

Q3 2019 RESULTS

25 October 2019



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 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. 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 and amendment IAS 12

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.

Highlights Q3 2019

Strong cost
management

Net indirect opex savings

€ 37m

€ 103m YTD 2019

Smart converged
infrastructure

Successful

5G test

~70k

FttH homes passed YTD

Recognized for
sustainability efforts

#2

most sustainable telco worldwide

Dow Jones Sustainability Index

STRATEGY 2019 2021

The best **converged smart infrastructure.**

Focus on **profitable growth** segments.

Acceleration of **simplification and digitalization.**

Update: accelerated fiber roll-out strategy

Further ramping up
capacity

>60

projects up and running

Connecting more
and more homes

~70k

homes passed YTD

Using latest
technology

~1Gbps

First live G-PON connection
with customers

Update: mobile network modernization

first sites upgraded in The Hague area

Typical current site

4 frequency bands

2x2 MIMO

1Gbps backhaul

2 antennas

Not 5G ready

~150 site configurations

~80% FttS



Typical modernized site

6-8 frequency bands

4x4 or higher order MIMO

10Gbps backhaul

1 antenna

5G ready

3 site configurations

~95% FttS

CONVERGED HOUSE HOLDS TO DRIVE GROWTH

Best **household access**
and **customer**
experience.

Growing converged
base and product
penetration.

Focus on **delivering**
value.

Introduced a new converged proposition: KPN Hussel

targeting higher Customer Lifetime Value

Fully **flexible household proposition:**
complete freedom
to mix & match
services

One **converged customer journey**

Introducing new **benefits** including
unlimited mobile
data and **kids SIM**

ONE-STOP-SHOP: BROADBAND + MOBILE + TV + ENTERTAINMENT

Customer experience & recognition

record-high Consumer NPS

Consumer NPS¹

Q3 2019

18

17

Q3 2018

Business NPS¹

Q3 2019

-1

-2

Q3 2018

Awards



Strongest
Dutch brand²

Best
retail chain³

¹ 2018 restated as a result of recalibration of relative weights of underlying businesses, source: Kantar TNS

² Source: Brand Finance

³ Category Telecoms, source: Retailer of the Year (Q&A)

Consumer convergence in the quarter

Households

+5k converged households

1,404k total converged households

49% converged broadband customers

Q3 2018: 45%

Postpaid

+15k converged postpaid base

2,246k total converged SIMs

62% converged all brands

Q3 2018: 56%

73% converged KPN brand

Q3 2018: 68%

SIM cards

1.60 SIMs per household

Q3 2018: 1.53

Consumer Fixed in the quarter

Broadband base¹

-17k

Impacted by brand strategy

Fixed ARPU

€ 48 +5.4%
y-on-y

Price increase effective from
1 June 2019

Fixed revenues

Flat y-on-y

Bundled services **↑**
Traditional voice + Digitenne **↓**

¹ Corrected for migrations to and new customers of small business propositions (7k)

Consumer Mobile in the quarter

Growing postpaid
base KPN brand

+36k net adds
KPN brand

Q2 2019: +17k

-3k customer base all brands

Postpaid ARPU
stable q-on-q

€ 17

Q3 2018: € 18

-6.3% y-on-y

Mobile service
revenues

€ 194m

Q3 2018: € 210m

-7.6% y-on-y

Business revenue trend in the quarter

continues to be impacted by strategic actions

Adjusted revenues
y-on-y growth trend

	Q3 2019
Communication Services	-8.9%
Mobile service revenues	-7.7%
IoT	24%
Broadband & Network Services	-1.8%
Fixed Voice	-21%
Other	-17%
IT Services (a.o. security, cloud, workspace)	1.2%
Professional Services & Consultancy	9.3%
Total revenue	-3.6%

Revenue y-on-y trend Q3 2019

considerably

impacted by migrations & 'value over volume'¹

¹ Based on management estimates

Migrations from legacy portfolio

SME customers

68% SME base migrated¹

Q2 2019: 59%

100% mid-2020

LE customers

45% LE base migrated¹

Q2 2019: 33%

100% in 2020

Small business portfolio

35% converged customers

Q2 2019: 34%

+7k net adds in Q3 2019

¹ Migrated from traditional fixed voice and legacy broadband services

Financial highlights Q3 2019

Adjusted revenues

€ 1,372m

-1.8% y-on-y

Q3 2018: € 1,398m

Adjusted EBITDA
after leases

€ 599m

+2.9% y-on-y

Q3 2018: € 582m

Free Cash Flow

(excl. TEFD dividend)

€ 226m

-2.2% y-on-y

Q3 2018: € 231m

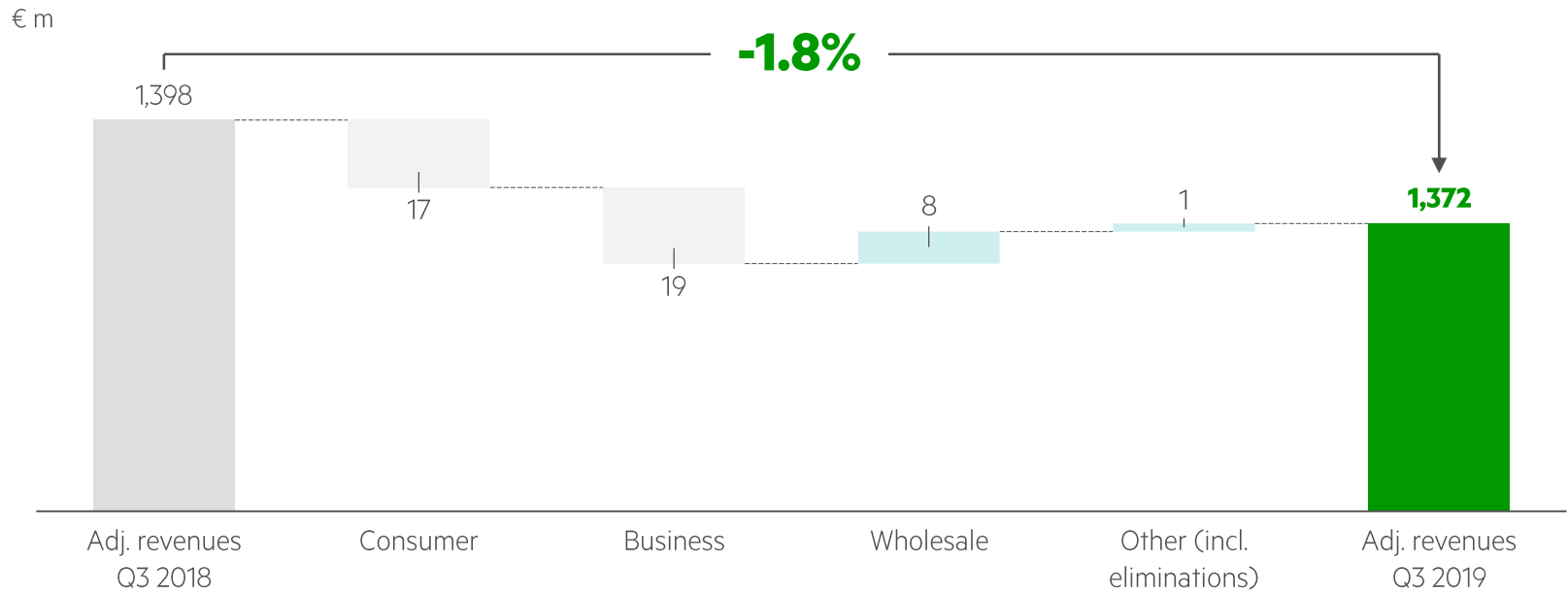
Financial performance Q3 and YTD 2019

key P&L metrics

€ m	Q3 2018	Q3 2019	Δ y-on-y	YTD 2018	YTD 2019	Δ y-on-y
Consumer	748	731	-2.2%	2,230	2,182	-2.1%
Business	520	502	-3.6%	1,589	1,514	-4.7%
Wholesale	157	166	5.2%	465	482	3.6%
Other	-28	-26	-4.6%	-81	-85	4.6%
Adjusted revenues¹	1,398	1,372	-1.8%	4,202	4,093	-2.6%
Adjusted direct costs ¹	330	328	-0.7%	978	939	-3.9%
Adjusted indirect costs after leases ¹	486	446	-8.3%	1,505	1,398	-7.1%
Adjusted EBITDA after leases¹	582	599	2.9%	1,720	1,756	2.1%
Reported						
EBITDA	588	808	37%	1,782	1,980	11%
EBIT	202	429	>100%	635	839	32%
Net profit	94	314	>100%	338	530	57%

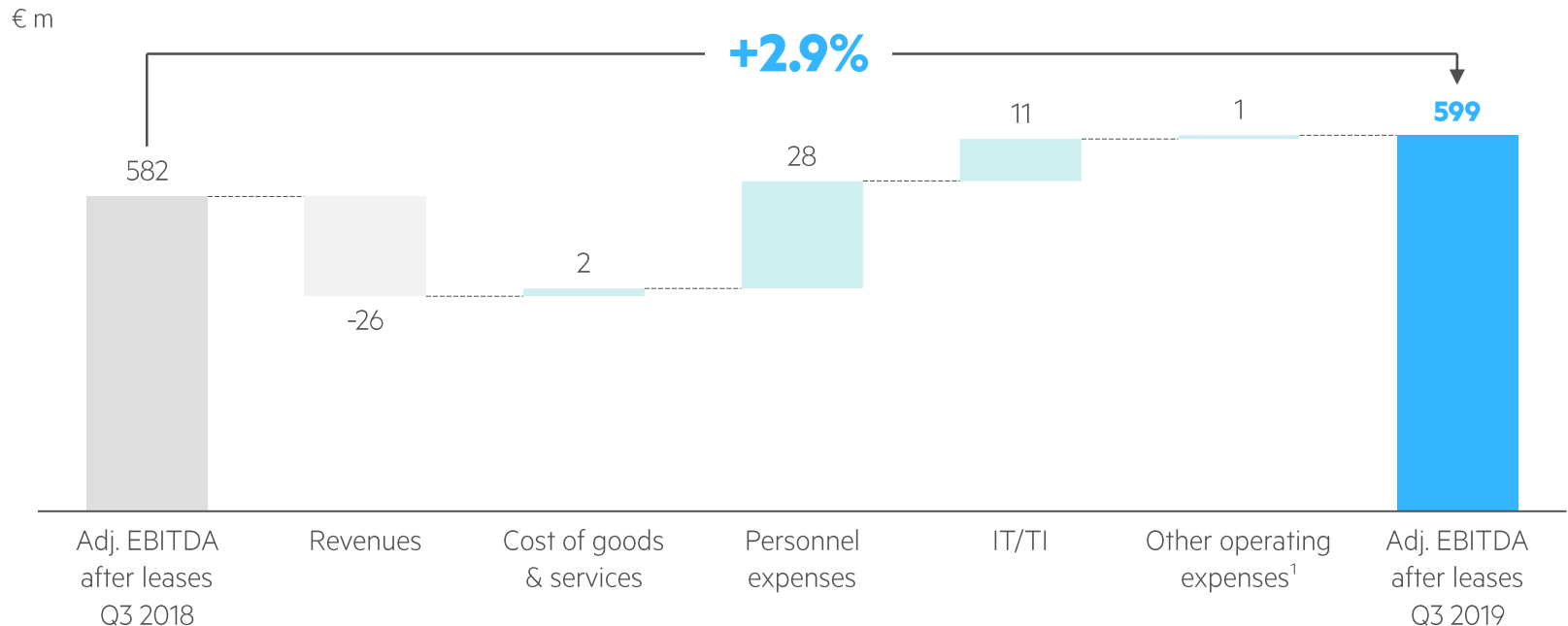
¹ Adjusted for the impact of restructuring costs and incidentals

Adjusted revenues declined y-on-y



Solid growth Adjusted EBITDA AL

supported by simplification and digitalization



¹ Incl. lease-related expenses

Indirect opex savings program on track

€ 103m
net savings YTD

~€ 350m
target 2019 – 2021

FCF Q3 and YTD 2019

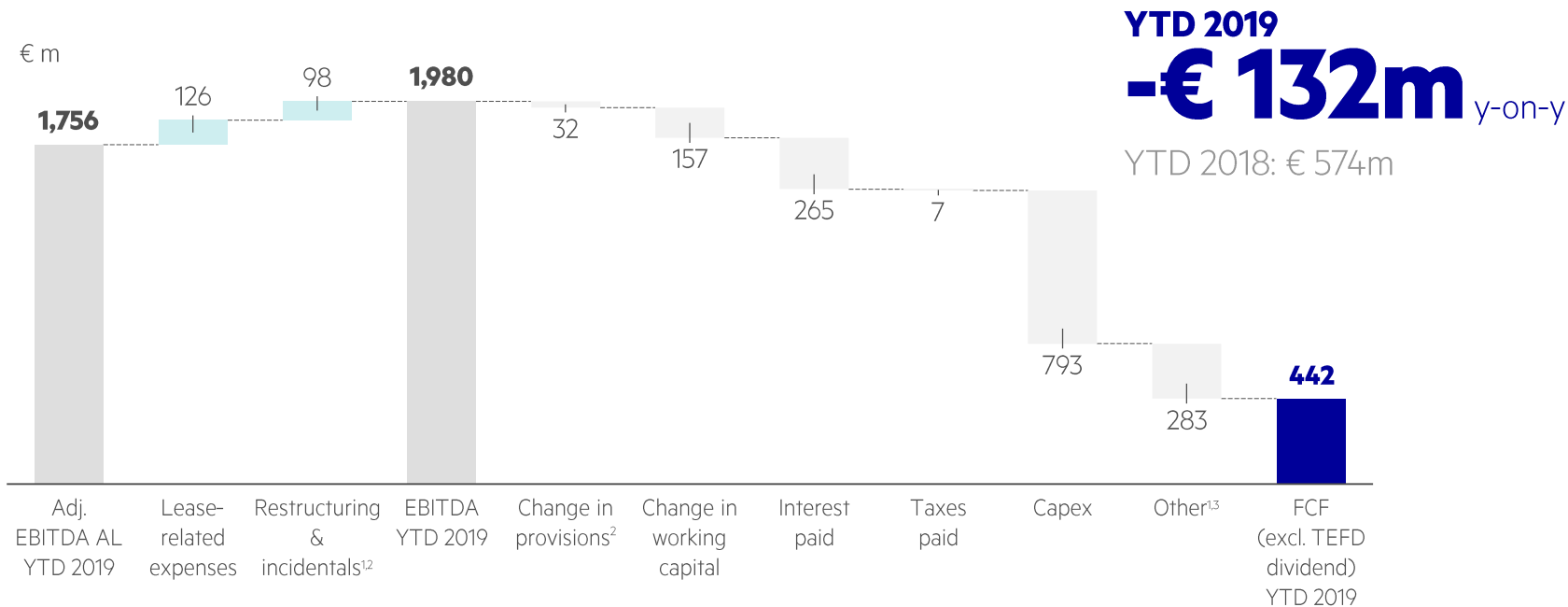
YTD mainly impacted by change in working capital

€ m	Q3 2018	Q3 2019	Δ y-on-y	YTD 2018	YTD 2019	Δ y-on-y
Adjusted EBITDA after leases	582	599	2.9%	1,720	1,756	2.1%
Interest lease liabilities	8	7	-11%	25	22	-12%
Depreciation right-of-use asset	37	34	-7.6%	111	104	-5.8%
Restructuring	-39	-23	-42%	-74	-93	25%
Incidentals ¹²	-	190	n.m.	-	190	n.m.
EBITDA	588	808	37%	1,782	1,980	11%
Interest paid / received	-85	-97	14%	-262	-265	1.3%
Tax paid / received	-	-	n.m.	-25	-7	-71%
Change in provisions ²	27	-36	n.m.	36	-32	n.m.
Change in working capital	-16	8	n.m.	-98	-157	60%
Other movements (incl. TEFD dividend) ¹	1	-170	n.m.	44	-146	n.m.
Net CF from operating activities	515	513	-0.3%	1,477	1,372	-7.1%
Capex	-257	-262	2.2%	-737	-793	7.6%
Proceeds from real estate	-	-	n.m.	5	-	-100%
Repayments of lease liabilities	-27	-25	-7.2%	-116	-114	-1.7%
Free cash flow	231	226	-2.2%	628	466	-26%
TEFD dividend	-	-	n.m.	54	24	-56%
Free cash flow (excl. TEFD dividend)	231	226	-2.2%	574	442	-23%

1 Q3 2019 and YTD 2019 incl. € 171m book profit from the sale of NLDC

2 Q3 2019 and YTD 2019 incl. € 20m release of revenue related provisions

FCF development YTD 2019

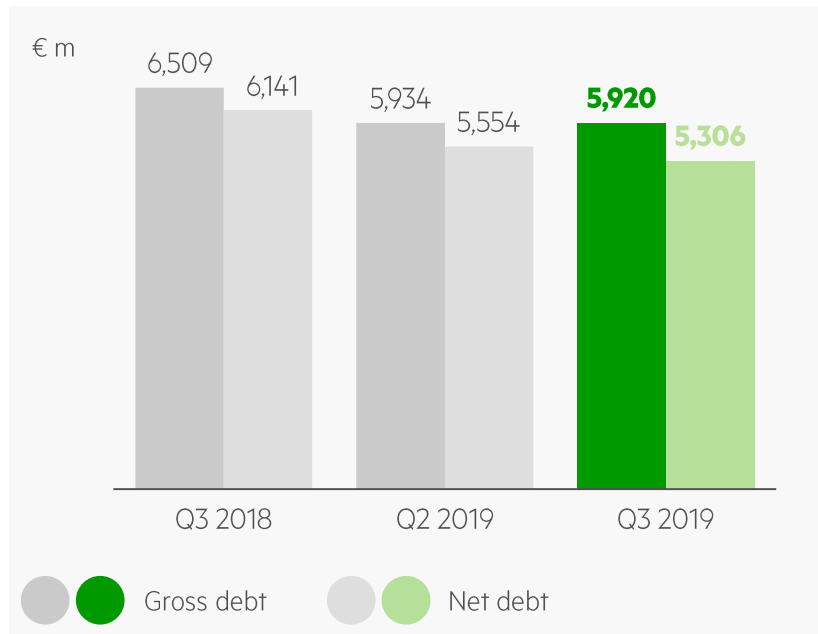


1 Incl. € 171m book profit from the sale of NLDC in Q3 2019

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

3 Incl. repayments of lease liabilities

Solid financial position



Q3 2019 leverage ratio

2.3x

Q2 2019: 2.4x

Outlook 2019 and 2019 – 2021 ambitions

organic sustainable growth

	Outlook 2019	2019 – 2021 ambitions
Adjusted EBITDA AL	Slightly growing compared with 2018	Organic growth
Capex	€ 1.1bn	Stable at € 1.1bn annually
FCF (excl. TEFD dividend)	At least € 700m ¹	Three-year mid-single digit CAGR ² driven by EBITDA AL growth
Regular DPS	€ 12.5 cents	Progressive dividend, supported by FCF

¹ Previous outlook "Incidentally lower FCF compared with 2018 due to front-end loaded restructuring charges and adverse phasing of working capital"

² Three-year CAGR calculated from the end of 2018 to the end of 2021

**ORGANIC
SUSTAINABLE
GROWTH**

**Value
over
volume.**

**Lean
operating
model.**

INFORMATION PACK

CSR
New converged proposition
Tax
KPI overview
Debt portfolio
Treatment of hybrid bonds
Fixed infrastructure
Spectrum



Doing business in a sustainable manner

Leading position in benchmarks

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM



Reputation ranking¹

#1 Dutch
companies
RepTrak Pulse 2019

Achievements in Q3 2019

Reuse & recycle

KPN introduces improved and more economical TV receiver with recycled plastic

Awards

KPN again in top 3 most sustainable telecom companies in the world (DJSI)

76

New KlasseContact
placements in Q3 2019

¹ Industry adjusted, source: Reputation institute

New converged proposition set-up

FMC benefits on Mobile and/or Entertainment

Broadband¹

Speed € / month

50 Mbps	42.50
100 Mbps	47.50
200 Mbps	50
500 Mbps	55
Tech desk	5

Mobile²

Data € / month

Kids SIM	1GB	7.50	2nd SIM only
	0GB	10	
	2GB	15	
	5GB	17.50	
	10GB	22.50	
	20GB	24	
	Unlimited	36	FMC only

TV³

Options € / month

1 STB	10
4K	2.50
Recording	5
>1 STB	5 each, incl recording

Entertainment⁴

e.g.

Spotify
Fox Sports
Film 1

€ 5 FMC benefit
on one entertainment option

1 Internet-only pricing; expert customer service desk available +€ 5/m

2 Kid SIM and Unlimited only available as converged customer; pricing incl. convergence discount (€ 5/m on bundles of 0-10GB, € 7.50/m on 20GB); double mobile data FMC benefit removed

3 Incl. 65 channels, replay, on-demand options, Fox 1

4 Free TV channels FMC benefit removed

Example new propositions: KPN Husel

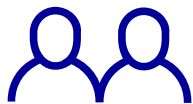


Singles (example)

Mobile **10GB**
Broadband **50Mbps**
TV **1x STB**
Entertainment **Spotify**

€ 79

vs. € 81.5 for previous proposition



Couples (example)

Mobile **10GB+5GB**
Broadband **100Mbps**
TV **2x STB**
Entertainment **Netflix**

€ 105.5

vs. € 105.5 for previous proposition¹



Family (example)

Mobile **10GB+5GB+
2x kids**
Broadband **200Mbps**
TV **3x STB+4K**
Entertainment **Netflix+
Fox Sports**

€ 144.5

vs. € 136.5 for previous proposition²



SoHo (example)

Mobile **4x Unlimited**
Broadband **100Mbps**
TV **2x STB**
Fixed voice **VoIP**
Service desk **24/7**
Voice mail **Business**

€ 192 excl. VAT

vs. € 187 for previous proposition³

¹ Previous proposition includes mobile 10GB+4GB

² Previous proposition includes mobile 10GB+4GB+2x 0GB+100min/text

³ Previous proposition includes mobile 4x100GB

Tax Q3 and YTD 2019

Regions (€ m)	P&L			
	Q3 2018	Q3 2019	YTD 2018	YTD 2019
The Netherlands	-23	-42	-91	-103
Other	-3	-	-5	-
Total reported tax	-26	-42	-96	-103
Of which discontinued operations	-3	-	-5	-
Reported tax from continuing operations	-23	42	-91	-103
Effective tax rate continuing operations	20.2%	11.7%	21.3%	16.2%

Cash flow			
Q3 2018	Q3 2019	YTD 2018	YTD 2019
-	-	-25	-7
-1	-	-3	-
-1	-	-28	-7
-1	-	-3	-
-	-	-25	-7

The effective tax rate for Q3 2019 was mainly influenced by the participation exemption and the Innovation Box facility

Without one-off effects¹ the effective tax rate would have been ~23% in Q3 2019

For 2019, the effective tax rate is expected to be ~23%, excluding one-off effects¹

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

KPI overview

Consumer fixed

	Q3 2018	Q3 2019
Household base (k)		
F-M households	1,325	1,404
Fixed-only households	2,139	1,877
Total households	3,464	3,281
F-M penetration broadband base	45%	49%
Bundled	2,551	2,518
Not-bundled (BB-only)	388	361
Not-bundled (PSTN & Digitenne)	525	402
Total households	3,464	3,281
Net adds (k)		
Broadband	-8	-24
IPTV	10	-2
Fixed ARPU (€)	45	48

Consumer mobile

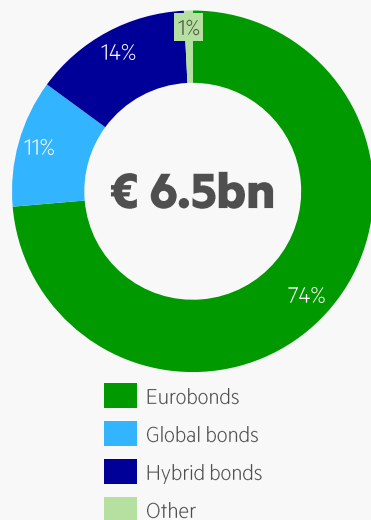
	Q3 2018	Q3 2019
Postpaid base (k)		
F-M postpaid customers	2,032	2,246
Mobile-only postpaid customers	1,598	1,357
Total postpaid base	3,630	3,602
F-M penetration postpaid base	56%	62%
Net adds (k)		
Postpaid	-14	-3
Prepaid	-39	-48
Postpaid ARPU (€)	18	17
Wireless service revenues (€ m)	210	194

Business

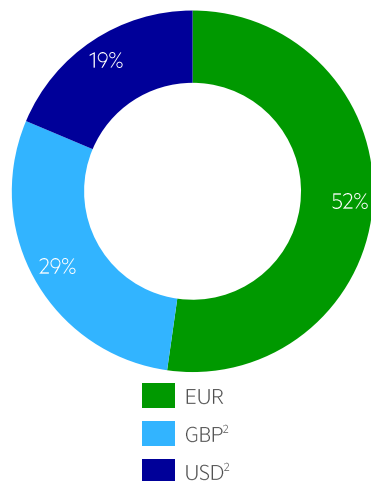
	Q3 2018	Q3 2019
Customer base (k)		
Mobile	1,863	1,819
Traditional Fixed voice	310	193
VoIP	532	606
Broadband	287	315
ARPU (€)		
Mobile	22	21
Traditional Fixed voice	49	50
VoIP	11	11
Broadband	73	69

Debt portfolio

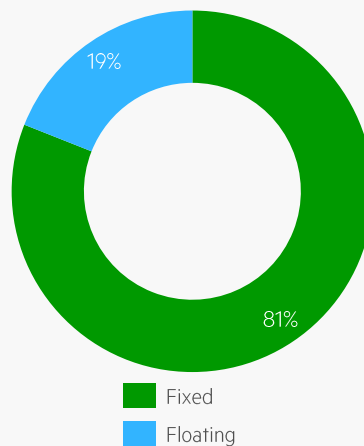
Nominal debt¹
by type



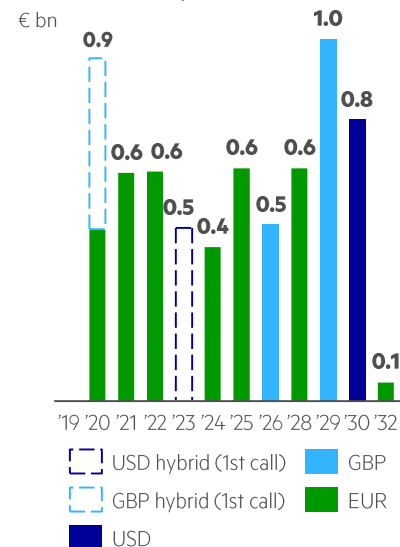
Nominal debt
by currency



Fixed vs. floating
interest³



Bond redemption
profile



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

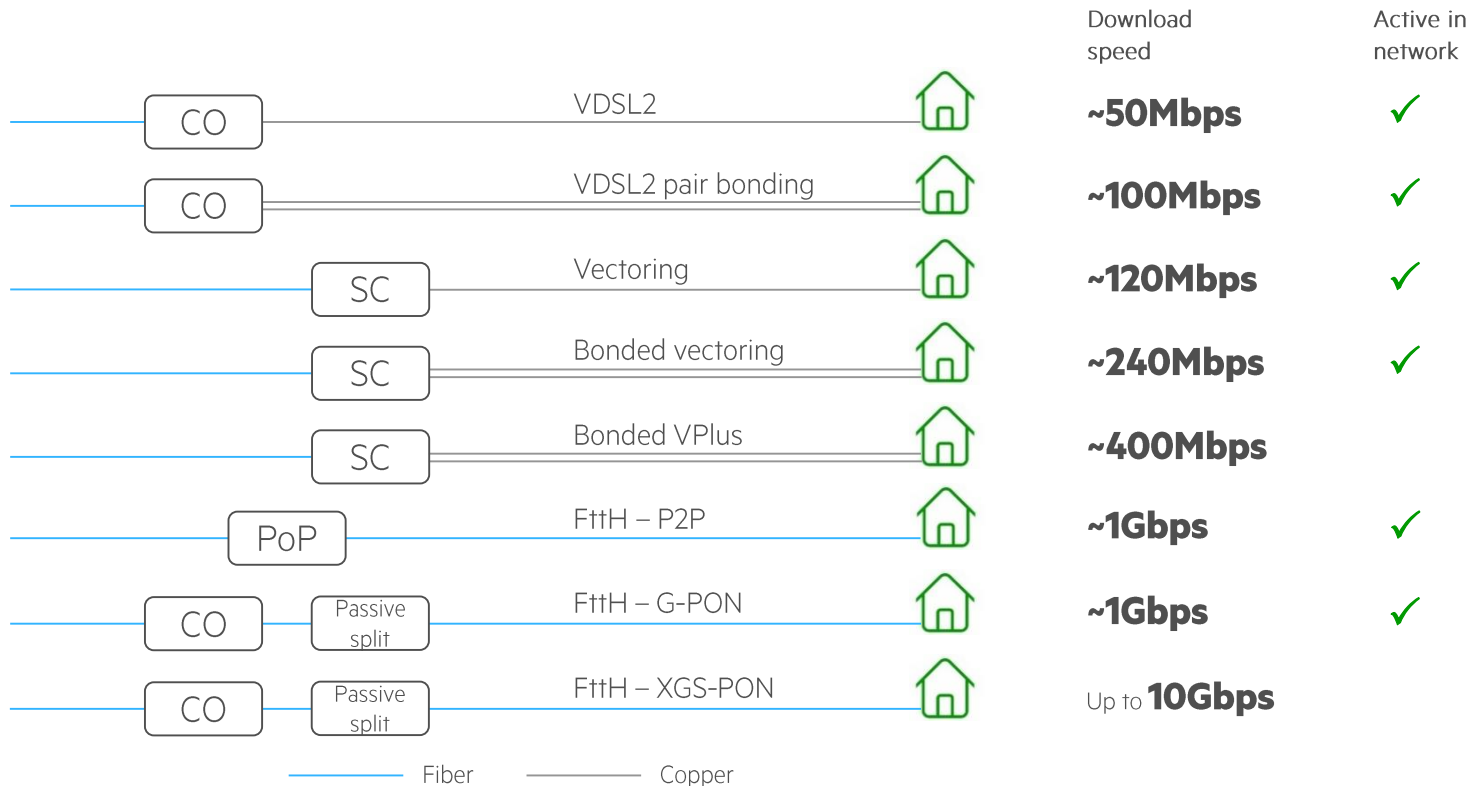
GBP and USD tranche have 60 years specified maturity, accounted for as financial liability

- 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
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)
Total	€ 925m	€ 463m				

¹ USD tranche has semi-annual coupon payments (March / September); GBP tranche has annual coupon payments in March

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



KPN Investor Relations

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