



KPN Q2 & H1 2020 RESULTS

27 July 2020

Safe harbor

Alternative performance measures and management estimates

This financial report contains a number of alternative performance measures (non-GAAP figures) to provide readers with additional financial information that is regularly reviewed by management, such as EBITDA and Free Cash Flow (FCF). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures and are not uniformly defined by all companies including KPN's peers. Numerical reconciliations are included in KPN's quarterly factsheets and in the Integrated Annual Report 2019. 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 2019 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') is derived from EBITDA and is 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 AL excluding major changes in the composition of the Group (acquisitions and disposals). Operational free cash flow is defined as adjusted EBITDA AL minus capital expenditures (Capex) being expenditures on PP&E and software. Free Cash Flow (FCF) is defined as cash flow from continuing operating activities plus proceeds from real estate, minus Capex. Return on capital employed (ROCE) is calculated by the net operating profit less adjustments for taxes divided by capital employed, on a 4 quarter rolling basis. Net operating profit is the adjusted EBITA (excluding incidentals and amortization of other intangibles, and excluding restructuring costs). KPN defines capital employed as the carrying amount of operating assets and liabilities, which excludes goodwill and other intangibles.

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 2019. 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 2019, unless stated otherwise.

Additional information regarding estimated impact of divestments on Q2 and H1 2019 financial figures

KPN's Q2 2020 Press Release and Q2 2020 Analyst Presentation include additional information regarding the estimated impact of divestments on the Q2 and H1 2019 comparative financial figures, as KPN's Board of Management deems it important to provide readers with additional information on the financial impact of the following divestments: NLDC, International Network Services, Argweb, and KPN Consulting. The impact of divestments as mentioned represents the estimated financial impact (transfer of revenues, addition of COGS and transfer of indirect costs) of the combined completed divestments as if the actual transfer of shares (closing) had taken place 12 months earlier. This information has been included for comparison reasons only and is not considered to be an alternative performance measure. Please note that the financial impact of divestments is based on management estimates, which have not and will not be audited.

1. HIGHLIGHTS & PROGRESS AGAINST STRATEGY

2. BUSINESS PERFORMANCE UPDATE

3. FINANCIAL RESULTS

Key highlights Q2 and H1 2020

- KPN delivered stable adj. EBITDA AL and higher free cash flow in Q2 2020 (excl. divestments)
 - COVID-19 negatively impacted KPN's service revenues, mostly roaming and B2B segment
 - This was offset by ongoing cost measures, leading to stable adjusted EBITDA AL y-on-y
 - FCF (excl. TEFD dividend) increased strongly to € 177m (+17%) despite higher investments in planned acceleration of the fiber roll-out
 - KPN's balance sheet and liquidity position remained strong
 - 2020 dividend commitment reiterated; an interim dividend of € 4.3 cents per share will be paid in August 2020
- Demand for essential connectivity services remained solid in the second quarter
 - Substantially improved customer base dynamics amidst continued rationalization
 - Consumer broadband and postpaid net adds improved q-on-q, first signs of bottoming-out; market remained highly competitive
 - Good progress with customer migrations; mobile ARPU was under pressure due to roaming. New initiatives in networking, IoT, and security slowed down due to COVID-19. These challenges were offset to the extent possible by lowering costs
 - Continuing open wholesale model; growing broadband portfolio in Wholesale leading to a solid performance; stable total broadband market share at ~52%
 - Continued ramping up of fiber roll-out: +76k FttH households (70k organic and 6.5k acquisition-related)

KPN delivered robust performance in Q2 2020 despite the challenges related to COVID-19

Adj. revenues

Q2 2020	H1 2020
€ 1,292m	€ 2,622m
-4.9%	-3.6%
Q2 2019: € 1,359m	H1 2019: € 2,721m

Adj. net ind. opex savings

Q2 2020	H1 2020
€ 33m	€ 71m
Since January 2019 € 213m	

Adj. EBITDA AL

Q2 2020	H1 2020
€ 585m	€ 1,160
-1.5%	+0.3%
Q2 2019: € 594m	H1 2019: € 1,157m

Net profit

Q2 2020	H1 2020
€ 135m	€ 255m
+5.4%	+18%
Q2 2019: € 128m	H1 2019: € 217m

ROCE¹

H1 2020
9.8%
+80bps
H1 2019: 9.0%

Leverage ratio

H1 2020
2.3x
H1 2019 2.4x

Operational free cash flow

Q2 2020	H1 2020
€ 291m	€ 588m
-10%	-6.1%
Q2 2019: € 324m	H1 2019: € 626m

Capex

Q2 2020	H1 2020
€ 295m ²	€ 572m
+9.3%	+7.8%
Q2 2019: € 269m	H1 2019: € 531m

FCF (excl. TEFD dividend)

Q2 2020	H1 2020
€ 177m	€ 257m
+20%	+19%
Q2 2019: € 147m	H1 2019: € 216m

Highlights in Q2 2020

- Adjusted revenues -4.9% y-on-y
 - **-3.0% excl. impact divestments**
 - Growth in Professional Services in Business and in Wholesale was offset by lower revenues from mobile (roaming) and fixed voice services
- Adjusted EBITDA AL -1.5% y-on-y
 - **+0.1% excl. impact divestments**
 - Effect of lower revenues fully offset by strong and disciplined cost control
- FCF of € 177m (+20% y-on-y)
 - **+17% excl. impact divestments**
 - Despite higher Capex
- Strong liquidity position of € 2.2bn
- ROCE of 9.8% in H1 2020, +80bps y-on-y

Key figures for Q2 and H1 2019 are not corrected for impact of closed divestments (NLDC, International Network Services, Argeweb, and KPN Consulting)

1: ROCE is calculated on a 4-quarter average rolling basis

2: Of which ~3% attributed to fiber acquisitions

The estimated net effect of COVID-19 on group's financial results was slightly negative in Q2 2020

Estimated financial net effect COVID-19 Group level

Adjusted gross profit

Fewer FTE (closure of shops)
FTE related costs (travel, learning & development, facilities)
Provision expected credit losses

H1 2020 net effect

~€ 5-7m negative

€ 1-4m positive
€ 6-8m positive
~€ 1m negative

Adjusted indirect costs

~€ 6-11m positive

Adjusted EBITDA after leases

broadly flat

(Adjusted EBITDA after leases Q2 2020)

~€ 3-5m negative

Temporary lower production (Capex & Δ working capital effect)
and lower handset sales (trade receivables)
Suspension of payment terms (trade receivables)

~€ 11-15m positive
~1-3m negative

Free cash flow

~€ 6-12m positive

(Free cash flow Q2 2020)

~€ 4-6m positive

Comments H1 2020

- Estimated service revenue impact of COVID-19 offset by lower costs:
 - Less international traffic, less roaming (~€ 16-20m negative), mostly in B2B
 - Temporary delay of IT projects (~€ 4-6m negative) mostly in B2B
 - Increased fixed and national mobile traffic (~€ 12-16m positive)
- Lower non-service revenue (mainly handset sales) is offset by lower COGS
 - No material impact on adj. EBITDA AL

COVID-19 revenue risk assessment by type of customers unchanged compared to Q1 2020

- No significant changes in payment behavior in Q2 2020
- Consumer, Wholesale and B2B SoHo account for ~65% of total group revenue
- B2B SME and LE/Corporate account for ~35% of total group revenue
- Revenue in those customer segments that are most exposed to the negative impact of COVID-19, accounts for ~10% of total group revenue:
 - Sectors such as hospitality, leisure, travel, personal care, etc. represent a minority of our SME customer base
 - LE / Corporate customers may delay IT projects if crisis lasts longer, though many are active in the public sector

The effect of COVID-19 cannot be estimated exactly. However, KPN observes substantial trend changes in some activities compared to previous quarters. The financial impact of these trend changes is used as a proxy for estimating the COVID-impact

Committed to 2020 outlook; interim dividend announced

Outlook 2020 is based on comparable basis corrected for divestments. The historical comparable basis figures are based on management estimates and are not audited

	Adjusted EBITDA AL	Capex (excl. acquisition Capex)	FCF (excl. acquisition Capex)	Regular DPS
Achievements H1 2020	+1.6% growth y-on-y	€ 563m	€ 266m	€ 4.3 cents interim dividend
Outlook 2020	Stable to slightly growing compared to 2019*	€ 1.1bn	At least mid-single digit percentage growth compared to 2019**	€ 13.0 cents

- 2020 Outlook for Adjusted EBITDA AL, Capex and DPS reiterated
- KPN is committed to grow its FCF in 2020 with ‘at least mid-single digit percentage growth compared to 2019’. However, there is some downside risk identified due to a potentially worsening trend in customers’ payment behavior due to COVID-19
- KPN intends to pay a regular dividend per share of € 13.0 cents in respect of 2020. An interim dividend of € 4.3 cents per share will be paid on 4 August 2020. The ex-dividend date is 29 July 2020
- Capex outlook and Free Cash Flow are both excluding acquisition Capex related to discretionary FttH M&A opportunities, which classify as Capex

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

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

H1 2020: solid progress on strategic pillars

1. The best converged smart infrastructure

1A: Further expand leading NL fiber activities

- 76k FttH added in Q2 (>30% vs. Q1 2020); 254k since start in 2019
 - This includes acquisition of ~6.5k homes passed / ~2.2k homes activated in rural area
- Significantly improving access speeds for our customers
 - 1Gbps proposition commercially available since March 2020¹
 - 8.5Gbps up and download speed reached during test of XGS-PON in residential area²

1B: Full mobile network modernization

- ~560 mobile sites upgraded in Q2 2020
 - ~1,490 since September 2019
 - ~50% higher average download speed (>90Mbps) after modernization
- 5G-ready
 - Nationwide coverage end 2021
 - To launch dedicated 5G services for B2B customers in Q3

2. Focus on profitable growth segments

- Focus on high-value KPN brand
- Continued progress in the Business segment's planned customer migrations
- Solid growth in our Wholesale broadband portfolio (WBA/VULA)

3. Acceleration of simplification and digitalization

- Net indirect opex savings of € 33m in Q2 2020, € 213m since start in 2019
- Strongly improved customer journey following migration to new OSS
- Shut down ISDN 2 end of June
- Further scaled down in FTEs
- Sale of KPN Consulting closed on 1 April 2020

1: For designated FttH areas

2: Test successfully performed in Amersfoort

1: Good progress building the best converged smart infrastructure

Ambitions 2019 – 2021

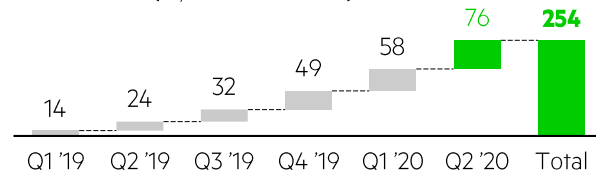
+1 million
FttH households

Full mobile network
modernization
100% 5G ready

100% ALL-IP

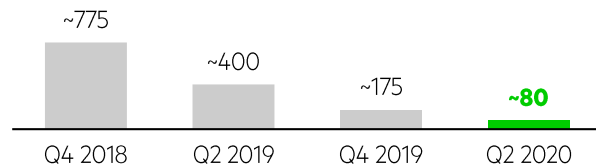
Progress 2019 until Q2 2020

FttH roll-out (x1,000 households)



- ~1,490 sites modernized since September 2019
- >99% 4G coverage
- >7.2 million mobile SIMs
- Acquired 75MHz spectrum during auction
- Commercially launching 5G for B2B in Q3

Migration legacy lines on track (x1,000 lines)



Next steps

- ~750k FttH households until end of 2021
- Further ramp-up of production, obtaining permits, securing contracting capacity

- Modernize ~3,500 sites until end of 2021
- Fully upgrade backhaul to 10Gbps

- ~80k legacy lines left to migrate until end of 2021

1A: KPN has the largest fiber footprint in NL: ~2.6m homes passed

- Accelerating fiber roll-out at fastest pace possible
 - Moving towards >40% fiber coverage by the end of 2021
 - Ensuring local access with ODF deals on third party networks
- Significantly improving access speeds for our customers
 - 1Gbps proposition commercially available since March 2020¹
 - 8.5Gbps up and download speed reached in residential area test²
- Operating the entire FttH value chain
 - From planning & construction to retail & wholesale services

Strong fiber coverage in both urban and rural areas (Q2 2020)



~32% FttH (~2.6m households)

~55% FttC (~4.5m households)

~88% FttS (~4,650 mobile sites)

Fiber acquisition in Q2 2020

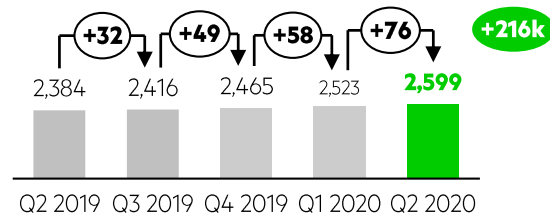
- Enlarging fiber footprint at value creating terms
- ~6.5k Homes Passed, ~2.2k Homes Activated
 - 2/3rd urban, 1/3rd rural

1: For designated FttH areas

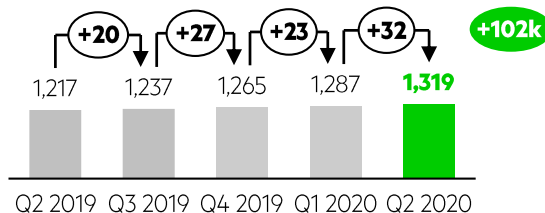
2: Test successfully performed in Amersfoort

1A: Ramping up fiber roll out, 76k FttH homes passed in Q2 2020

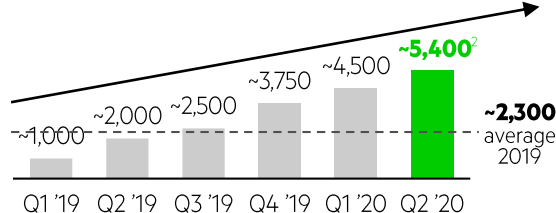
FttH homes passed (k)



FttH homes activated (k)



Avg. FttH roll out per week (households)



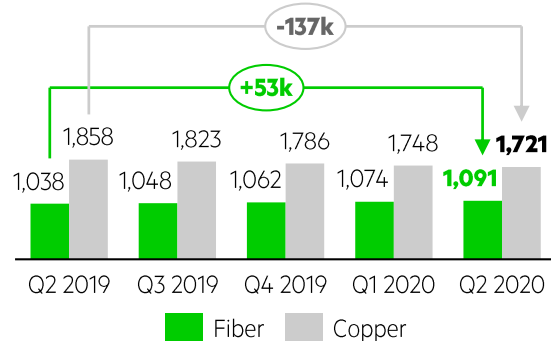
- Further accelerating fiber roll-out in Q2 2020
 - 76k FttH homes passed, incl. acquired local FttH network (+6.5k households) in Q2 2020
 - 134k in H1 2020; 247k since start in 2019
- ~57k homes passed on 3rd party FttH access
- Limited impact from COVID-19 measures on fiber roll-out

- Continued strong fiber take-up in Q2 2020
 - ~32k FttH homes activated
- LTM activation rate (HA/HP): ~47%
- Limited impact from COVID-19 measures on fiber activations

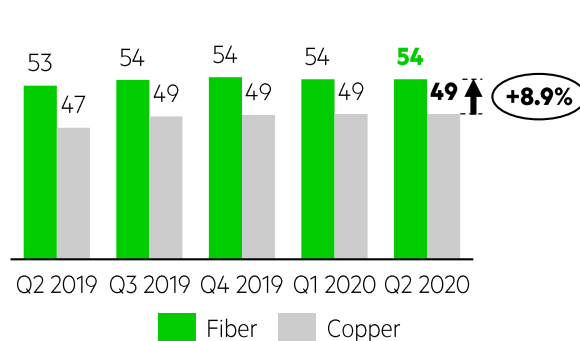
- Accelerate fiber roll-out to reach +1 million target
- Currently active in 83 areas with a growing number of construction crews
- Starting construction in the largest cities: Amsterdam, Rotterdam, The Hague
- Securing contracting capacity for future roll-out

1A: Consumer fiber outperforms copper, driving value for KPN

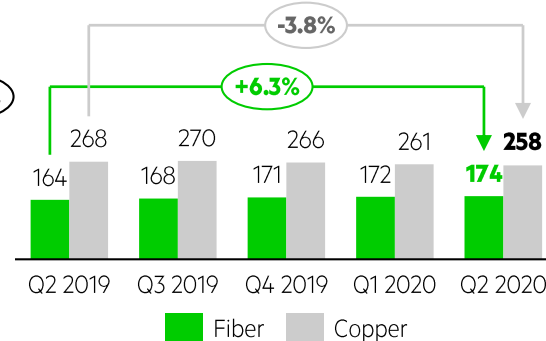
Growing fiber broadband base (k)



Attractive fiber broadband ARPU (€)



Growing fiber service revenues (€ m)



- Fiber ~51% of broadband sales in Q2 2020
 - Compared to ~48% in Q1 2020 and ~46% in Q2 2019
- ~7% higher network utilization¹
 - One year after connecting the first home in an area

- ~18% of fiber customers take 500Mbps or higher
- Value Added Services revenues per user 40-50% higher for fiber customers

- 5% higher convergence penetration
- 2 points higher NPS²
- ~40% lower churn

Fiber investments deliver positive NPV

Based on Consumer segment figures

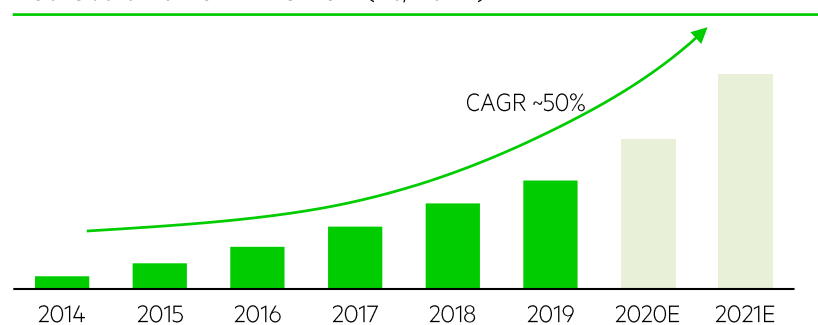
1: Including Wholesale

2: Q4 2019; source: Kantar TNS

1B: Full mobile network modernization to offer the best customer experience

- KPN is modernizing its mobile network to stay ahead of ever-increasing data demand and to offer the best customer experience and technology to customers
 - ~1,490 sites modernized with latest RAN technology
- Strengthening mobile position through acquisition of 75MHz spectrum in the multiband auction
 - 700MHz band: 20MHz
 - 1400MHz band: 15MHz
 - 2100MHz band: 40MHz
 - Total consideration € 416m

Mobile data traffic KPN network (Tb/month)



Value creation opportunities 5G

- 5G as a platform for new services (mainly Business)
 - Improves connectivity of existing services
 - Enables new business cases
 - Accelerates adoption of disruptive technologies (e.g. AI, AR)
- Durable and cost efficient
 - Improved energy efficiency of KPN's mobile network

2: Solid progress focusing on profitable growth segments

Ambitions 2019-2021

Consumer

- Focus on KPN brand
- Focus on households and convergence; +300k converged households; 70% postpaid penetration

Business

- Migrate 100% of SME and LE customers from legacy¹ in 2020
- Reduce IT systems by 75%
- Reduce products by 50%
- Reduce cost-to-serve KPN EEN by >25%
- Stabilize end-to-end Adj. EBITDA in 2020

Wholesale

- Grow WBA/VULA portfolio

Progress 2019 until Q2 2020

- Integrating Telfort customers, started in Q2 2019
- Launch of KPN Hussen in Q4 2019
- Added 44k totaling 1,387k converged households (49% broadband penetration), 63% postpaid penetration

- 84% of SME and 72% of LE customers migrated
- IT integration in progress
- Reduced product portfolio by 37%
- Cost-to-serve KPN EEN lowered by >25%
- Due to COVID-19 impact end-to-end Adj. EBITDA AL to stabilize during 2021 based on current estimates

WBA/VULA base (k)



Next steps

- Integration of Telfort and XS4ALL back-end
- Integrating IT systems, shutting down legacy
- KPN Hussen and accelerated fiber roll-out expected to contribute to convergence growth
- To add 256k converged households until end of 2021

- 16% of SME and 28% of LE customers left to migrate in 2020
- Continue IT integration
- Reduce product portfolio further by at least 15%
- Simplified end-to-end organization
- Stabilize end-to-end Adj. EBITDA AL during 2021

- Stimulate future-proof portfolio by consistently executing open wholesale proposition

1: Migrated from traditional fixed voice and legacy broadband services

3: Solid progress accelerating simplification and digitalization

Ambitions 2019 – 2021

From 20 to 2 converged IT stacks

From 5 core networks to 1

Simplified end-to-end organization

Progress 2019 until Q2 2020

- Integrated Telfort prepaid and other subsidiary stacks in KPN stack
- Migrating customers to new OSS, strongly improving the customer journey
- KPN Consulting and NLDC both had their own IT stack

- 2 core networks rationalized and migrated (Telfort core and EMTN¹)

- Disposal of NLDC, International Network Services, Argoweb, and KPN Consulting completed
- Digital transformation
- End-to-end responsibility segments
- Shut down 3 datacenters

Next steps

- Further IT integration to 1 converged IT stack for Consumer and 1 for Business
- Rationalization and migration of two core networks to single core network (EFTN² and EFTN backbone network)
- Automate processes
- Move to lean operating model

1: Ethernet Mobile Transport Network
2: Ethernet Fixed Transport Network

Doing business in a sustainable manner

Milestones & ambitions

2011

100% green energy

2015

Carbon neutral for own operations

2025

~100% circular

2030

100% climate neutral without compensation for car fuels

UN SDG Achievements in H1 2020

SDG9: Secure future-proof infrastructure

- Involved in European '5G Blueprint' consortium for research into remote-controlled logistics
- Corporate networks made safer with advanced security platform
- KPN offers businesses more continuity with 4G back-up
- Ramped up incident monitoring and fees waived for cyber security support for hospitals during COVID-19 pandemic

SDG 11: Social and digital inclusion

- Free SIM cards for Helpdigitaal, to keep people in care homes connected during COVID-19 pandemic
- Free WiFi for less fortunate children that need to be home schooled due to COVID-19

SDG 12: Environmental impact

- Research into green energy storage in back-up batteries of telephone exchanges
- Introduced a new, energy-efficient modem with an exterior made from 100% recycled material

COVID-19 measures taken, and thinking ahead...

- We offered **customers** free extra TV channels, high discount on meeting numbers and free antivirus scanners
- Employees** received additional leave hours and facilities to work from home. We develop new ways of working based on the experience during COVID-19
- SME suppliers** are paid within 30 days and on request faster if possible
- Healthcare sector** was provided with workplaces to get the demand for increased capacity and emergency locations up and running. Extra monitoring of networks in hospitals as the pressure on these networks has increased considerably
- We helped the **construction sector** to protect the 3,000 jobs involved in the roll-out of fiber optics and maintain expertise for the Netherlands
- Vulnerable groups**, such families who lack of digital resources, were provided with 1,000 4G routers so that children can receive online education. Pensioners were provided the opportunity to have a telephone call with KPN-colleagues to fight loneliness
- Shareholders** were paid the final dividend over 2019 of € 348m in April 2020; 2020 interim dividend to be paid in August 2020

KPN signed the Green Recovery Statement, calling on the government to take sustainability as a starting point for the COVID-19 recovery plans in the Netherlands and Europe

Rankings and awards in H1 2020



1. HIGHLIGHTS & PROGRESS AGAINST STRATEGY

2. BUSINESS PERFORMANCE UPDATE

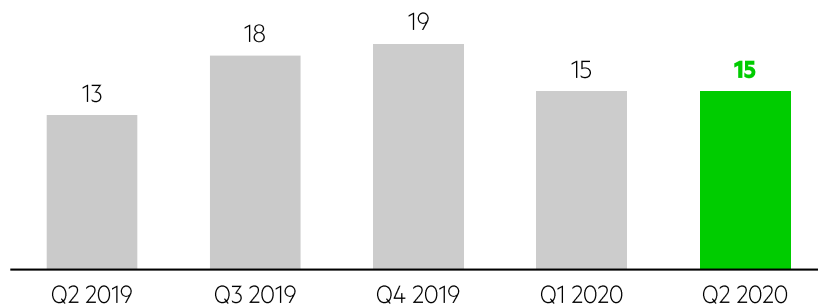
3. FINANCIAL RESULTS

Consumer – Delivery Q2 and H1 2020

Highlights

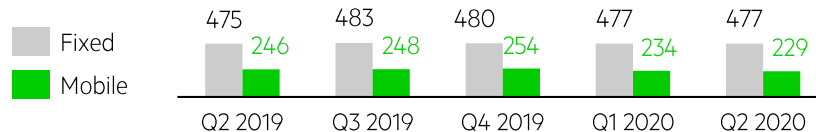
- Fixed revenue trend stable, lower base off-set by higher ARPU
- Substantially improving base dynamics driven by fiber growth, SuperWiFi and strong Unlimited proposition
- COVID-19 impact mainly visible in lower handset sales and roaming
- Market remained highly competitive; local fiber operators, three players focusing on FMC, mobile more focused on high end
- NPS +15¹, valued for best-in-class network, converged services and fiber
 - XS4ALL and KPN fiber considered best-in-class according to customers²

Consumer NPS



1: Source: Kantar TNS
2: Source: Consumentenbond

Revenue trend (€ m)



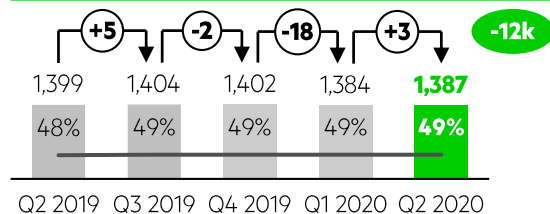
Last Twelve Months y-on-y

Fixed	+0.1%	0.0%	-0.1%
Mobile	-6.7%	-6.8%	-6.7%
Adj. revenues	-2.3%	-2.4%	-2.4%

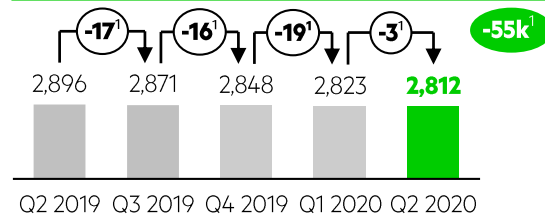
Segment financials (€ m)	Q2 2019	Q2 2020	Δ y-on-y	H1 2019	H1 2020	Δ y-on-y
Fixed revenues	475	477	+0.3%	952	954	+0.2%
Mobile service revenues	197	185	-6.5%	396	372	-6.0%
Mobile non-service revenues	49	44	-9.2%	102	91	-10%
Adjusted revenues	722	706	-2.2%	1,450	1,418	-2.2%

Consumer – KPIs Q2 2020

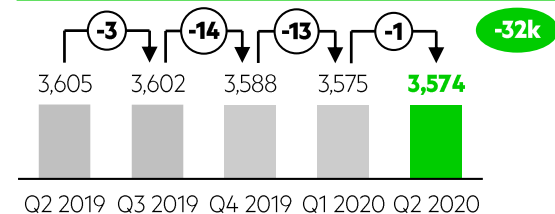
Converged households (k)



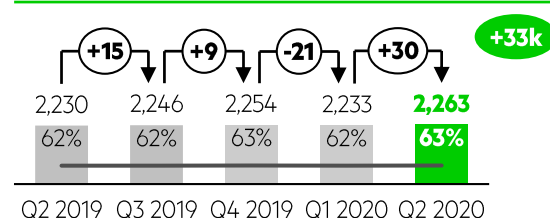
Broadband base (k)



Mobile postpaid base (k)



Converged postpaid customers (k)



Fixed ARPU (€)



Postpaid ARPU (€)



- Converged household base grew 3k, penetration at 49% of broadband base
- Converged postpaid net adds of 30k, penetration at 63% of postpaid base
- Driven a.o. by improved commercial strategy on fiber, latest marketing campaigns, SuperWiFi, lower churn

- Broadband net adds improved to -3k¹, driven by fiber and SuperWiFi
- Fixed ARPU increased 5.0% y-on-y to € 48, driven by 2019 price adjustments, higher inflow ARPU and declining base for PSTN and Digitenne services

- Total postpaid base -1k, driven by solid performance Unlimited proposition and new Simyo lineup
- Postpaid ARPU remained stable at € 17 for the sixth consecutive quarter

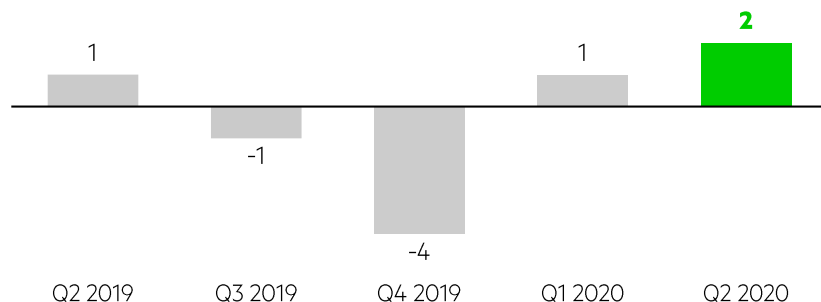
1: Corrected for migrations to and new customers of small business propositions (Q3 '19: 7k; Q4 '19: 7k; Q1 '20: 6k Q2 '20: 7k)

Business – Delivery Q2 and H1 2020

Highlights

- Adjusted revenue trend corrected for divestments impacted by COVID-19 (lower roaming, WiFi hotspots, IT projects) and strategic actions
- Simplified Business product portfolio by 37%
- NPS +2¹, driven by improved scores at SME and LCE customers, KPN valued for network quality and reliability
- Divestment of KPN Consulting closed on 1 April 2020

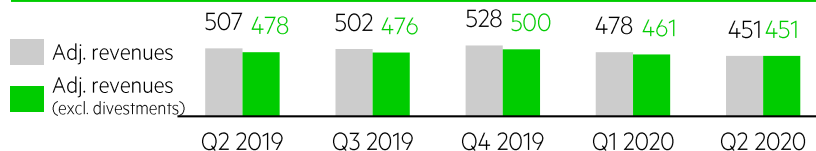
Business NPS



1: Source: Kantar TNS

2: Excluding the impact of NLDC, International Network Services, Argoweb, and KPN Consulting

Revenue trend (€ m)



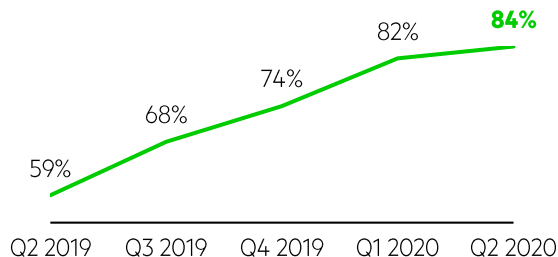
Last Twelve Months y-on-y



Segment financials (€ m)	Q2 2019	Q2 2020	Δ y-on-y (excl. divestments ²)	Δ y-on-y (excl. divestments ²)	H1 2019	H1 2020	Δ y-on-y (excl. divestments ²)	Δ y-on-y (excl. divestments ²)
Communication Services	322	278	-14%	-12%	648	566	-13%	-11%
IT Services	67	67	0.0%	+2.3%	134	134	+0.3%	+2.6%
Professional Services	96	105	+9.0%		189	210	+11%	
KPN Consulting	21	-	-100%	n.m.	41	17	-58%	-16%
Other	1	-	-33%		1	2	-25%	
Adjusted revenues	507	451	-11%	-5.7%	1,013	929	-8.3%	-4.8%

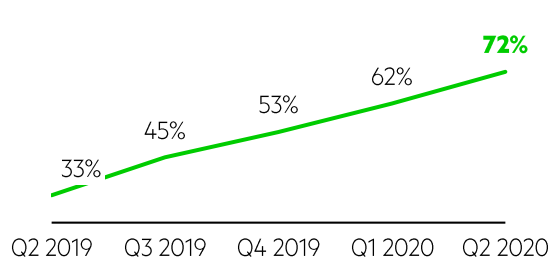
Business – KPIs Q2 2020

SME customer migrations¹



- 84% of SME customers eligible for migration have migrated
 - Pace of migrations in Q2 2020 affected by COVID-19 measures
- KPN EEN platform offering opportunities for up and cross-sell

LE/Corporate customer migrations¹



- 72% of LE customers eligible for migration have migrated
- Continuing to add services to Smart Combinations / Smart Integration propositions

H1 2020 B2B Service revenues²

- B2B service revenues account for ~35% of total group service revenue in H1 2020
- SME service revenues (~€300m) declined y-on-y in H1 2020, mainly driven by mobile ARPU, and migrations to future-proof propositions
- Corporates service revenues (~€300m) declined y-on-y in H1 2020, mainly driven by mobile, migrations in fixed voice and networking
- Integration service revenues (~€200m) increased y-on-y in H1 2020, driven by more project related work

1: Migrated from traditional fixed voice and legacy broadband services

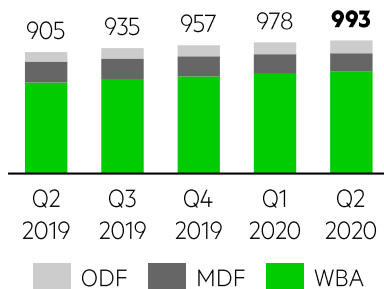
2: Based on management estimates

Wholesale – Delivery and KPIs Q2 and H1 2020

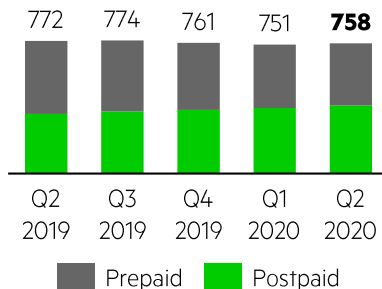
Highlights

- Solid performance in fixed (WBA and ODF access); Added 16k broadband lines
- Decline in mobile service revenues due to lower roaming revenues as a result of COVID-19
- Reconfirmed partnership with Youfone by signing a new 5-year MVNO contract
- Continuing open wholesale policy based on voluntary offers and long-term contracts
- Wholesale adds to KPN's strong position in the Dutch broadband market with a stable market share of ~ 52% (Q1 2020)

Broadband customers (k)

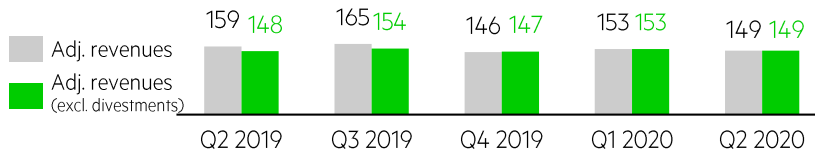


Mobile customers (k)¹



1: Full MVNO customers are not included
2: Excluding the impact of NLDC

Revenue trend



Last Twelve Months y-on-y



Segment financials (€ m)	Q2 2019	Q2 2020	Δ y-on-y	Δ y-on-y (excl. divestments ²)	H1 2019	H1 2020	Δ y-on-y	Δ y-on-y (excl. divestments ²)
Fixed revenues	125	115	-8.0%	+1.5%	249	233	-6.4%	+3.1%
Mobile revenues	34	34	-0.5%		68	69	+1.3%	
Adjusted revenues	159	149	-6.3%	+1.2%	316	302	-4.3%	+3.2%

Network, Operations & IT – Delivery Q2 and H1 2020

Highlights

- Adjusted operating expenses after leases declined 9.3% y-on-y, mainly driven by
 - Reduction of personnel
 - Simplification of networks
 - IT rationalization
 - Contract renegotiations with suppliers
- KPN is working with its main contractors to protect the 3,000 jobs involved in our fiber roll-out and maintain the expertise around network build-out in the Netherlands
- Due to changing dynamics in the Dutch construction market, KPN is contracting long-term construction capacity to safeguard our roll out plans

Segment financials (€ m)

	H1 2019	H1 2020	Δ y-on-y
Adjusted operating expenses after leases	379	344	-9.3%
As % of adjusted Group revenues	13.9%	13.1%	

1. HIGHLIGHTS & PROGRESS AGAINST STRATEGY

2. BUSINESS PERFORMANCE UPDATE

3. FINANCIAL RESULTS

Group financials

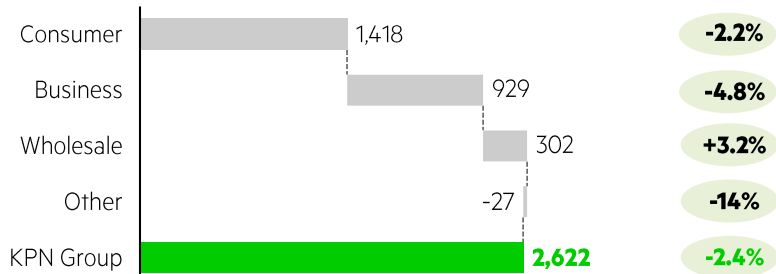
(€ m)

H1 2019 H1 2020 Δ y-on-y Δ y-on-y

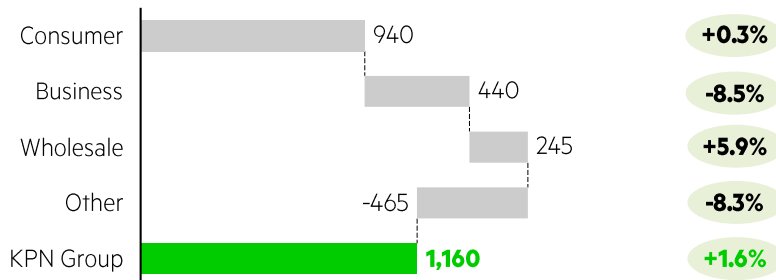
excl. impact M&A

Service revenues	2,539	2,440	-3.9%	
Non-service & other	181	182	+0.3%	
Adjusted revenues	2,721	2,622	-3.6%	-2.4%
Total adjusted opex	1,479	1,384	-6.4%	-5.6%
Lease related expenses	85	77	-8.8%	-1.9%
Total adjusted indirect opex after leases	952	849	-11%	-7.8%
Adjusted EBITDA after leases	1,157	1,160	+0.3%	+1.6%
As % of adj. revenues	42.5%	44.3%		
As % of adj. revenues Last Twelve Months	41.6%	43.1%		
Operating profit (EBIT)	410	449	+9.5%	
Net profit	217	255	+18%	
Capex	531	572	+7.8%	
Capex as % of adj. revenues	19.5%	21.8%		
Operational free cash flow	626	588	-6.1%	-4.3%
As % of adj. revenues	23.0%	22.4%		
As % of adj. revenues Last Twelve Months	20.8%	21.6%		
Free cash flow (excl. TEFD div)	216	257	+19%	+19%
FCF as % of adj. revenues	7.9%	9.8%		

Adjusted revenues H1 2020 excl. impact divestments Δ y-on-y



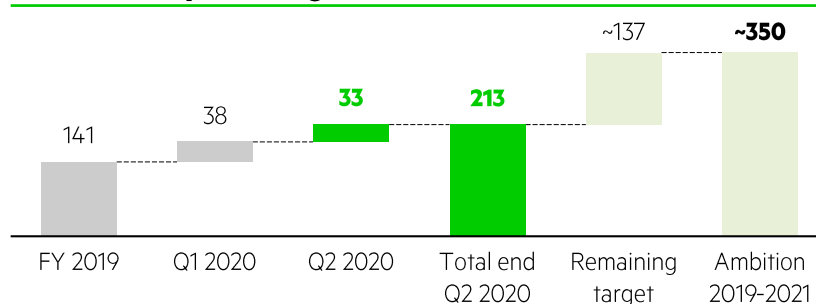
Adjusted EBITDA AL H1 2020 excl. impact divestments Δ y-on-y



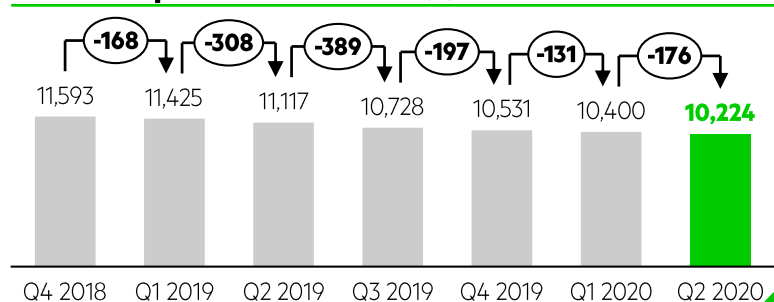
Strong and disciplined cost control

- € 213m net indirect opex savings realized since start in 2019¹
- Reduction driven by personnel and IT/TI expenses
- ~€ 137m net indirect opex savings to be realized by the end 2021
- Confident to reach our target of ~€ 350m by the end of 2021
- Scaled down 176 FTE of internal staff in Q2 2020²
 - On top of this, scaled down an additional ~35 FTE of external staff in Q2 2020

Net indirect opex savings (€ m)



FTE development internal staff (#)



1: Net indirect opex savings are corrected for the impact of divestments

2: FTE development internal staff is corrected for the impact of divestments

Strong underlying cash generation

(€m)	H1 2019	H1 2020	Δ y-on-y
Adjusted EBITDA after leases	1,157	1,160	0.3%
<i>As % of adj. revenues</i>	<i>42.5%</i>	<i>44.3%</i>	
Capex	531	572	+7.8%
Operational free cash flow	626	588	-6.1%
<i>As % of adj. revenues</i>	<i>23.0%</i>	<i>22.4%</i>	
Cash restructuring	-65	-39	-40%
Incidentals	-	11	n.m.
Change in provisions excl. restructuring	-2	-21	>100%
Interest received/(paid) excl. lease interest	-153	-101	-34%
Taxes received/(paid)	-7	-	-95%
Change in working capital	-165	-152	-7.8%
Other income	-1	-13	>100%
Other movements	-16	-16	>100%
Free cash flow (excl. TEFD dividend)	216	257	+19%
<i>As % of adj. revenues</i>	<i>7.9%</i>	<i>9.8%</i>	
TEFD dividend received	24	-	-100%
Acquisitions & disposals	-2	29	n.m.
Change in short-term investments	50	275	>100%
Other investing cash flow	342	-36	n.m.
Dividends paid	-336	-348	+3.8%
Other financing cash flow	-564	-37	-93%
Total cash flow from discontinued operations	36	2	-95%
Change in cash & cash equivalents	-231	140	n.m.
Cash & cash equivalents at end of period	381	907	>100%
Bank overdrafts	-	-	n.m.
Cash classified as held for sale	-1	-	n.m.
Short-term investments	-	-	n.m.
Cash & short-term investments (balance sheet)	381	907	>100%

Highlights

- Lower operational free cash flow fully driven by higher investments
- Free cash flow of € 41m higher y-on-y despite increase in Capex and a negative change in provisions
 - Lower cash restructuring due to COVID-19 driven delay of new reorganization requests until 1 June
 - Lower cash interest paid due to debt redemptions
 - Lower investments in working capital
 - Lower cash taxes
- Strong cash position at the end of H1 2020

Capex and working capital

Capex (€ m)	H1 2019	% of total	H1 2020	% of total	Δ y-on-y
Access	191	36%	293	51%	+53%
IT/TI	210	40%	204	36%	-2.7%
Commercial	126	24%	73	13%	-42%
Other	4	1%	3	1%	-27%
Capex	531		572		+7.8%

Highlights

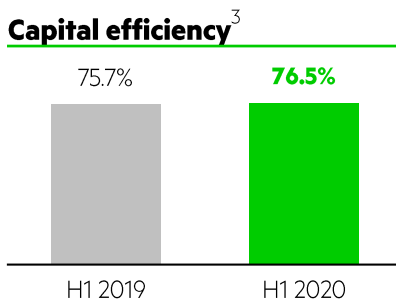
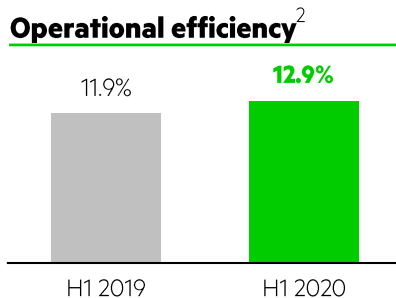
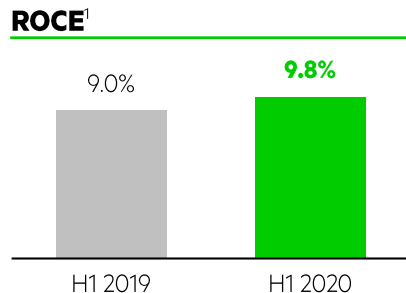
- Capex related to access more than doubled compared to H1 2019
- Invested € 54m less in Commercial as a result of better inventory management, COVID-19 (fewer mechanics) and a reclassification to IT/TI

Working capital (€ m)	Q4 2019	H1 2020	Effect delta working capital
Current assets			
Inventories	54	49	+5
Trade and other receivables	508	461	+47
Prepayments and accrued income	246	294	-48
Contract assets and contract costs	37	47	-10
Current liabilities			
Trade payables	-550	-451	-99
Accruals and deferred income	-729	-691	-38
Contract liabilities	-204	-185	-19
Total working capital	-639	-475	-164
o/w change in accrued interest			-6
Other cash flow adjustments			+18
Change in working capital (cash flow statement)			-152

Highlights

- Main effects that impacted working capital movement in H1 2020
 - Lower trade receivables following lower sales levels due to COVID-19
 - Amongst others a prepayment booked related to spectrum auction
 - Lower trade payables, mainly driven by payment of end-of-year peak of incoming invoices
 - Lower accruals driven by bonus payments
 - Correction for accrued interest, being part of accrued expenses on balance sheet but not part of working capital

Steadily improving return on capital



- Strong and disciplined cost control offsetting lower revenues
- Lower restructuring charges due to postponed reorganization requests
- Higher D&A due to accelerated depreciation copper and mobile network

- Capital Employed declined as D&A is higher than Capex
- Capex has declined compared to several years ago, D&A is lagging this decline
- D&A higher than Capex due to accelerated depreciation copper and mobile network

1: ROCE is calculated on a 4-quarter average rolling basis

2: NOPLAT / Revenue (NOPLAT = Adjusted EBITDA incl. restructuring +/- Depreciation +/- Nominal Tax)

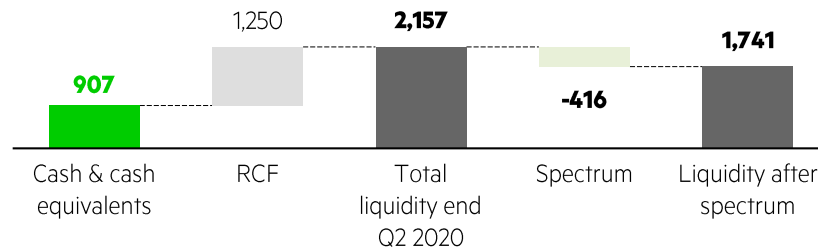
3: Revenue / Capital Employed

Liquidity position

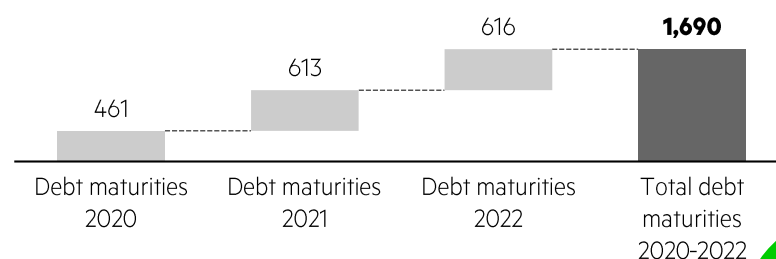
Liquidity considerations

- Total committed liquidity of € 2.2bn
 - € 907m in cash¹
 - € 1.25bn of committed unused credit lines (RCF)
- € 1bn STEP-labeled Euro Commercial Paper (ECP) program signed in June
- On 2 April 2020, KPN has fully drawn its € 300m credit facility from the European Investment Bank
- Interim dividend payment (€ 4.3 cents per share, total € 180m) to be paid on 4 August 2020
- Liquidity covers debt maturities until the end of 2022

Liquidity schedule (€ m)



Debt maturity schedule (€ m)

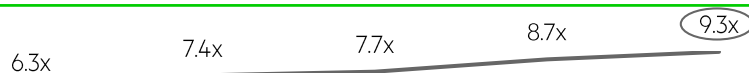


1: As at 30 June 2020, KPN had € 105m outstanding under its €1bn STEP-labelled Euro Commercial Paper program

Financial position

Financial position

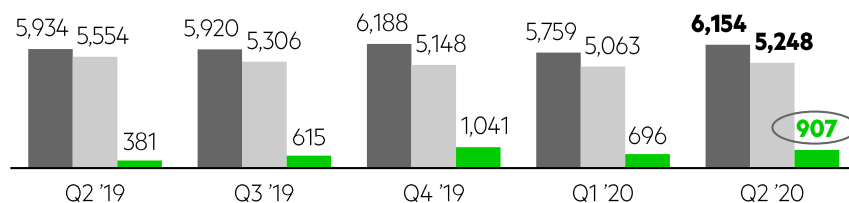
Interest cover¹



Leverage ratio²



€ m



■ Gross debt ■ Net debt ■ Cash & short-term investments

Highlights

- Interest cover ratio was 9.3x at the end of the quarter (Q1 2020: 8.7x)
- KPN's leverage ratio was 2.3x (Q1 2020: 2.2x)
- Strong liquidity position at € 2.2bn
 - € 907m cash
 - € 1.25bn undrawn RCF
- The weighted average cost of senior debt was 2.95% in Q2 2020, ~55bps lower y-on-y

Credit ratings

	Rating	Outlook
Standard & Poor's	BBB	Stable
Fitch ratings	BBB	Stable
Moody's	Baa3	Stable

1: LTM Adjusted EBITDA AL / LTM Net interest paid (excl. lease interest, incl. perpetual hybrid coupon)

2: Net debt (excl. leases) / LTM Adj. EBITDA AL

Disclosure agenda going forward: committed to continuously improving

Consumer

- New revenue breakdown to reflect focus on convergence
 - Fixed-mobile service revenues
 - Fixed-only broadband service revenues
 - Mobile-only postpaid service revenues
 - Legacy / non-service revenues
- New KPIs to reflect focus on households rather than individuals
 - # households replacing # RGUs
 - Average Revenue Per Address (ARPA) accompanying Average Revenue Per User (ARPU)

Business

- Disclose end-to-end adjusted EBITDA after leases

Delivered in H1 2020

- ROCE and segment Adjusted EBITDA after leases ✓
 - Published with H1 and FY results ✓
- More insight and additional KPIs in fiber activities ✓
- Revenue breakdown per B2B customer segment, accompanying current product segmentation ✓
- Operational free cash flow ✓
- Detailed insight in drivers of net cash position ✓
- Working capital details ✓

Closing remarks

- KPN delivered stable adj. EBITDA AL and higher free cash flow in Q2 2020 (excl. divestments)
 - COVID-19 negatively impacted KPN's service revenues, mostly roaming and B2B segment
 - This was offset by ongoing cost measures, leading to stable adjusted EBITDA AL y-on-y
 - FCF (excl. TEFD dividend) increased strongly to € 177m (+17%) despite higher investments in planned acceleration of the fiber roll-out
 - KPN's balance sheet and liquidity position remained strong
 - 2020 dividend commitment reiterated; an interim dividend of € 4.3 cents per share will be paid in August 2020
- Demand for essential connectivity services remained solid in the second quarter
 - Substantially improved customer base dynamics amidst continued rationalization
 - Consumer broadband and postpaid net adds improved q-on-q, first signs of bottoming-out; market remained highly competitive
 - Good progress with customer migrations; mobile ARPU was under pressure due to roaming. New initiatives in networking, IoT, and security slowed down due to COVID-19. These challenges were offset to the extent possible by lowering costs
 - Continuing open wholesale model; growing broadband portfolio in Wholesale leading to a solid performance; stable total broadband market share at ~52%
 - Continued ramping up of fiber roll-out: +76k FttH households (70k organic and 6.5k acquisition-related)

Q&A

Appendices

- I: Q2 & H1 2019 financials corrected for impact of divestments
- II: Tax
- III : Debt portfolio
- IV : Treatment of hybrid bonds
- V: Fixed infrastructure
- VI: Mobile infrastructure
- VII: Spectrum

I: Q2 2019 financials corrected for impact of divestments

Income statement (€ m)	Q2 2019	Impact divestments	Q2 2019 excl. divestments	Q2 2020	Δ y-on-y excl. divestments
Consumer	722	-	722	706	
Business	507	-29	478	451	-5.7%
Wholesale	159	-12	147	149	+1.2%
Network, Operations & IT	1	-	1	1	
Other (incl. eliminations)	-30	14	-16	-15	-6.5%
Adjusted revenues	1,359	-26	1,333	1,292	-3.0%
o/w Service revenues	1,274	-26	1,248	1,206	-3.4%
o/w Non-service revenues & other	85	-	85	87	
Cost of goods & services (direct opex)	302	3	305	297	-2.6%
Personnel expenses	252	-12	241	220	-8.5%
IT/TI	91	-3	88	83	-6.5%
Other operating expenses	77	-3	74	69	-7.8%
Lease-related expenses	42	-3	39	38	-2.5%
Incidentals	-	-	-	-	
Restructuring	34	-	34	8	
Adjusted indirect opex after leases	463	-20	443	410	-7.5%
Adjusted EBITDA after leases	594	-9	585	585	+0.1%
Operational free cash flow	324	-8	317	291	-8.2%
Free cash flow (excl. TEFD dividend)	147	4	151	177	+17%

This table shows the estimated adjustments of Q1 2019 results for the combined impact of completed divestments of **NLDC** (3 months), **International Network Services** (3 months), **Argeweb** (3 months), and **KPN Consulting** (3 months) as if the actual transfer of shares (closing) had taken place 12 months earlier

I: H1 2019 financials corrected for impact of divestments

Income statement (€ m)	H1 2019	Impact divestments	H1 2019 excl. divestments	H1 2020	Δ y-on-y excl. divestments
Consumer	1,450	-	1,450	1,418	
Business	1,013	-37	976	929	-4.8%
Wholesale	316	-23	293	302	+3.2%
Network, Operations & IT	3	-	3	3	
Other (incl. eliminations)	-61	26	-35	-30	-14%
Adjusted revenues	2,721	-33	2,687	2,622	-2.4%
o/w Service revenues	2,539	-33	2,506	2,440	-2.6%
o/w Non-service revenues & other	181	-	181	182	
Cost of goods & services (direct opex)	611	13	624	612	-1.9%
Personnel expenses	529	-14	515	466	-9.4%
IT/TI	184	-6	178	164	-7.9%
Other operating expenses	154	-6	149	141	-4.9%
Lease-related expenses	85	-6	79	77	-1.9%
Incidentals	-	-	-	-	
Restructuring	70	-	70	18	
Adjusted indirect opex after leases	952	-32	920	849	-7.8%
Adjusted EBITDA after leases	1,157	-15	1,142	1,160	+1.6%
Operational free cash flow	626	-12	614	588	-4.3%
Free cash flow (excl. TEFD dividend)	216	-	216	257	+19%

This table shows the estimated adjustments of H1 2019 results for the combined impact of completed divestments of **NLDC** (6 months), **International Network Services** (6 months), **Argeweb** (6 months), and **KPN Consulting** (3 months) as if the actual transfer of shares (closing) had taken place 12 months earlier

II: Tax Q2 and H1 2020

Regions (€ m)	P&L	
	Q2 2019	Q2 2020
The Netherlands	-37	-36
Other	-	-
Total reported tax	-37	-36
Of which discontinued operations	-	-
Reported tax from continuing operations	-37	-36
Effective tax rate continuing operations	22.4%	21.0%

Cash flow	
Q2 2019	Q2 2020
-8	-
-	-
-8	-
-	-
-8	-

P&L	
H1 2019	H1 2020
-61	-66
-	-
-61	-66
-	-
-61	-66

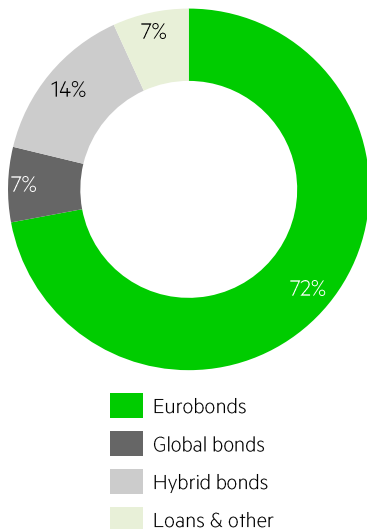
Cash flow	
H1 2019	H1 2020
-7	-
-	-
-7	-
-	-
-7	-

- The effective tax rate for Q2 2020 was mainly influenced by the participation exemption and the Innovation Box facility
 - Without one-off effects¹ the effective tax rate would have been ~22% in Q2 2020
- For the 2020, the effective tax rate is expected to be ~22% excluding one-off effects¹

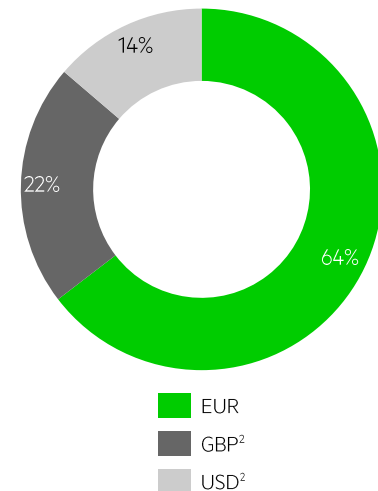
1: Among others, tax law changes, settlements with tax authorities, impairments, revaluations

III: Debt portfolio

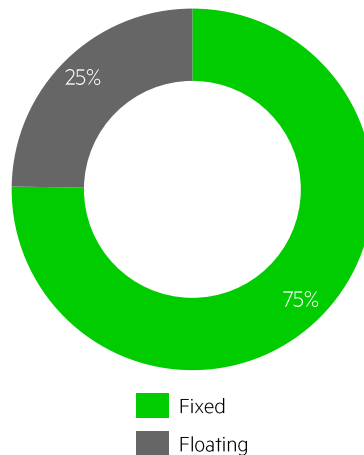
Nominal debt by type¹



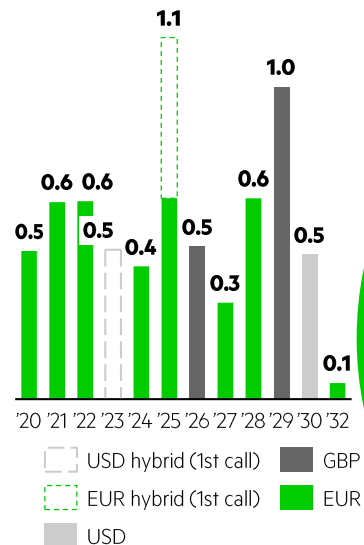
Nominal debt by currency¹



Fixed vs. floating interest²



Debt redemption profile³ (€ bn)



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

2: Excludes bank overdrafts

3: Includes outstanding bonds and loans, excluding commercial paper

IV: Treatment of hybrid bonds

KPN & credit rating agencies

- Hybrid bonds are 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

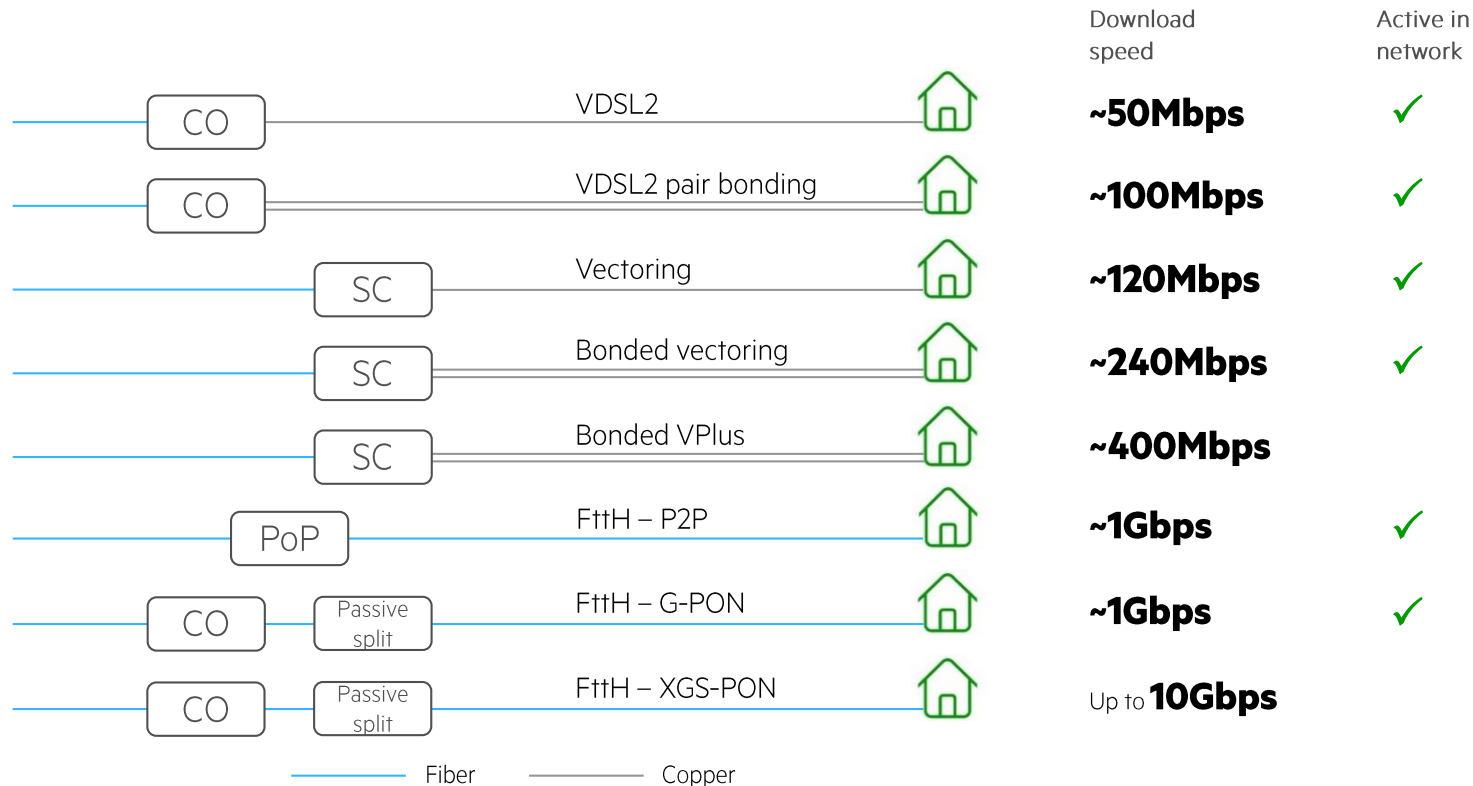
- EUR tranche is a perpetual instrument, accounted for as equity
Coupon payments treated as equity distribution (dividend), hence not expensed through P&L, not included in FCF, but in financing cash flow¹
- USD tranche have 60 years specified maturity, accounted for as financial liability
 - Coupon payments treated as regular bond coupon, hence expensed through P&L, included in FCF

Tranche	Nominal	KPN net debt	Maturity	Rates ²	IFRS principal	IFRS coupon
USD 0.6bn 7.000%	€ 465m	€ 233m	60 years (1st-call Mar-2023)	6.344%	Liability	Interest paid (incl. in FCF)
EUR 0.5bn 2.000%	€ 500m	€ 250m	Perpetual (1st-call Feb 2025)	2.000%	Equity	Financing cash flows (not incl. in FCF)
Total	€ 965m	€ 483m				

1: Cash flow item 'Paid coupon perpetual hybrid bonds'

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

V: Fixed infrastructure



VI: Mobile infrastructure

Modernizing sites with the latest technologies, 5G ready

Typical current site

4 frequency bands
2x2 MIMO
1 Gbps backhaul
2 antennas
Not 5G ready
~150 site configurations
~80% FttS

Typical modernized site

6-8 frequency bands
4x4 or higher order MIMO
10 Gbps backhaul
1 antenna
5G ready
3 site configurations
~95% FttS

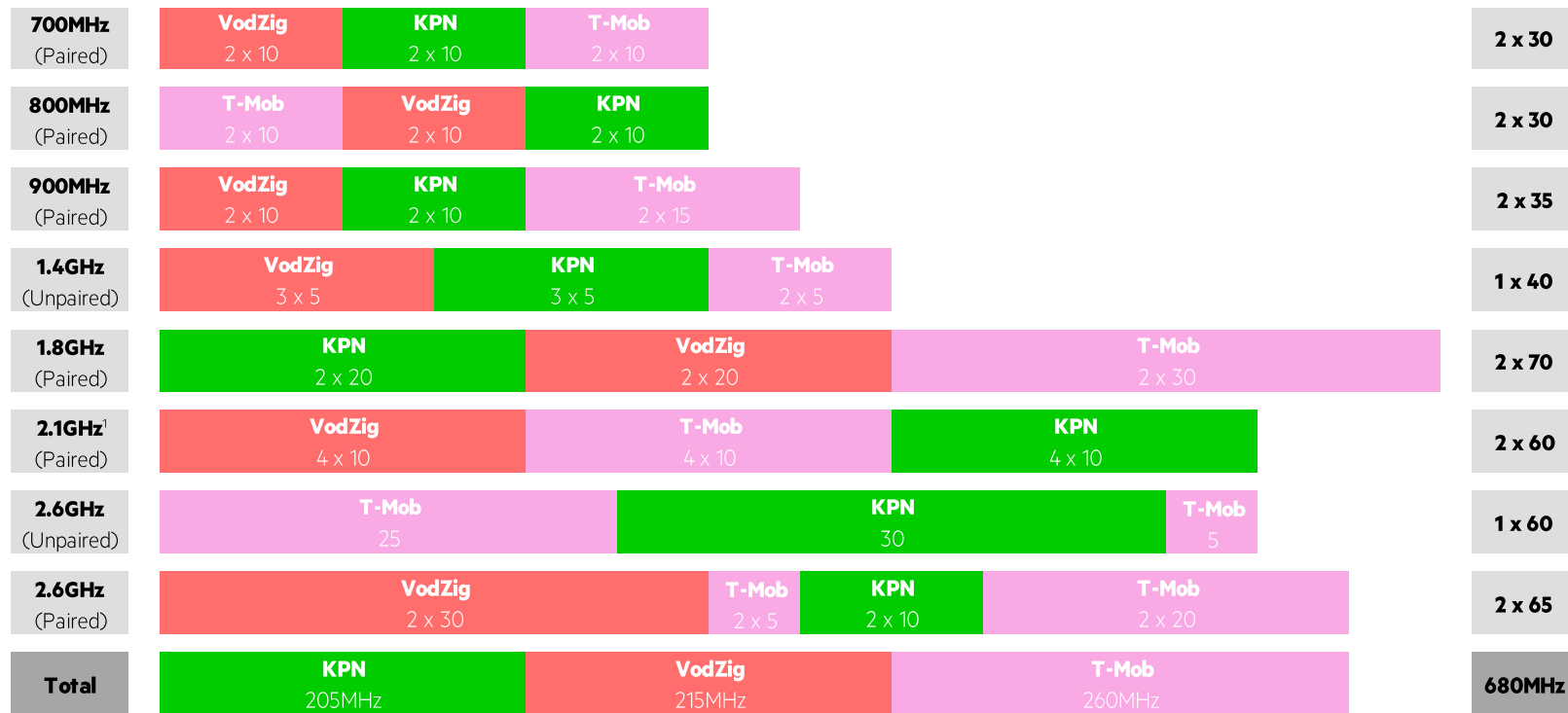
Spectrum auctions in NL

2020: Multi band auction (KPN acquired 75MHz)

- 700MHz: 2 blocks of 2x5MHz (new spectrum)
- 1400MHz: 3 blocks of 1x5 MHz (new spectrum)
- 2100MHz: 4 blocks of 2x5MHz (was already in use)
- Total consideration € 416m
- Duration of licenses is 20 years
- Spectrum caps of 40% of sub-1GHz and total spectrum

2022: 3.5GHz band (300MHz is expected to become available)

VII: Spectrum in the Netherlands



1: 2.1GHz as per 1 January 2021



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