Second Quarter 2018 Results

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Highlights

Focus on value and convergence delivers ongoing success in Consumer

+19k fixed-mobile households, reaching 44% of broadband base (Q2 ’17: 40%)

+46k fixed-mobile postpaid customers, representing 54% of postpaid base (Q2 ’17: 47%)

Retention of high value customers; competitive pressure on single-play services

Flat KPN brand postpaid net adds and -10k no frills, -5k1 broadband and +10k IPTV net adds

ARPU per household increased by 3.9% y-on-y to EUR 43, postpaid ARPU lower at EUR 18

(-1.5% y-on-y excluding the effect of regulation)

Business transformation is taking shape

Continued successful bundling of services in SME; +33k multi play seats

Growth in Professional Services driven by increased order intake in prior quarters

Migrations from Consumer broadband to new small business proposition providing margin uplift

Second wave Simplification program delivered ~EUR 175m run-rate savings end Q2 2018

Intention to redeem EUR 1.1bn hybrid bond from existing cash at first call date in September 2018

Key figures* (from continuing operations)

Group financials (unaudited)	**Q2 2018**	**Q2 2017**	**Δ y-on-y**	**YTD 2018**	**YTD 2017**	**Δ y-on-y**
(in EUR m, unless stated otherwise)						
Revenues	1,402	1,427	-1.7%	2,803	2,878	-2.6%
Adjusted revenues**	**1,402**	**1,424**	**-1.5%**	**2,803**	**2,875**	**-2.5%**
EBITDA	555	550	1.0%	1,110	1,079	2.9%
Adjusted EBITDA**	**577**	**569**	**1.3%**	**1,146**	**1,126**	**1.8%**
Adjusted EBITDA margin	***41.1%***	***40.0%***		***40.9%***	***39.2%***	
Operating profit (EBIT)	210	198	6.3%	418	375	11%
Profit for the period (net profit)	137	162	-15%	236	235	0.4%
Capex	**245**	**235**	**4.1%**	**481**	**499**	**-3.8%**
Free cash flow	**278**	**289**	**-3.8%**	**401**	**318**	**26%**

* All non-IFRS terms are explained in the safe harbor section

** Adjusted revenues and adjusted EBITDA reconciliations to be found on page 8 and 9

Financial performance

Adjusted revenues were 1.5% lower y-on-y in Q2 2018, fully driven by the effect of regulation. Excluding this effect, adjusted revenues grew 0.5% y-on-y as a result of higher ARPU per household in Consumer and growth in Professional Services and IT Services in Business. This was partly offset by continued price pressure in mobile and lower Wholesale revenues

Adjusted EBITDA was 1.3% higher in Q2 2018, or 2.3% excluding the effect of regulation. This was mainly driven by savings related to Simplification and digitalization of services, and intrayear phasing

Net profit of EUR 137m in Q2 2018 declined 15% y-on-y. Higher operating profit was offset mainly by less dividend received from Telefónica Deutschland

Free cash flow (excl. TEFD dividend) of EUR 347m in H1 2018 was EUR 99m higher compared to the same period last year. Growth was driven by less impact from change in working capital, lower interest paid and higher EBITDA, partly supported by intrayear phasing

Message from the CEO, Maximo Ibarra

"Our solid second quarter performance reflects a more focused and digital organization. Using advanced data & analytics to optimize our customer service is improving customer satisfaction while lowering associated costs. Although we're operating in a competitive environment, our targeted household approach in Consumer is yielding tangible results, visible in the continued growth of our fixed-mobile customer base and lower churn for these customers. We have implemented more-for-more changes to our fixed Consumer propositions, reflecting our ongoing focus on value and convergence. In Business, we are on track for stabilization as our exposure to legacy services declines, our IT Services business continues to grow, and we go on winning value accretive contracts with large Dutch corporates.

All in all, we are well on track to deliver on our full-year outlook and the current Simplification program has delivered substantial run-rate savings halfway through its second wave. I am confident that further digitalization and virtualization of networks and services provide scope for further improvements. We intend to provide an update of our strategy and ambitions at the end of November during a Capital Markets Day."

Outlook 2018 (continuing operations)

Adjusted EBITDA in line with 2017

Capex ~EUR 1.1bn

Free cash flow (excl. TEFD dividend) growing

Shareholder remuneration and financial profile

KPN intends to pay a regular dividend per share of EUR 12 cents in respect of 2018 and grow the regular dividend in line with its free cash flow growth profile thereafter. EUR 4.0 cents per share will be paid as an interim dividend on 2 August 2018. The ex-dividend date is 30 July 2018.

At the end of Q2 2018, KPN owned a stake of 6.3% in Telefónica Deutschland which is treated as a financial investment. KPN benefits from dividend payments by Telefónica Deutschland and the additional financial flexibility the stake provides.

Today, KPN announces its intention to redeem the EUR 1.1bn perpetual hybrid bond from existing cash at its first call date (14 September 2018) in accordance with the terms and conditions of this security. Through the planned redemption KPN will save the instrument's EUR 67m annual coupon from 2019 onwards. KPN remains committed to hybrid capital securities as a permanent part of its capital structure. KPN considers realignment of the proportion of hybrid capital to be appropriate, given its current solid financial position and following successful execution of KPN's strategy since issuance in 2013.

KPN remains committed to an investment grade credit profile and expects to utilize excess cash for operational and financial flexibility, (small) in-country M&A and/or shareholder remuneration. KPN has a credit rating of Baa3 with a stable outlook from Moody's, BBB with a stable outlook from Fitch Ratings and BBB- with a positive outlook from Standard & Poor's.

All related documents can be found on KPN's website:

ir.kpn.com

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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 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. A number of these factors are described (not exhaustively) in the Integrated Annual Report 2017.

1 Corrected for migrations to and new customers of small business proposition (6k) launched in Q4 2017