

First Quarter Results 2018

26 April 2018





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 2017. 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 report 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.

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 2017.

Highlights Q1



Services & Innovation

- Leading customer satisfaction¹
 - NPS Consumer: +12 (Q1 '17: +13)
 - NPS Business: -3 (Q1 '17: -6)
- Best-in-class user interface experience with new IPTV app
- Digitalized customer contact supporting lower costs related to calls
- Extended partnership with Tencent on WeChat Go Europe offering
- Introduced fully converged offering for small businesses

Operational

- Ongoing success of convergence and value strategy in Consumer
 - +48k fixed-mobile postpaid customers
 - +28k fixed-mobile households
- Competitive pressure on single play services
 - KPN brand postpaid net adds flat, no frills brands -20k
 - 8k broadband net adds
 - +10k IPTV net adds
- Good progress Business transformation
 - Continued growth of multi play seats in SME, +38k net adds
 - Growth in IoT and IT Services, driven by security and cloud services

Financial²

€ m	Q1 '18
Adj. revenues	1,402
y-on-y %	-3.4%
Adj. EBITDA	569
y-on-y %	2.3%
FCF (excl. TEFD dividend)	122
y-on-y %	>100%

- Q1 '18 adjusted revenues excl. regulation -1.3% y-on-y
- Q1 '18 adjusted EBITDA excl. regulation +3.9% y-on-y
- Agreement to sell iBasis; classified as discontinued operations

- Second wave Simplification program: ~€ 150m run-rate savings realized³

¹ Source: Kantar TNS, Consumer (all brands), Business (KPN brand)

² All figures based on continuing operations, unless stated otherwise. iBasis classified as discontinued operations

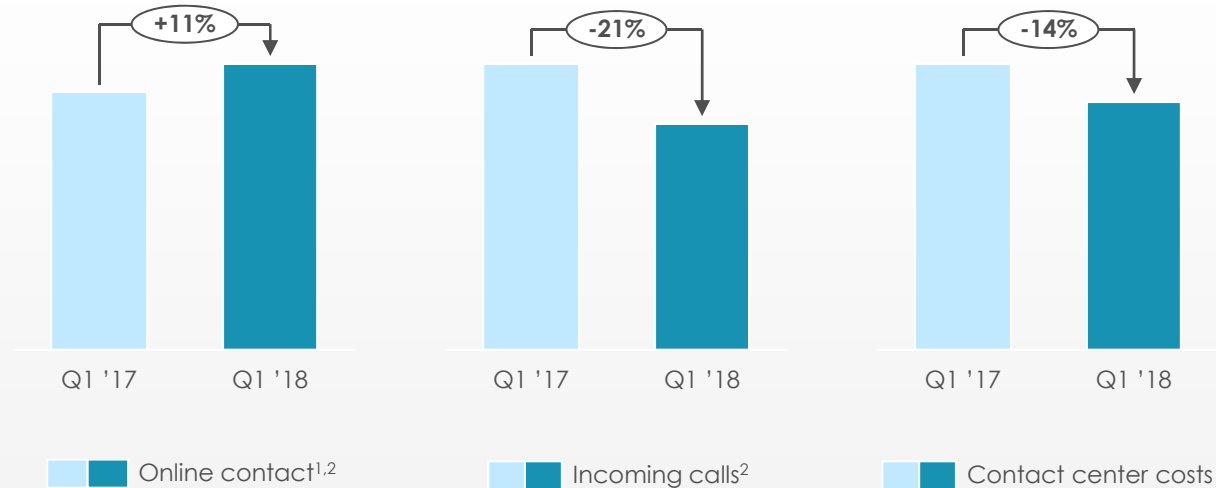
³ End Q1 '18 vs. end Q4 '16

Simplification and digitalization embedded in organization

Driving cost savings and potential new revenue streams

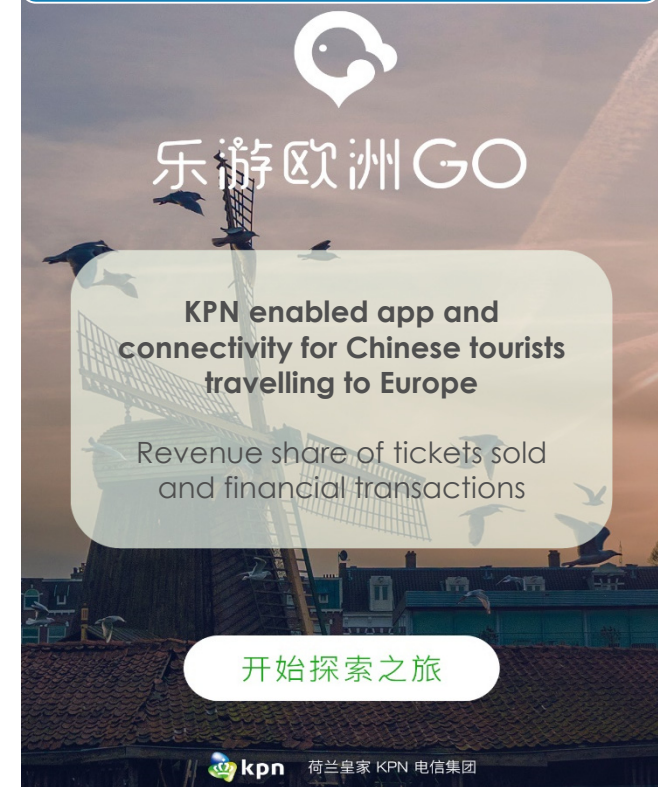


Increase of digital customer interaction
supporting lower contact center costs in Consumer



1 Webcare and chat contact via online customer service channels
2 KPN brand

WeChat Go Europe platform
offering in-app purchases



Continued focus on value in competitive Consumer mobile environment

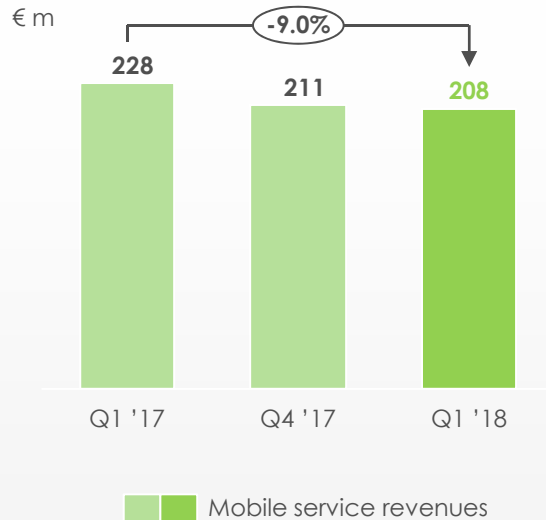


KPN brand resilient through high convergence penetration

Service revenues impacted by regulation and price pressure in mobile-only

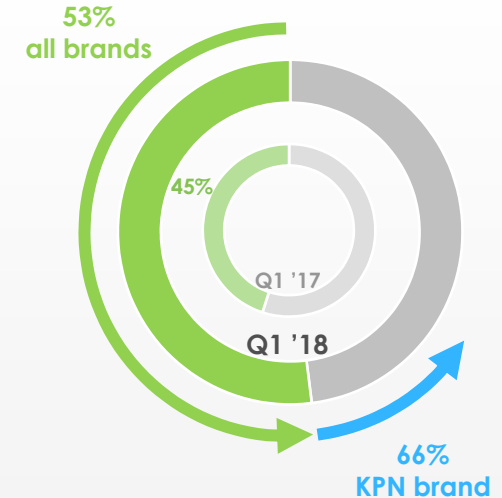
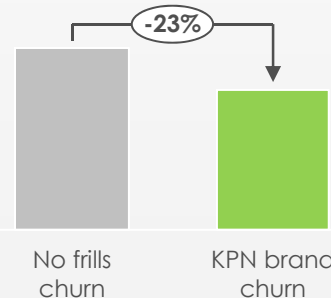
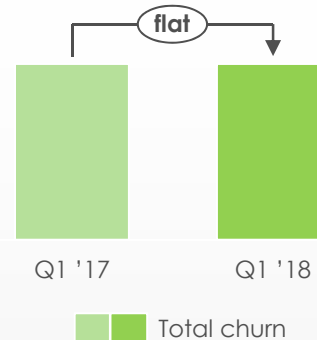
Focus on retention of high value customers...

...through successful convergence strategy



-2.9%

Growth of mobile service revenues
(Excluding regulation)



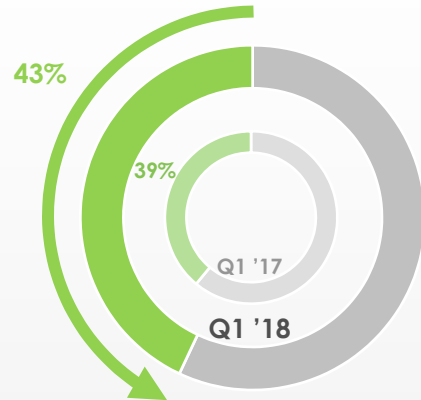
Q1 '18:
+48k net adds

Sustained revenue growth in Consumer residential

Continuously improving excellent customer experience

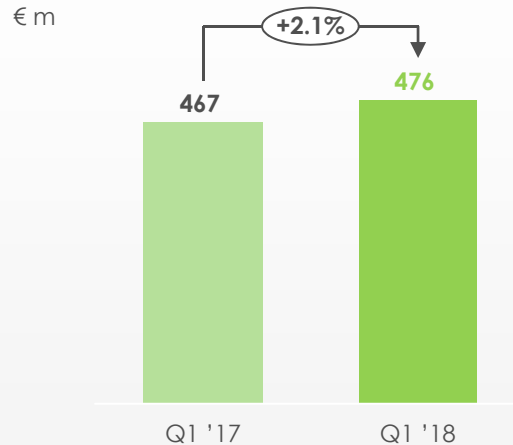


Further fixed-mobile
households growth¹

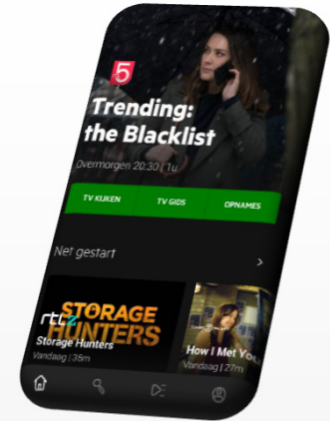


Q1 '18:
+28k net adds

Continued
fixed revenue growth



New fully integrated TV-offering



New IPTV app with
leading user interface

Offering excellent customer
experience on all devices

¹ As % of broadband customers

Good progress in Business transformation

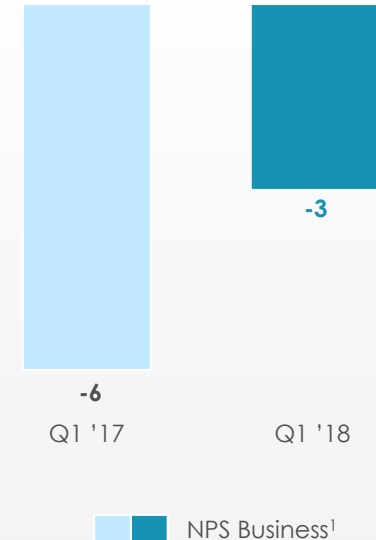
Simplified portfolio driving improved customer satisfaction



Business revenue growth drivers

	Q1 '18 adjusted y-on-y growth	Q1 '18 % of total adj. revenues
Communication Services	-8.7%	63%
Mobile service revenues	-7.9%	24%
IoT	40%	2.1%
Broadband & Network services	-1.5%	17%
Fixed voice	-14%	13%
Other	-22%	7.3%
IT Services (a.o. security, cloud, workspace)	18%	16%
Professional Services & Consultancy	4.8%	21%
Business total	-2.4%	

Improving customer satisfaction



¹ Source: Kantar TNS (KPN brand)

Growth in IT services and IoT

Nationwide IoT network supporting leading position



Upsell security portfolio through KPN ÉÉN SME



KPN ÉÉN customers



RoutIT

KPN ÉÉN distribution platform



QSight IT



dearBytes

Full IoT service offering leading to strong growth



Data driven solutions



KPN Things services



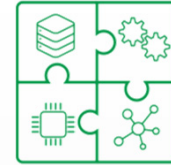
Connectivity



Hardware

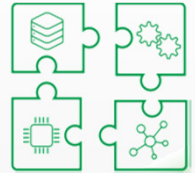


Professional services



Offered as
plug & play
end-to-end
solution

or modular
building
blocks



Nationwide IoT coverage

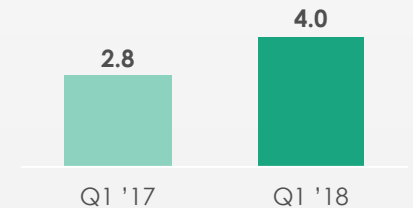
LoRa

LTE-M

4G M2M



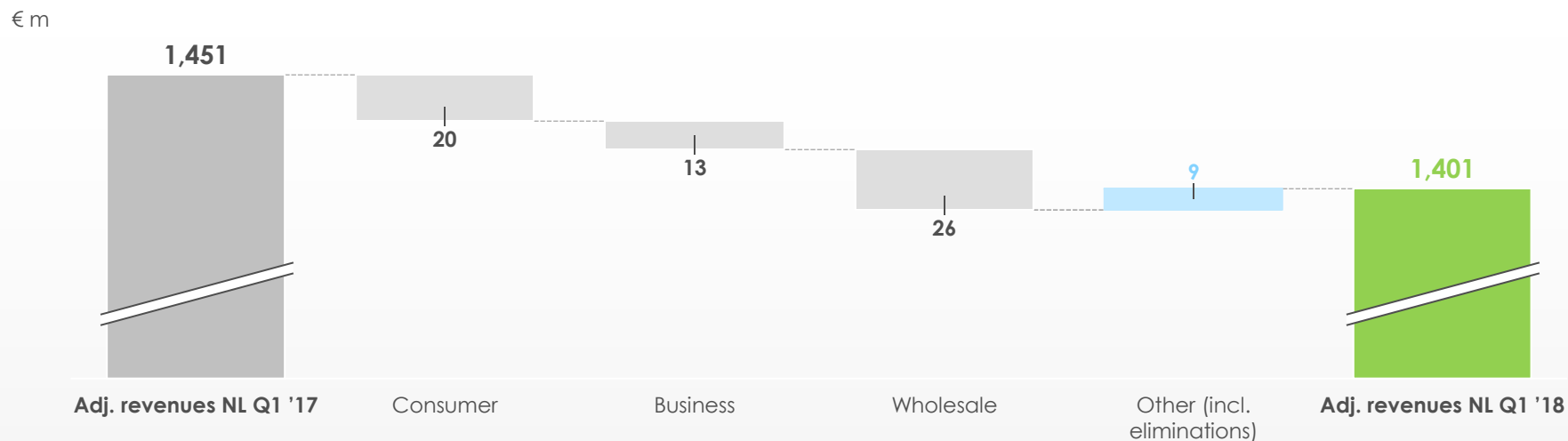
KPN IoT M2M base (m)



Revenues impacted by regulation



Adjusted revenues NL declined by 3.4%



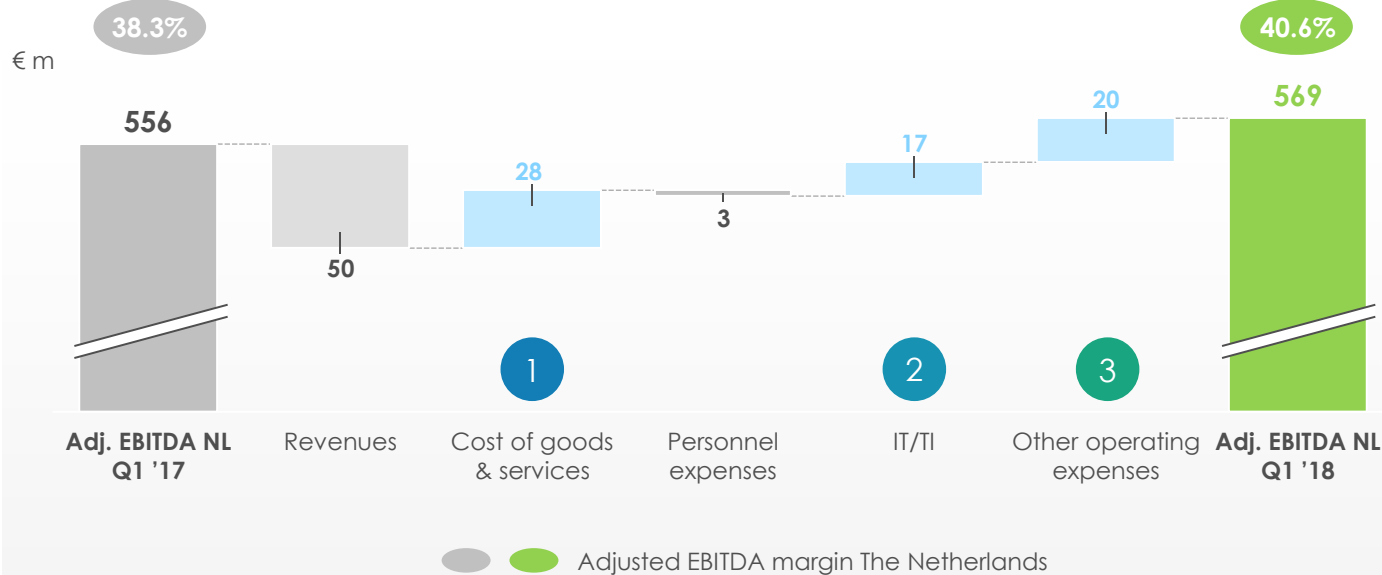
-1.3%

**Growth of adjusted revenues NL, excluding € 31m regulation impact
(roaming & MTA / FTA)**

Adjusted EBITDA growth driven by Simplification and digitalization



Adjusted EBITDA NL increased by 2.2%



- 1 Lower traffic costs due to reduction MTA tariffs
- 2 Ongoing Simplification and digitalization savings
- 3 Lower costs for billing & collection, marketing and housing

3.8%

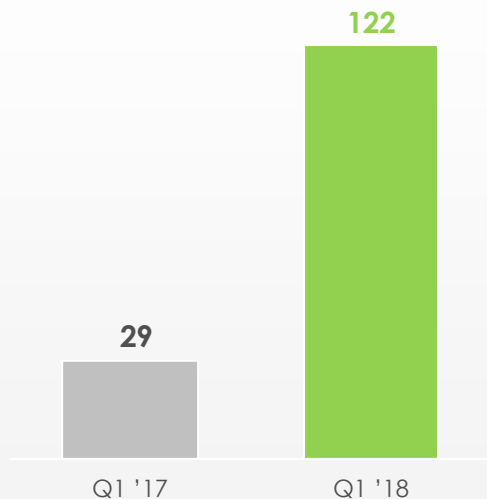
Growth of adjusted EBITDA NL, excluding € 9m regulation impact (roaming)

Solid financial position supported by growing free cash flow



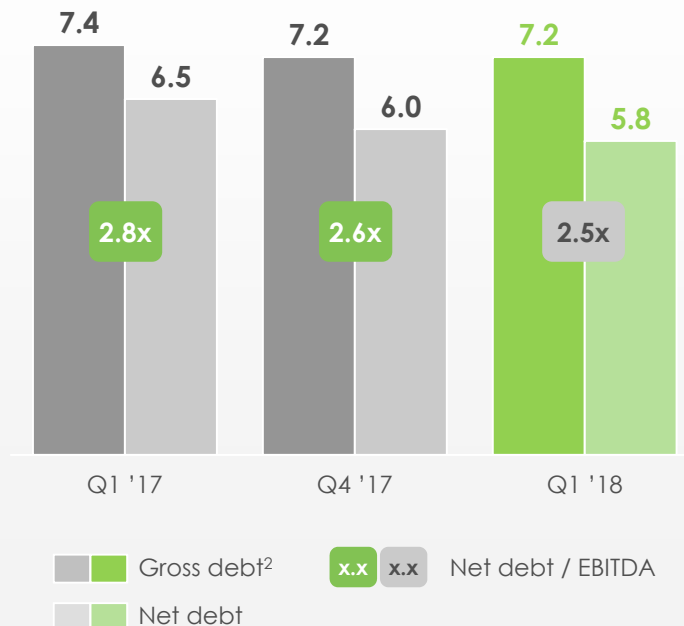
Growing free cash flow¹

€ m



Lower debt level

€ bn



¹ All figures based on continuing operations. iBasis classified as discontinued operations

² 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



Outlook 2018¹

- Adjusted EBITDA in line with 2017
- Capex ~€ 1.1bn
- Free cash flow (excl. TEFD dividend) growing
- Additional cash flow via expected dividend from stake in Telefónica Deutschland

Shareholder remuneration

- Intended DPS of € 12ct in respect of 2018
- Intention to grow regular DPS in line with FCF growth profile
- Intention to pass-through TEFD dividend
- Excess cash could be utilized for
 - Operational / financial flexibility
 - (Small) in-country M&A
 - Shareholder remuneration

¹ Based on continuing operations. iBasis classified as discontinued operations



Accelerate up and cross-sell in bundles

Grow in TV and IT services

Finalize Business transformation

Finalize build of flexible and simplified integrated network and operating model

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

Optimize financial framework and grow dividend

Simplify

Grow

Innovate

Q1 2018 – Information Pack

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KPN ADR program

KPN has a sponsored Level 1 ADR program



Bloomberg ticker	KKPNY
Trading platform	Over-the-counter (OTC)
CUSIP	780641205
Ratio	1 ADR : 1 Ordinary Share
Depository bank	Deutsche Bank Trust Company Americas
Depository bank contact	Jonathan Montanaro
ADR broker helpline	+1 212 250 9100 (New York) +44 207 547 6500 (London)
E-mail	adr@db.com
ADR website	www.adr.db.com
Depository bank's local custodian	Deutsche Bank, Amsterdam

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Leading in Corporate Social Responsibility



Successful CSR strategy¹

2017

Employee Engagement



80%

vs. 77% in 2016

Environment



24%

Less energy consumption
vs. 2010

Privacy & Security



70%

of Dutch people believe
their data is safe with KPN



Recognition

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



Social and environmental achievements in Q1 '18

- Rolled out CardioSecur, allowing 1,100 doctors to take electrocardiograms with a smartphone
- Signed the capital equipment pledge initiated by Platform for Accelerating the Circular Economy (PACE)
- 1,250 disabled children and their families joined the 9th edition of 'Schaatsvriendendag'
- Announced partnership with FutureNL, to support coding lessons for children
- KPN is main sponsor of the new Rijksmuseum app which makes 360,000 pieces of art available online

¹ As disclosed in KPN's Integrated Annual Report 2017

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Group results Q1 '18 (continuing operations)



(€ m)	Q1 '18	Q4 '17	Q1 '17	y-on-y %
Revenues	1,402	1,452	1,451	-3.4%
Adjusted revenues	1,402	1,452	1,451	-3.4%
Operating expenses (excl. D&A)	847	921	922	-8.2%
EBITDA	555	531	529	4.9%
Adjusted EBITDA	569	567	557	2.3%
Depreciation	242	255	246	-1.6%
Amortization	105	107	106	-0.9%
Operating expenses	1,194	1,283	1,274	-6.3%
Operating profit	208	169	177	17%
Net finance costs	-81	-86	-82	-0.2%
Share of profit of associates and joint ventures	-	-	-	n.m.
Profit before taxes	127	83	96	32%
Income tax	-28	-28	-23	24%
Profit after taxes	98	56	73	35%

Group cash flow Q1 '18 (continuing operations)



(€ m)	Q1 '18	Q1 '17	y-on-y %
EBITDA	555	529	4.9%
Interest paid/received	-119	-154	-23%
Tax paid/received	-5	-	n.m.
Change in provisions ¹	9	8	20%
Change in working capital ¹	-83	-93	-11%
Other movements	-4	3	n.m.
Net cash flow from operating activities	354	293	21%
Capex	-236	-264	-11%
Proceeds from real estate	4	-	n.m.
Free cash flow	122	29	>100%
Coupon on perpetual hybrid	-	-	n.m.

¹ Excluding changes in deferred taxes

Dutch mobile service revenues



Service revenues (€ m)	Q1 '18	Q1 '17	y-on-y %
Consumer	208	228	-9.0%
Business ¹	137	145	-5.2%
Other ²	36	37	-4.2%
KPN The Netherlands	381	411	-7.2%

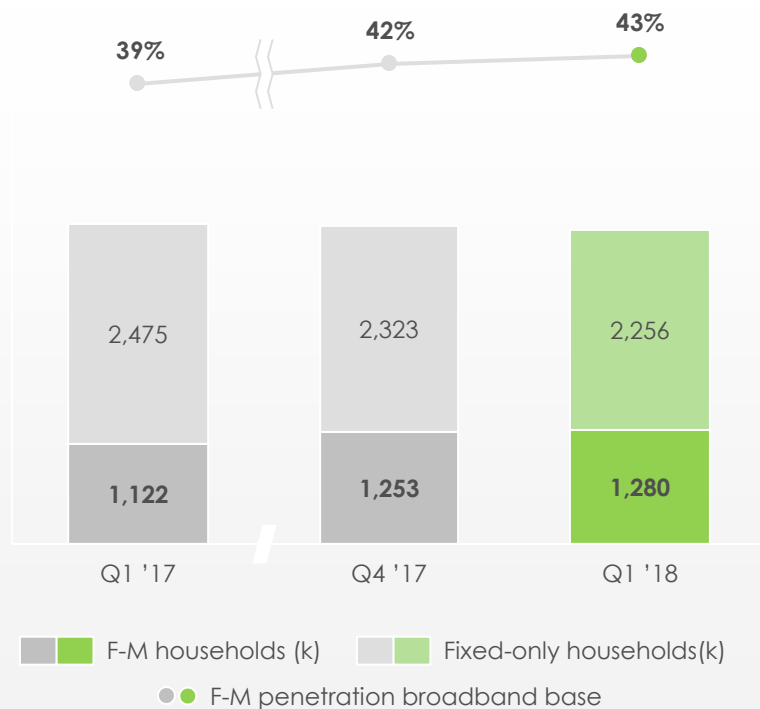
¹ Includes M2M service revenues
² Includes amongst others Wholesale mobile service revenues and visitor roaming

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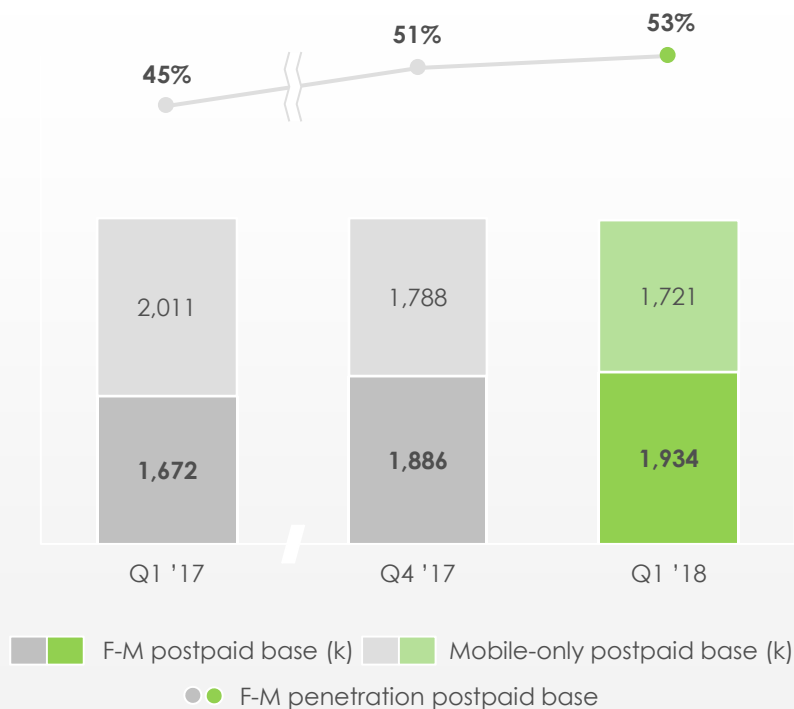
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Fixed-Mobile household development



Fixed-Mobile postpaid development

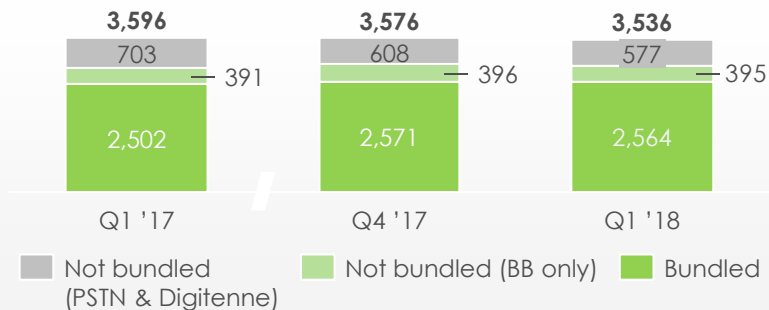


Consumer (cont'd)

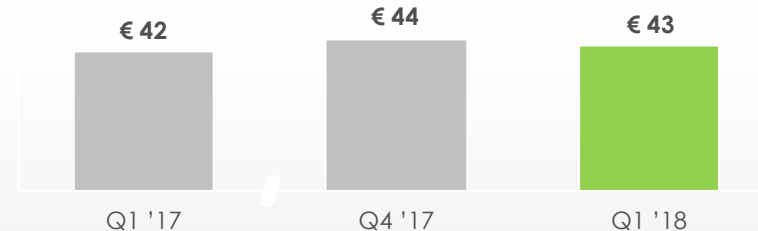
Residential KPIs



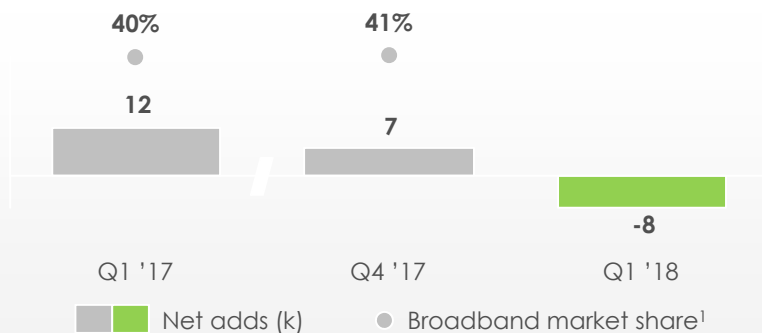
Household base (k)



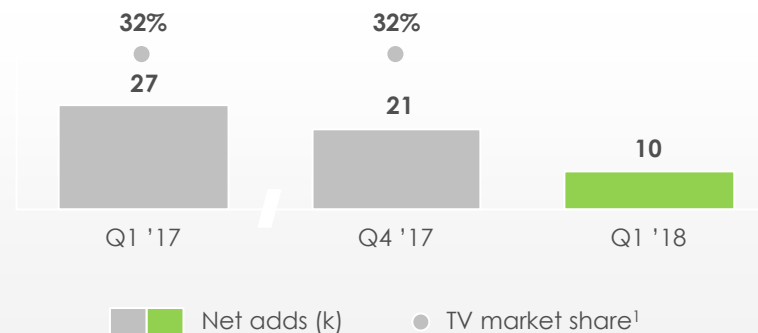
ARPU per household



Broadband



IPTV



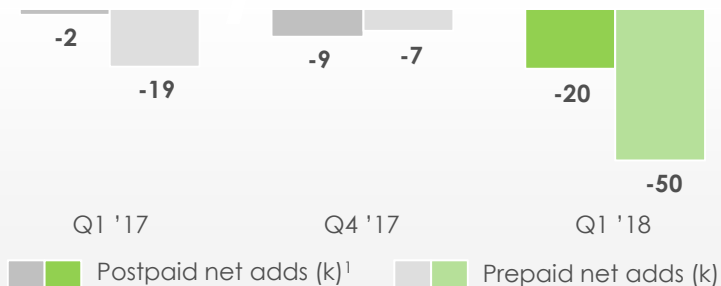
¹ Source: Telecompaper

Consumer (cont'd)

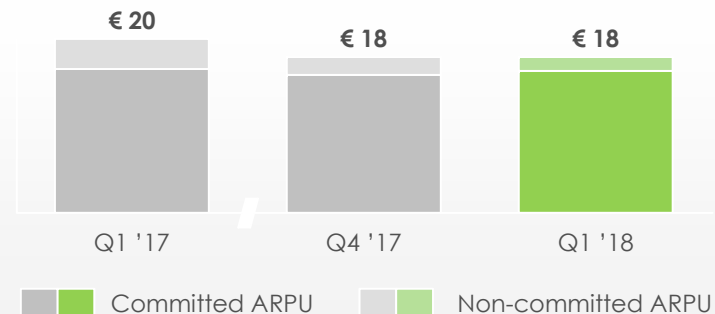
Mobile KPIs



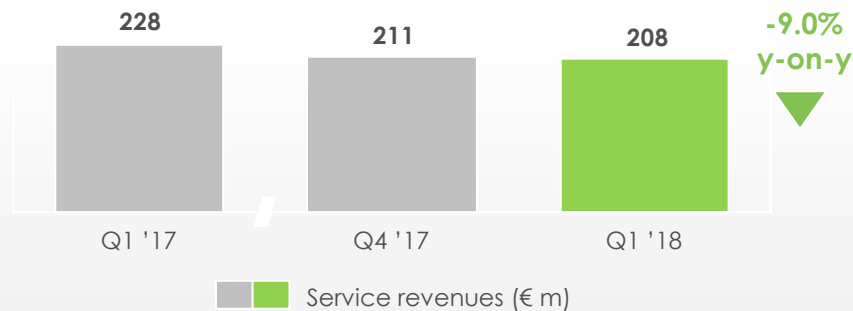
Mobile net adds



Mobile postpaid ARPU



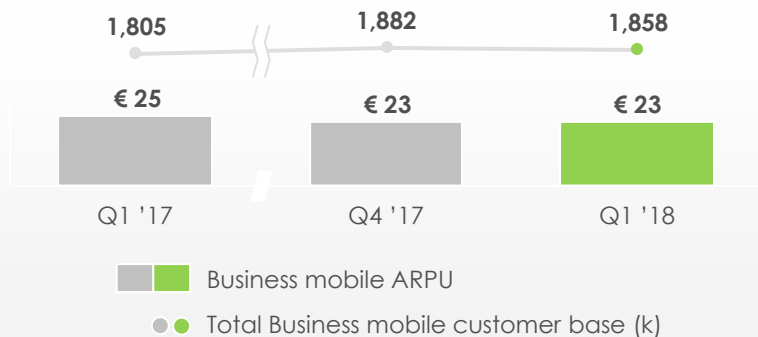
Wireless service revenues



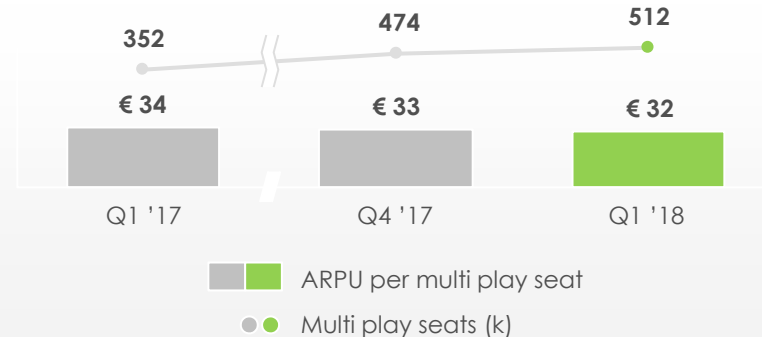
1 Excluding 6k clean-up in Q4 '17 and 4k clean-up at Simyo in Q1 '17



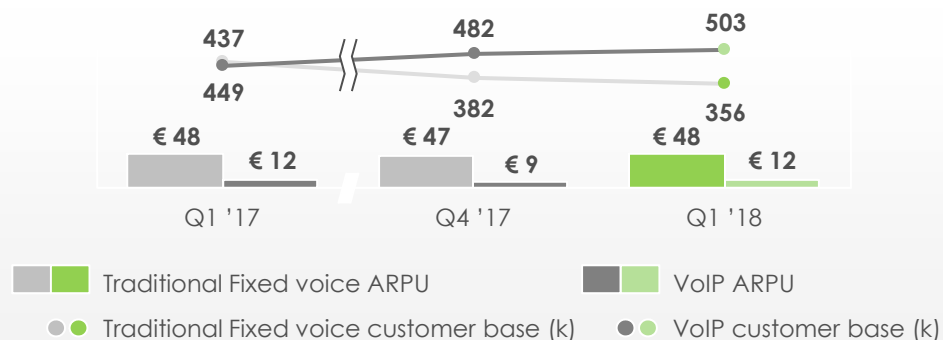
Total Mobile



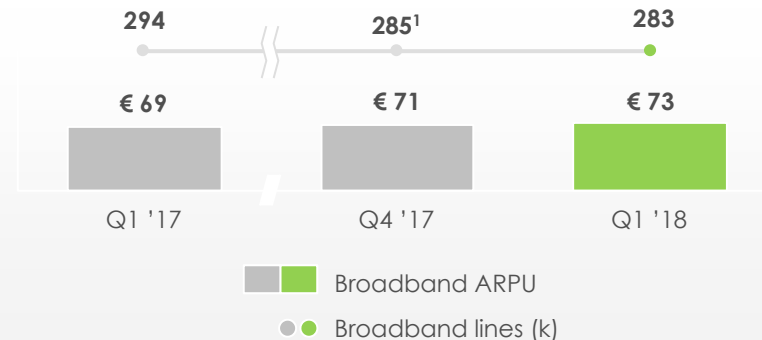
Multi play (mainly SME)



Fixed voice



Broadband



1 Including 8k clean-up in Q4 '17

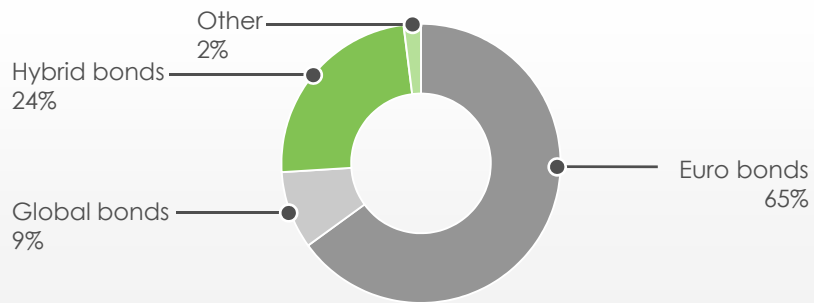
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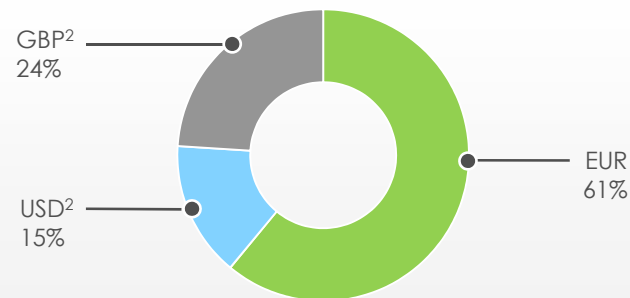
Debt portfolio



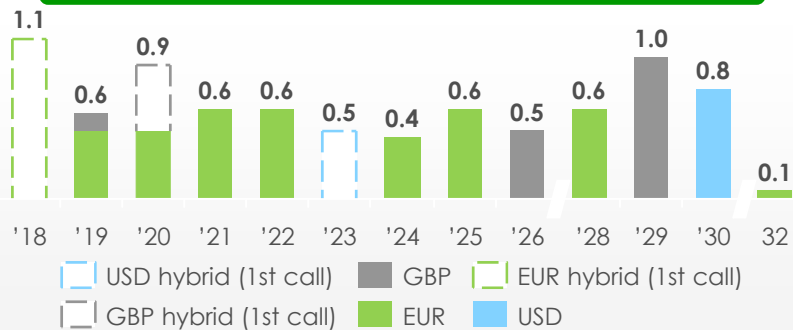
Breakdown nominal debt¹ (total € 8.3bn)



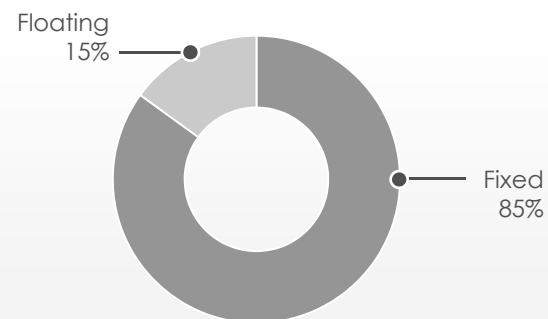
Nominal debt by currency



Bond redemption profile (€ bn)



Fixed vs. floating interest³



¹ Based on the nominal value of interest bearing liabilities after swap to EUR, including € 1.1bn hybrid bond, GBP 400m hybrid bond and USD 600m hybrid bond

² Foreign currency amounts hedged into EUR

³ Excludes bank overdrafts

Treatment of hybrid bonds



KPN & Credit rating agencies

- Each tranche of the hybrid bonds is recognized as 50% equity and 50% debt by the rating agencies
- Definition of KPN net debt includes: '[...], taking into account 50% of the nominal value of any hybrid capital instrument'
 - Hybrid bonds are part of KPN's bond portfolio
 - Independent of IFRS classification
 - In line with treatment by credit rating agencies

IFRS

- EUR tranche is a perpetual, accounted for as equity
 - Coupon payments treated as equity distribution, hence not expensed through P&L, not included in FCF, but in financing cash flow^{1,2}
- GBP and USD tranche have 60 years specified maturity, accounted for as financial liability
 - Coupon payments treated as regular bond coupon, hence expensed through P&L, included in FCF

Tranche	Nominal	KPN net debt	Maturity	Rates (swapped) ¹	IFRS principal	IFRS coupon
EUR 1.1bn 6.125%	€ 1,100m	€ 550m	Perpetual (first-call Sept-2018)	6.125%	Equity	Financing cash flow ² (not incl. in FCF)
GBP 0.4bn 6.875%	€ 460m	€ 230m	60 years (first-call Mar-2020)	6.777%	Liability	Interest paid (incl. in FCF)
USD 0.6bn 7.000%	€ 465m	€ 233m	60 years (first-call Mar-2023)	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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IFRS 15 changed revenue recognition rules

Example 1: Handset sales via own channels



Accounting for this example

Contract components (€)	Value	Revenue / cost
Contract duration (months)	24	
Monthly subscription	50	1,200
Initial handset payment	48	48
Handset value	528	-528
EBITDA contract lifetime		720

Under IFRS 15:

- Handset delivery at purchase is accounted for as non-service revenues
- Handset revenues consist of:
 - Initial payment (€ 48)
 - Amount to be recovered over the contract period (€ 480)
- No impact on free cash flow from accounting change
 - Higher EBITDA in month 1 (€ 460) is offset by change in working capital

IFRS 15	P&L	(€)	Month 1	Month 2	...	Month 24	Total
		Non-service revenue (handset)	528	-	...	-	528
		Service revenues	30	30	...	30	720
		Total revenues	558	30	...	30	1,248
		Opex (SAC)	-528	-	...	-	-528
		EBITDA	30	30	...	30	720
	Balance Sheet	Contract asset (working capital)	Month 1	Month 2	...	Month 24	Total
		Add: handset receivable	480	-	...	-	480
		Less: monthly billing	-20	-20	...	-20	-480
		Closing balance	460	440	...	-	-
IAS 18	P&L	(€)	Month 1	Month 2	...	Month 24	Total
		Non-service revenues (handset)	48	-	...	-	48
		Service revenues	50	50	...	50	1,200
		Total revenues	98	50	...	50	1,248
		Opex (SAC)	-528	-	...	-	-528
		EBITDA	-430	50	...	50	720

IFRS 15 changed revenue recognition rules (cont'd)

Example 2: Handset sales via third parties



Accounting for this example

Contract components (€)	Value	Revenue / cost
Contract duration (months)	24	
Monthly subscription	50	1,200
Dealer fee (handset)	480	-480
Dealer fee (subscription)	120	-120
EBITDA contract lifetime		600

Under IFRS 15:

- At purchase, dealer fees are recognized on the balance sheet
 - Handset revenues and handset dealer fee are no longer included in revenue and SAC
- Dealer subscription fee is spread over the contract lifetime as SAC
- No impact on free cash flow from accounting change
 - Higher EBITDA in month 1 (€ 575) is offset by change in working capital (contract asset) and change in provisions (non-current assets)

IFRS 15	P&L	(€)	Month 1	Month 2	...	Month 24	Total
		Service revenues	30	30	...	30	720
		Total revenues	30	30	...	30	720
		Opex (SAC)	-5	-5	...	-5	-120
		EBITDA	25	25	...	25	600
	Balance Sheet	Contract asset (working capital)	Month 1	Month 2	...	Month 24	Total
		Add: handset receivable	480	-	...	-	480
		Less: monthly billing	-20	-20	...	-20	-480
		Closing balance	460	440	...	-	-
		Contract cost (non-current)	Month 1	Month 2	...	Month 24	Total
IAS 18	P&L	Add: contract cost	120	-	...	-	120
		Less: amortization	-5	-5	...	-5	-120
		Closing balance	115	110	...	-	-
		(€)	Month 1	Month 2	...	Month 24	Total
		Service revenues	50	50	...	50	1,200
		Total revenues	50	50	...	50	1,200
		Opex (SAC)	-600	-	...	-	-600
		EBITDA	-550	50	...	50	600

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Spectrum in The Netherlands

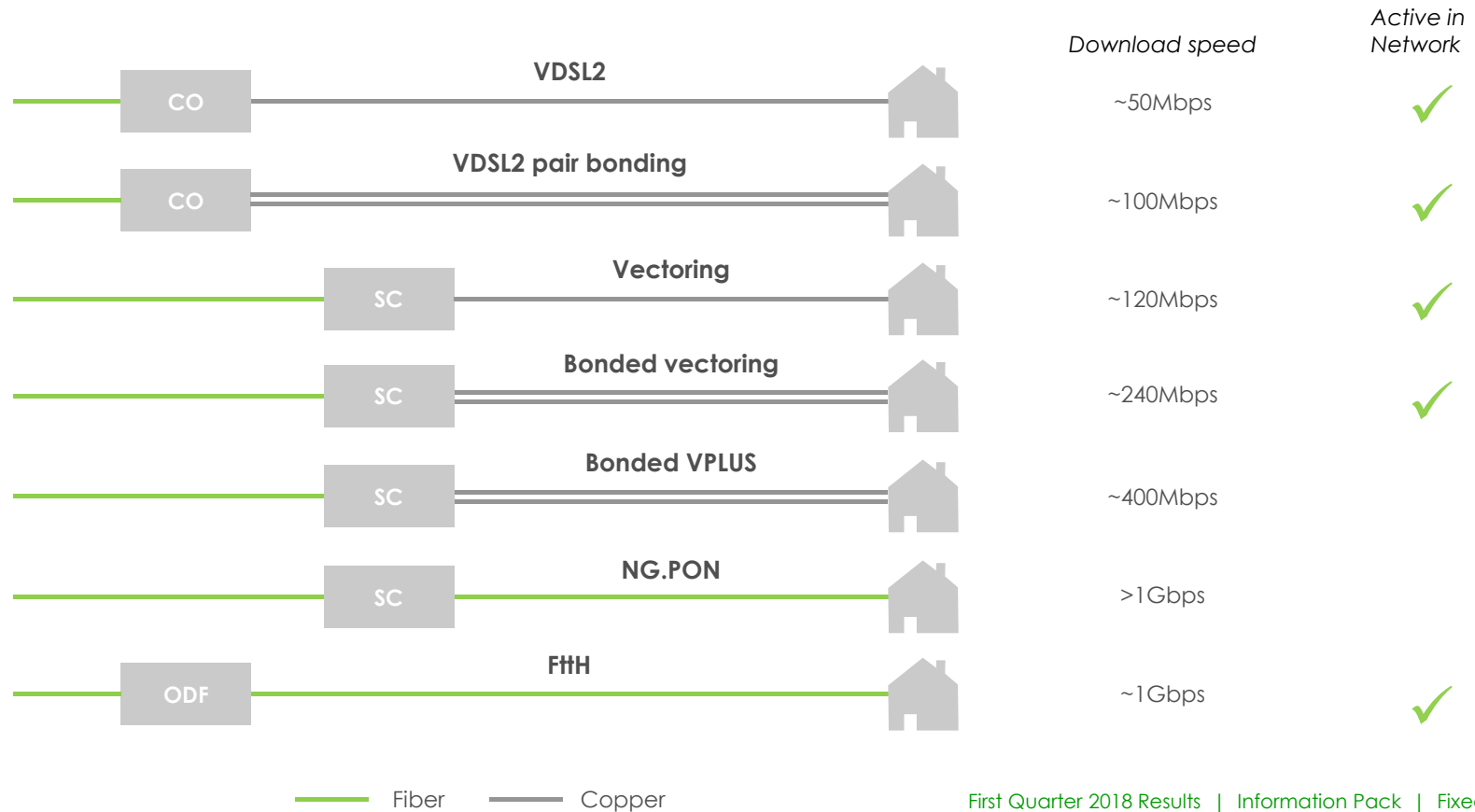


800MHz (Paired)	Tele2 2*10	VodZig 2*10	KPN 2*10				2*30
900MHz (Paired)	VodZig 2*10	KPN 2*10	T-Mob 2*15				2*35
1.8GHz (Paired)	KPN 2*20	VodZig 2*20	T-Mob 2*30				2*70
2.1GHz (Paired)	VodZig 2*14.6	KPN 2*14.8	T-Mob 2*10	KPN 2*5	VodZig 2*5	T-Mob 2*10	2*59.4
2.6GHz (Unpaired)	T-Mob 25	KPN 30	Tele2 5		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

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Fixed infrastructure



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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*
 - Due to IFRS 9, as of 1 January 2018, fair value movements are no longer recycled to the P&L (neither at sale nor at impairments)

P&L

- Dividends received reported as finance income within *net finance costs*

Cash flow statement

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

Tax

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

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