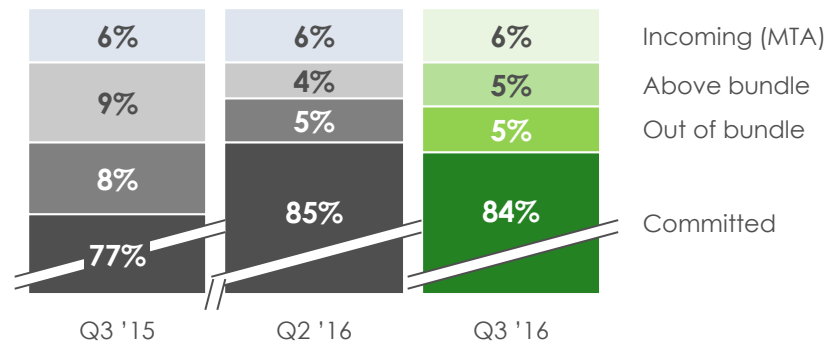
Mobile postpaid ARPU



Service revenues



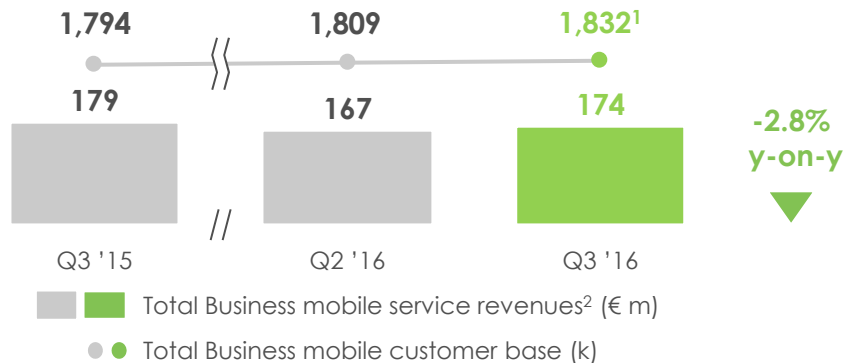
Committed ARPU breakdown



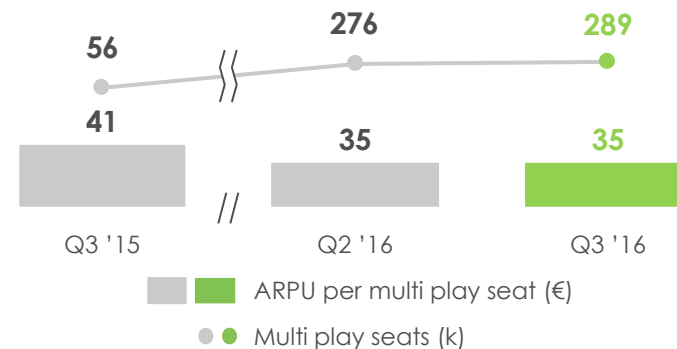
¹ Reported net adds of +1k were adjusted for a 22k one-off impact for KPN brand related to migration to new order management IT platform



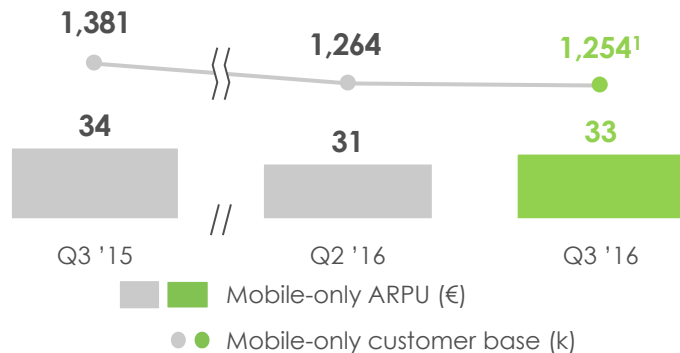
Total Business Mobile



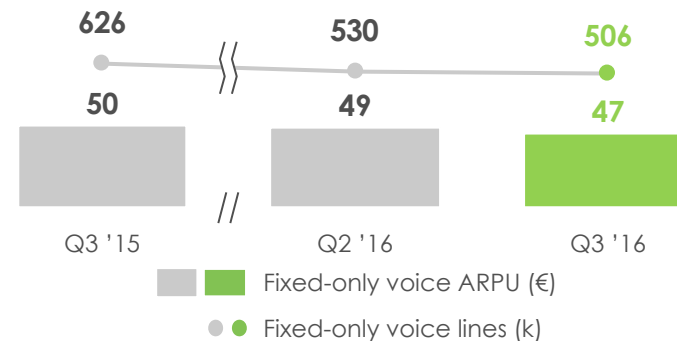
Multi play (mainly SME)³



Mobile-only (mainly SME)



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 seats per Q2 '16, following acquisition remaining shares RoutIT

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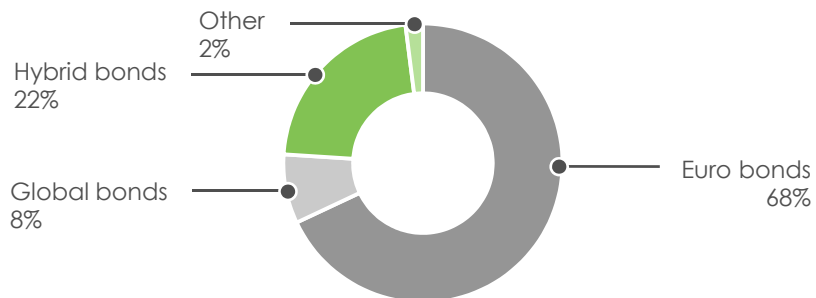
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Debt portfolio

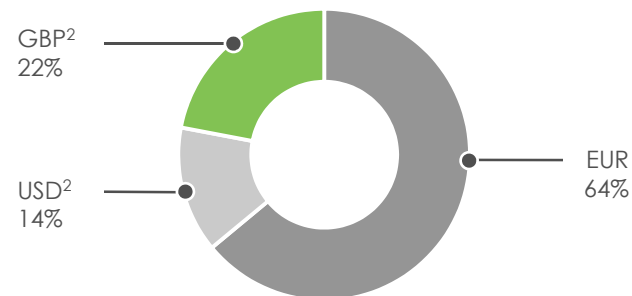


Breakdown of € 9.0bn nominal debt¹ including hybrid bonds

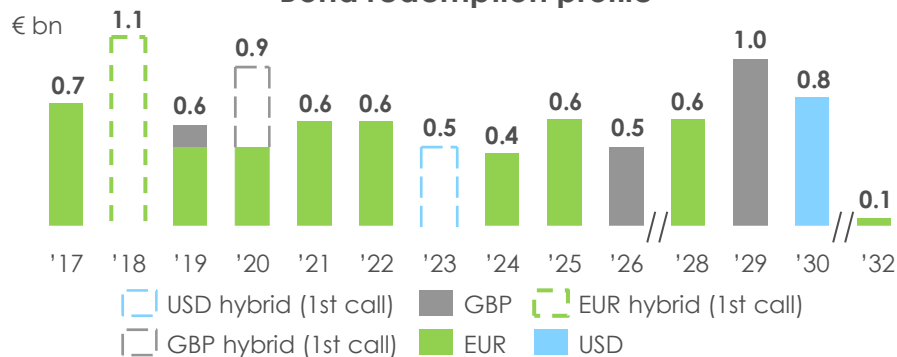
Breakdown nominal debt¹ (total € 9.0bn)



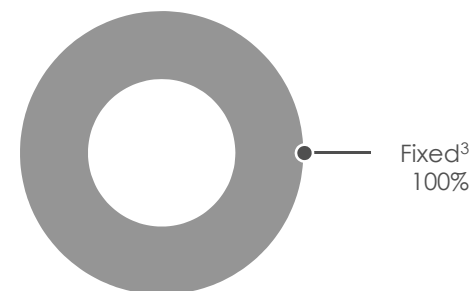
Nominal debt by currency



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'

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Spectrum in The Netherlands



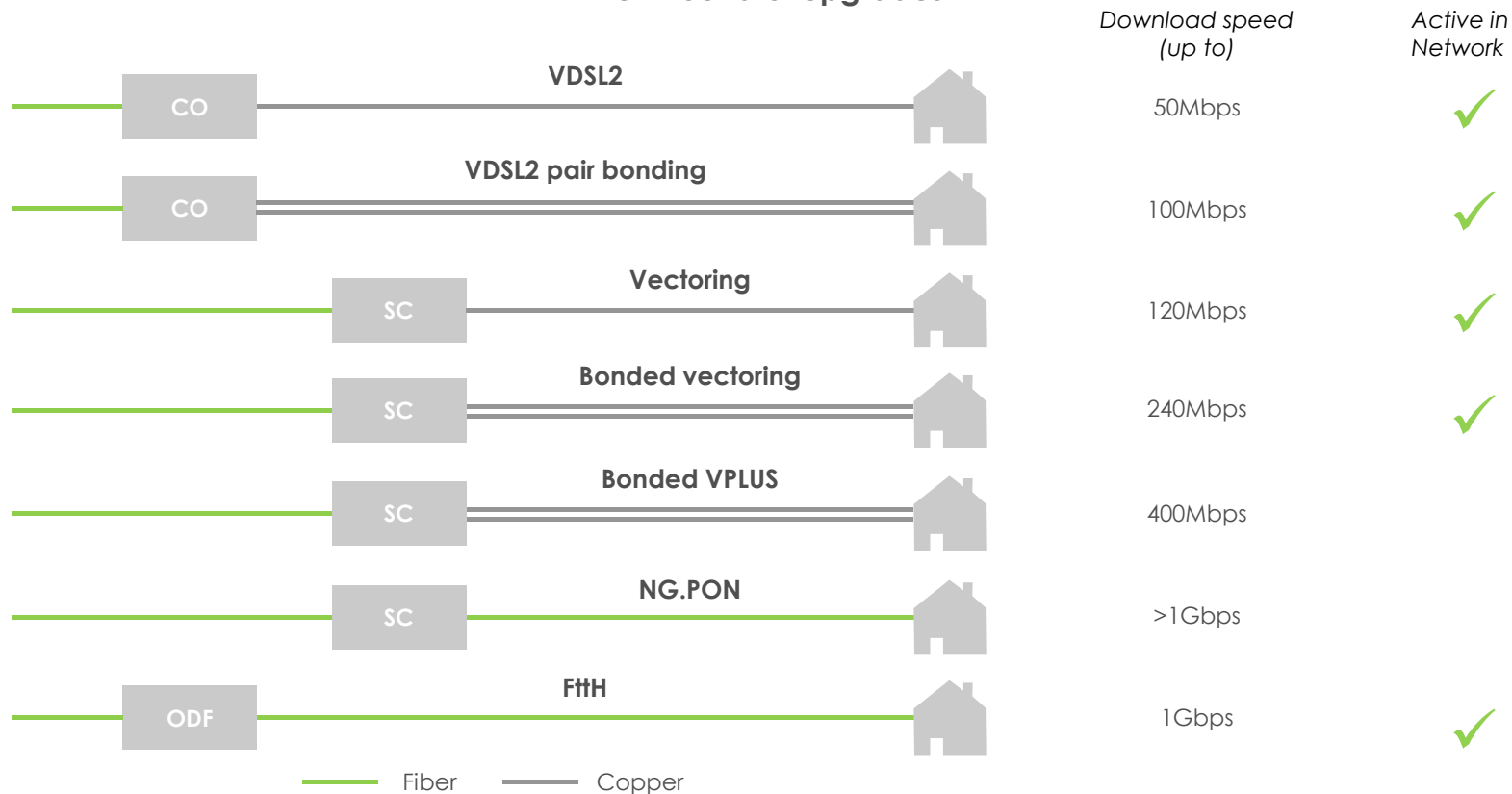
800MHz (Paired)	Tele2 2*10	VOD 2*10	KPN 2*10					2*30	
900MHz (Paired)	VOD 2*10	KPN 2*10	T-Mob 2*15					2*35	
1.8GHz (Paired)	KPN 2*20		VOD 2*20		T-Mob 2*30			2*70	
1.9GHz (Unpaired)	T-Mob 10	KPN 5	VOD 5.4	T-Mob 14.6				1*35	
2.1GHz (Paired)	VOD 2*14.6		KPN 2*14.8		T-Mob 2*10	KPN 2*5	VOD 2*5	T-Mob 2*10	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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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 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 taxable income related to KPN's stake

¹ Defined under IFRS as available for sale financial asset