Investor Presentation

September 2018



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2 Performance

3 Appendix

Simplification and digitalization embedded in organization

Driving revenue opportunities and lower spend



Digitalize

Use data & analytics
- Targeted household marketing
- Optimized customer service
- Smarter network investments



Rationalize

Simplify portfolio and operations
- Fewer propositions
- Creation of uniform digital layer
- BSS / OSS IT integration



Decentralize

Provide services closer to customers
- Improved (metro) core network
- First 5G technology use cases
- Higher network efficiency



Virtualize

Increase network efficiency and effectiveness
- Flexible on-demand capacity and services
- Self-healing and self-optimizing networks

ENABLING IMPROVED CUSTOMER EXPERIENCE



Removing complexity for customers
- Single ID, omnichannel experience, e-care



On-demand virtualized services
- Instant provisioning, real-time scaling

DRIVING PERFORMANCE



Revenue opportunities
- Fixed-mobile-IT convergence
- Additional value added services (incl. partnerships such as Netflix and WeChat)
- Infrastructure as a Service
- Data & Analytics as a Service



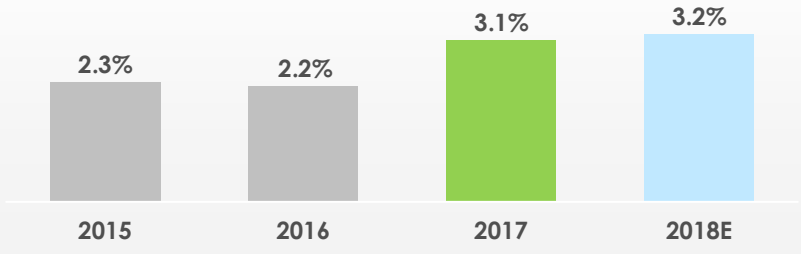
Lower spend
- Marketing, call center, engineers
- Personnel, IT/TI, maintenance, energy
- SAC/SRC, connection fees, traffic
- Cheaper generic hardware

External environment reassuring

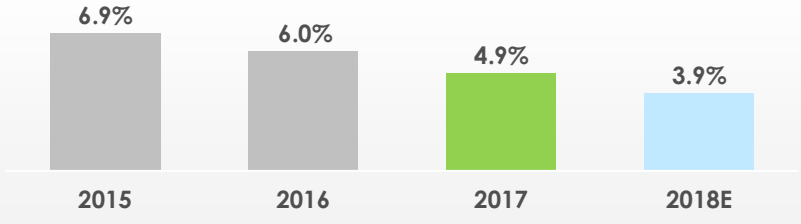
Growing macro-economy with strong competitive position

FAVOURABLE MACRO ECONOMY

GDP growth NL[1]



Unemployment NL[1]



STRONG COMPETITIVE POSITION

	'17-'18	vs. '16-'17
The Netherlands	**4**	**-**
Germany	5	-
United Kingdom	8	-1
Denmark	12	-
Belgium	20	-3

1 CPB (issued March 2018)
2 World Economic Forum; The Global Competitiveness Report 2017-2018

External environment reassuring (cont'd)

KPN strongly positioned as leading integrated service provider

	KPN	ZIGGO	T-Mobile	TELE2
Mobile network	2G, 3G, 4G	2G, 3G, 4G	2G, 3G, 4G	4G + MVNO
Mobile network quality[1]	●	◕	◕	◔
Mobile market share[2]	43%	30%	20%	7%
Fixed network	FttC, FttH	Coax	Wholesale KPN	Wholesale KPN
Broadband market share[3]	41%	44%	3%	4%
TV product perception[4]	●	◕	N/A	◕
TV market share[3]	32%	52%	2%	2%
Fixed-mobile convergence	◕	◑	○	○
Business market presence	SME, LE, Corporate	SME, LE, Corporate	SME, LE	SME, LE
Business market capabilities	●	◑	◔	◑
Trusted brand	●	◕	◑	◔

1 Independent market survey (Q1 2018)
2 Total Dutch (Consumer and Business) mobile service revenue market share (Q4 2017), based on IAS 18 mobile service revenues
3 Telecompaper (Q1 2018)
4 Independent market survey (Consumentenbond; Q1 2018)

Key priorities on track



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

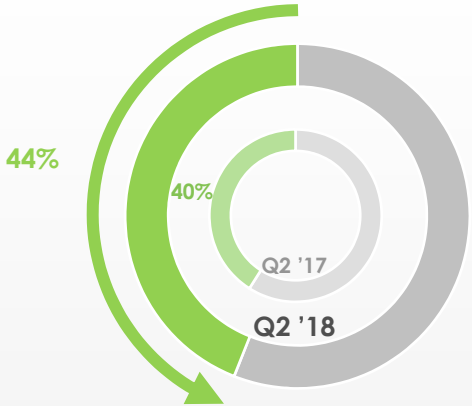
Simplify | Grow | Innovate

Further strengthening convergence position in Consumer

Increasing SIMs per household leading to lower churn

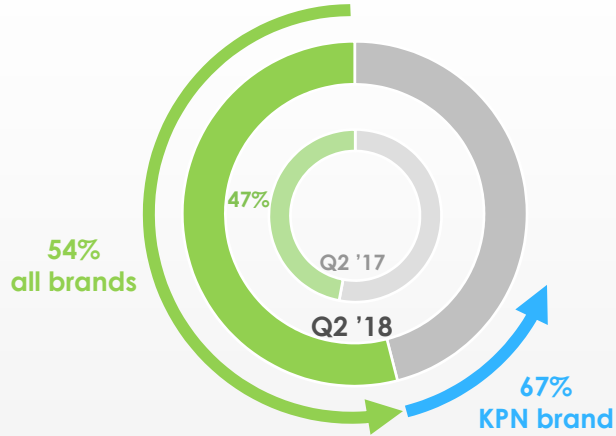
Customers in fixed-mobile bundles

Households[1]



Q2 '18: 19k net adds

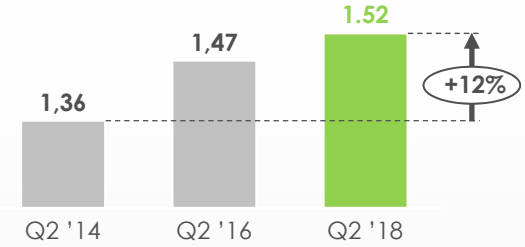
Postpaid customers



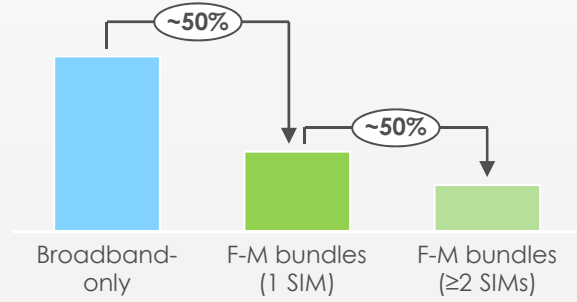
Q2 '18: 46k net adds

Clear convergence benefits

Increasing SIMs per household[2]



Lower churn[3] (Q2 '18)

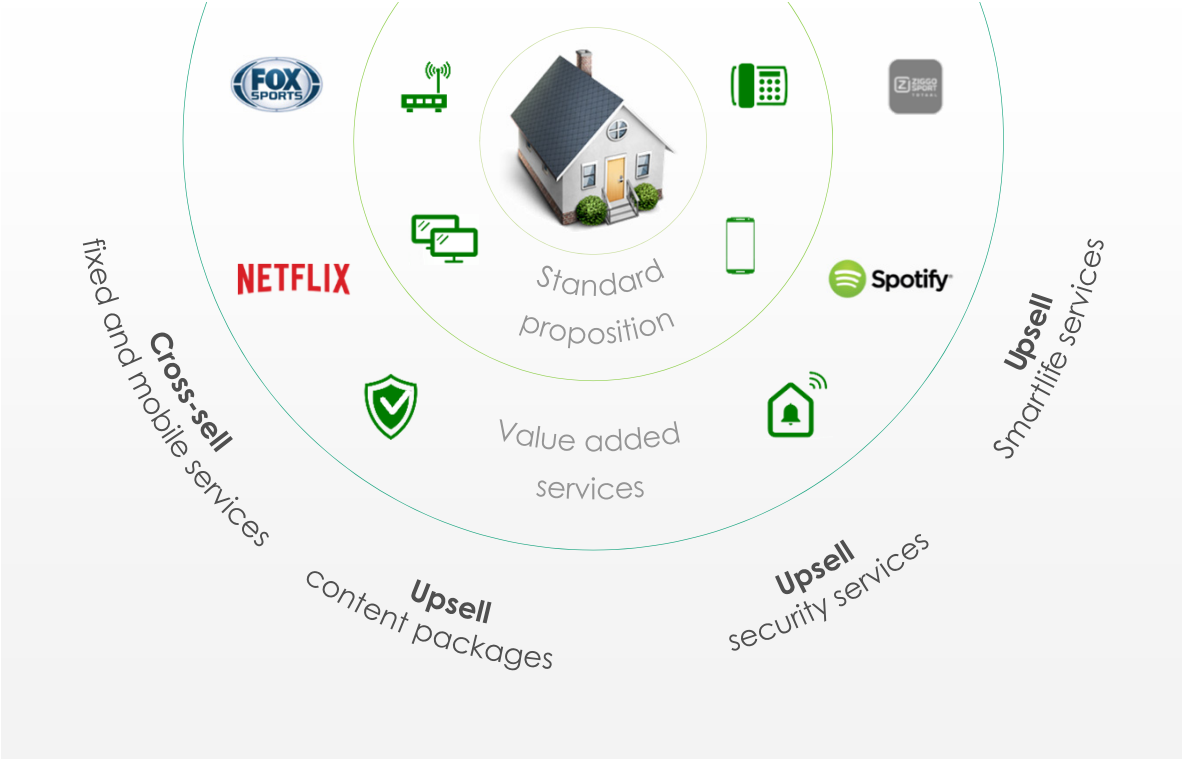


1 As % of broadband customers
2 Based on fixed-mobile households
3 KPN brand

Household at center of service model in Consumer

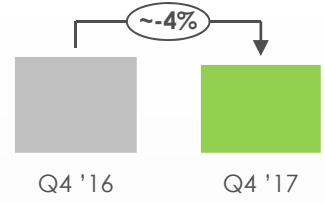
Strong focus to increase share of wallet per household

Skinny bundles increasing upsell opportunities

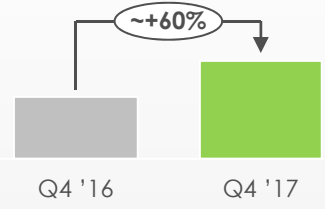


Higher margins from improved up- and cross-sell

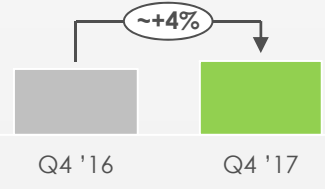
Lower inflow ARPU per household from unbundling content



Higher inflow ARPU from value added services



Higher inflow margin per household



New Consumer fixed propositions reflecting value focus

More-for-more at KPN brand[1]

kpn

Internet only	Internet & TV Basic	Internet & TV Standard	Internet & 4K TV Premium
	+ € 2.50		
+10/1Mbps to 50/5 Mbps	+10/1Mbps to 50/5 Mbps	+20/2Mbps to 100/10 Mbps	+50/5Mbps to 150/15 Mbps

New Telfort propositions focus on convergence[1]

Telfort

Internet	Internet & TV	All-in-1
+ € 5	+ € 5	+ € 7.50

Converged benefits

2x data
Standard per SIM

+

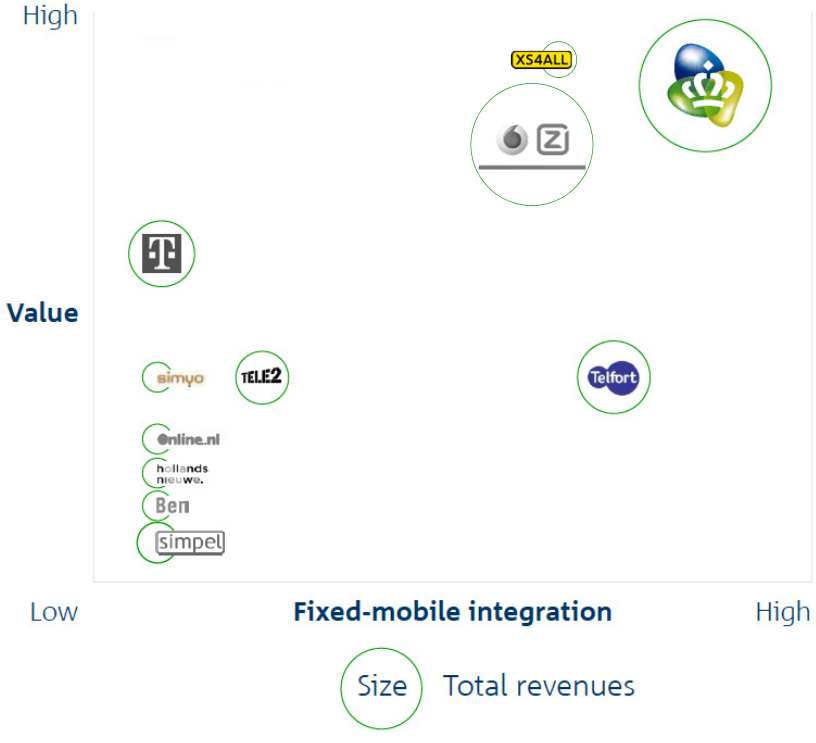
€ 5[2] or FOX SPORTS or
Additional benefit

1 KPN brand as per 1 July 2018, Telfort brand as per 16 April 2018
2 € 5/month discount on fixed subscription

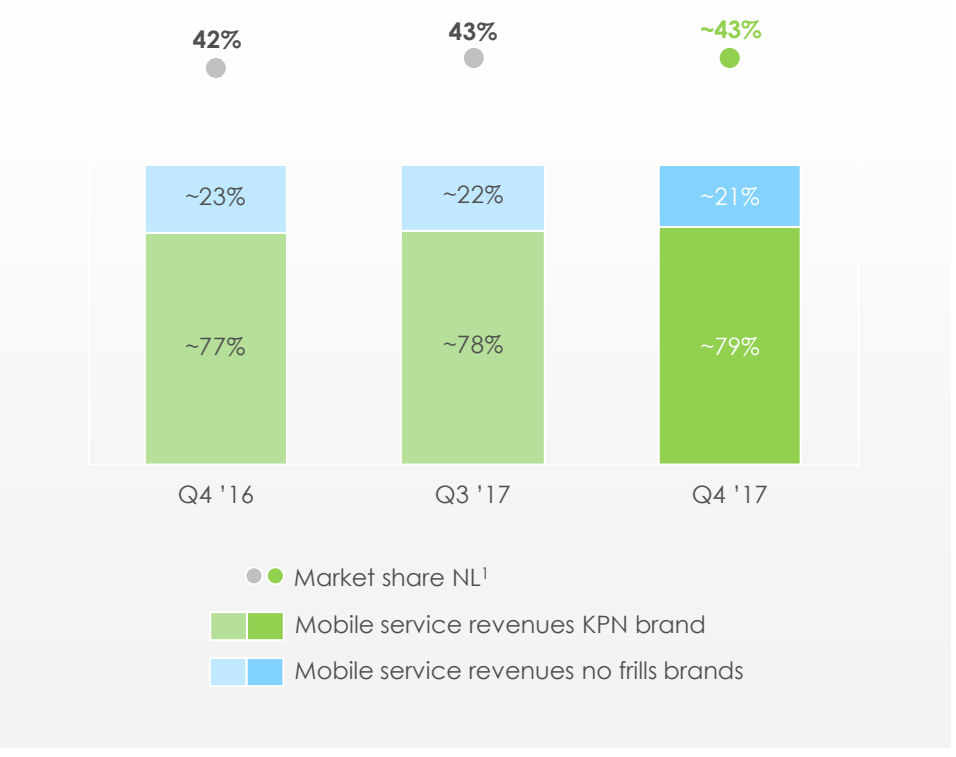
Strong competitive positioning in Dutch market

Covering all segments: focus on fixed-mobile bundling and high value

Leading converged position



Higher market share through increasing KPN share in brand mix

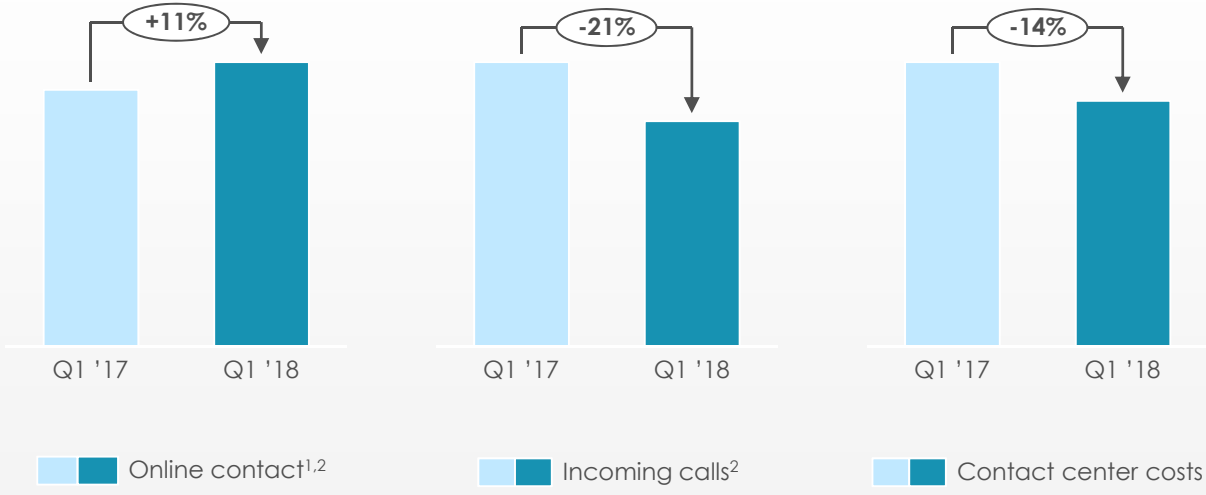


1 Management estimates, based on IAS 18 mobile service revenues

Enabling digital customer interaction

Driving cost savings and potential new revenue streams

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



WeChat Go Europe platform offering in-app purchases

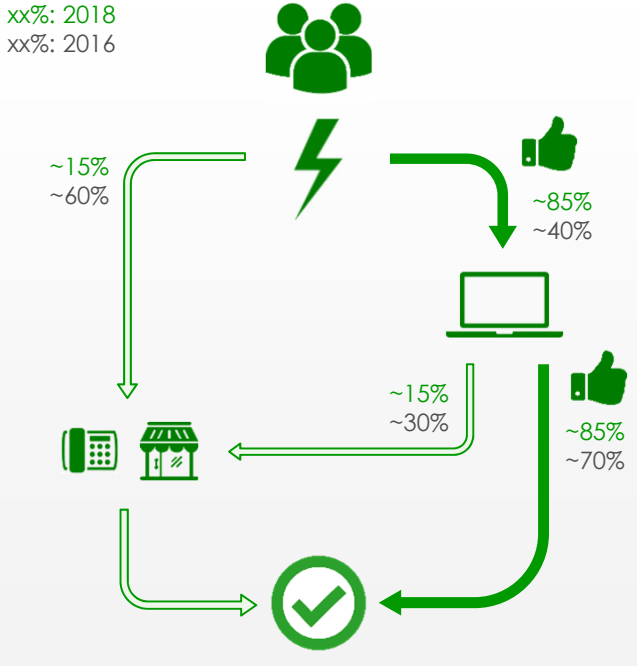


1 Webcare and chat contact via online customer service channels
2 KPN brand

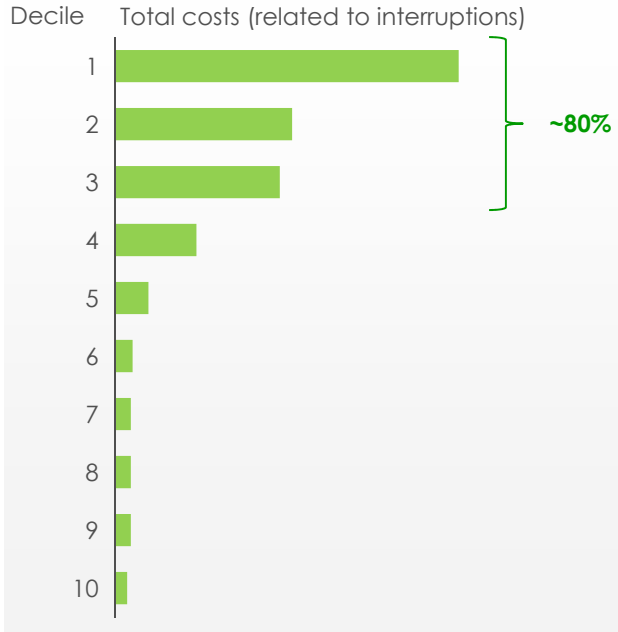
Optimizing customer journey

Using Data & Analytics to prevent online-to-offline leakage and deploy best call center agents

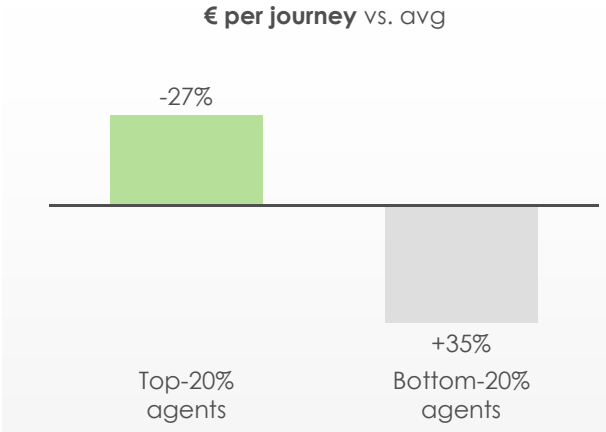
Facilitating online self-help



30% of interruption calls cause 80% of costs



Routing calls to most suitable agents



Main drivers:

Use of mechanics

Hardware swaps

- Expected annual savings from optimized customer journey: ~€ 10m

Targeted household approach yielding tangible results

Smart analytics driving increased convergence penetration and lower churn

Step 1: Created uniform digital layer



Step 2:
Started using Data & Analytics to optimize
- Customer service
- Up- and cross-sell
- Network investments

while preserving privacy

Client situation + **Data pool**

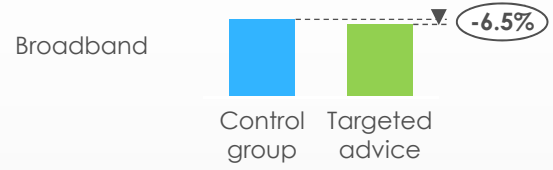
Unique targeted client advice
(shown to customer service)

New (3)	Offered (0)

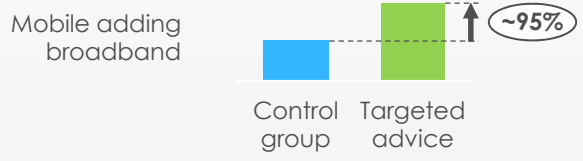
- Customer can upgrade connection to fiber
- Customer has KPN fixed and mobile services, but has not activated converged benefits
- We can enhance the customer's WiFi connection (speed/stability) by switching channels

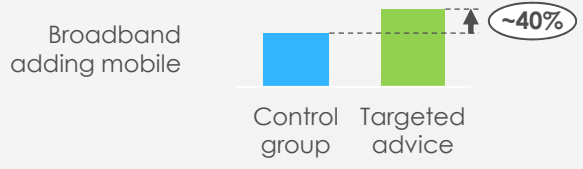
Step 3:
Reaping the benefits[1]

Reducing churn



Increasing convergence penetration





1 Measured in Q1 2018

Simplified Business portfolio in 2017

Added scale and capabilities to strengthen position as leading Business service provider

Changing customer needs…



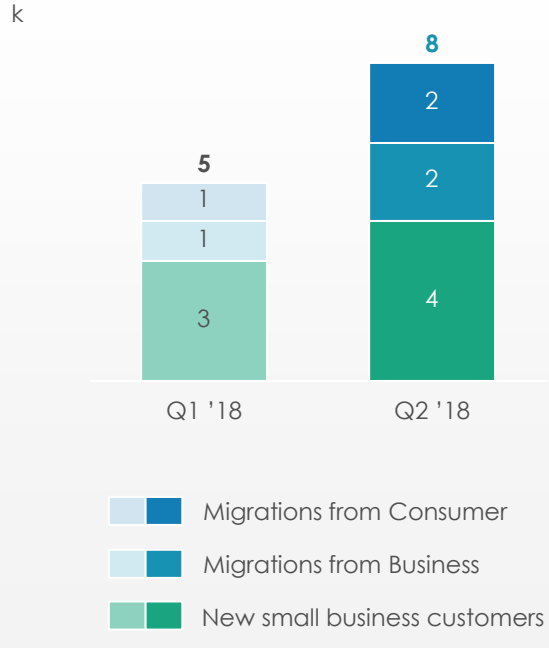
…require a simple and customer focused portfolio

Propositions	**KPN small business** <5 employees	**KPN ÉÉN SME** 5-150 employees	**LE & Corporate** 7 focused propositions >150 employees	**Industry propositions** Healthcare, Government & Manufacturing
Portfolio	**Communication services**	**IT services**	**Professional services & Consultancy**	
Distribution platform	kpn, RoutIT, kpn internetservices, @divider managed cloud services, QSight IT, dearBytes			

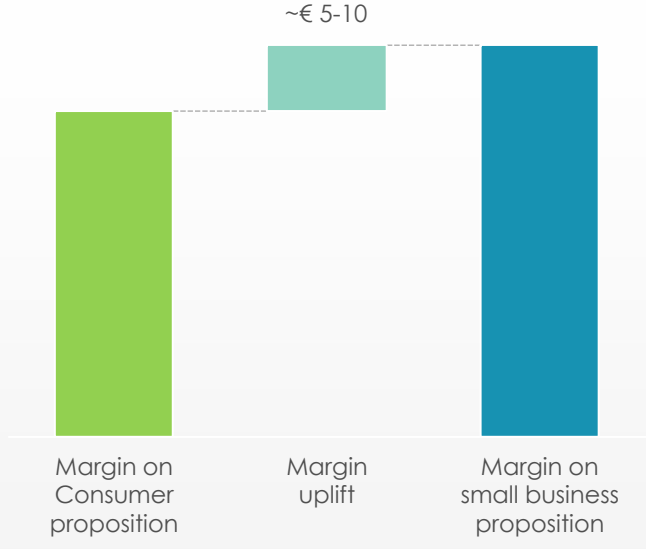
KPN well positioned to cater to smaller businesses

Encouraging take-up of new small business proposition

Good broadband inflow



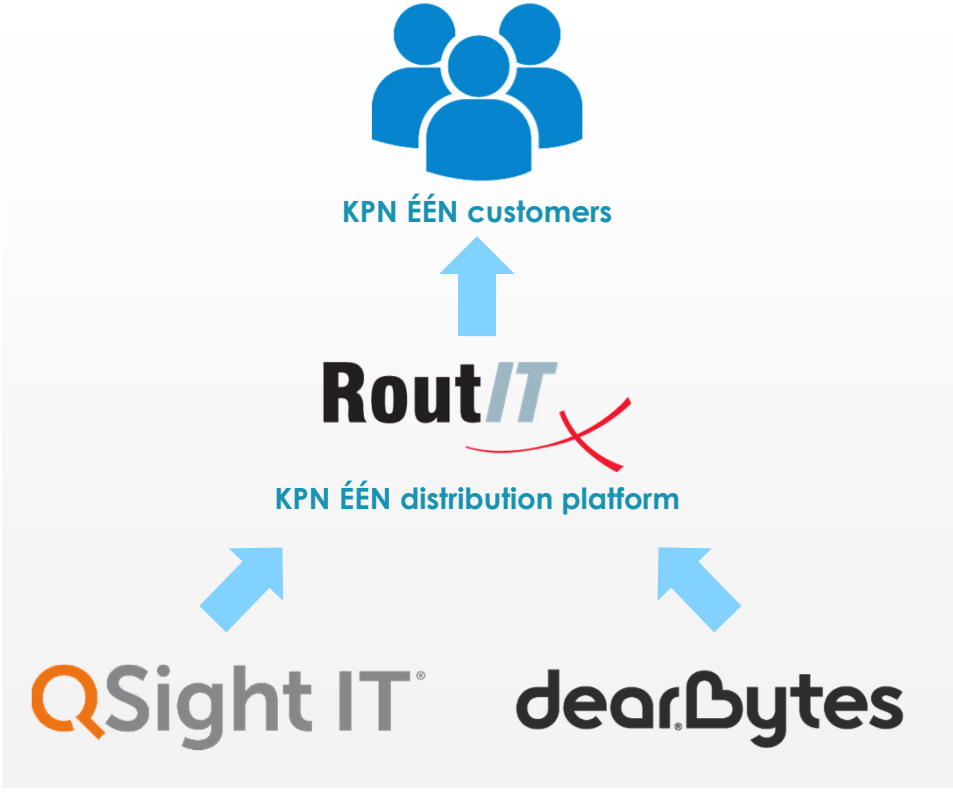
Migrations margin accretive



Growth in IT services and IoT

Nationwide IoT network supporting leading position

Upsell security portfolio through KPN ÉÉN SME



Full IoT service offering leading to strong growth

- Data driven solutions
- KPN Things services
- Connectivity
- Hardware
- Professional services

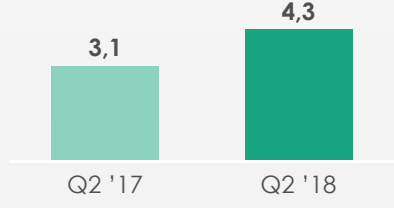
Offered as plug & play end-to-end solution

or modular building blocks

Nationwide IoT coverage



KPN IoT M2M base (m)



Several landmark corporate deals in converged communication & IT services

KPN recognized as #1 Business service provider in The Netherlands for second consecutive year[1]

Amongst others

Telecom

Mobility

Datacenters

IT Services Management

IT Development

IT Infrastructure



1 Source: Dutch IT Partner Preference Survey

Simplifying operating model and expanding superior network position



Simplify operating model to improve customer experience and operational effectiveness

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

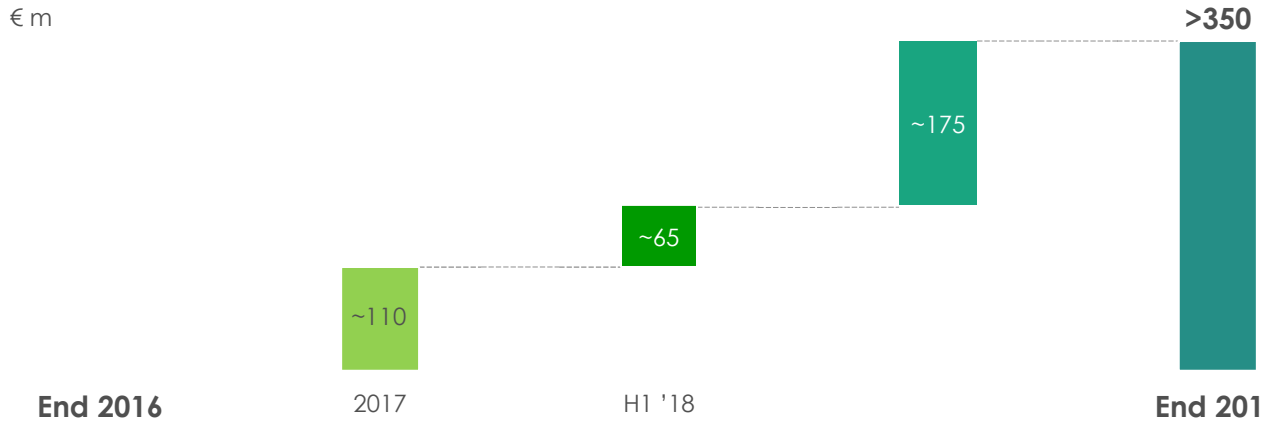
Finalize build of flexible and simplified integrated network

Ensuring best-in-class customer experience

Second wave Simplification program on track

Run-rate savings realized of ~€ 175m

Simplification program run-rate opex and Capex savings



SECOND WAVE

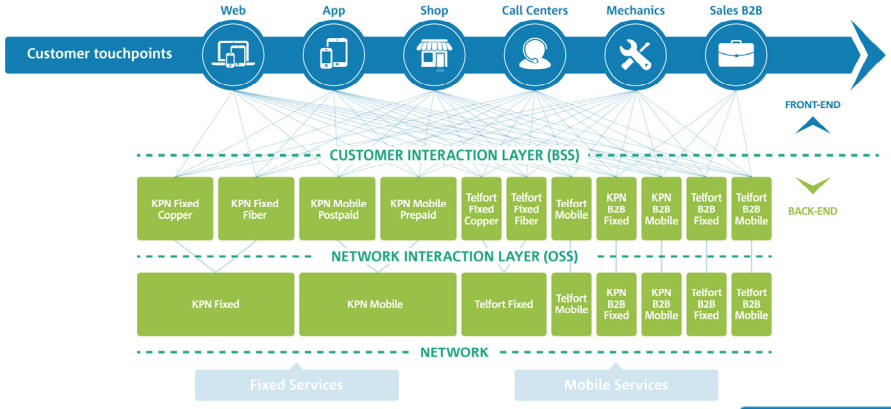
Customer centric

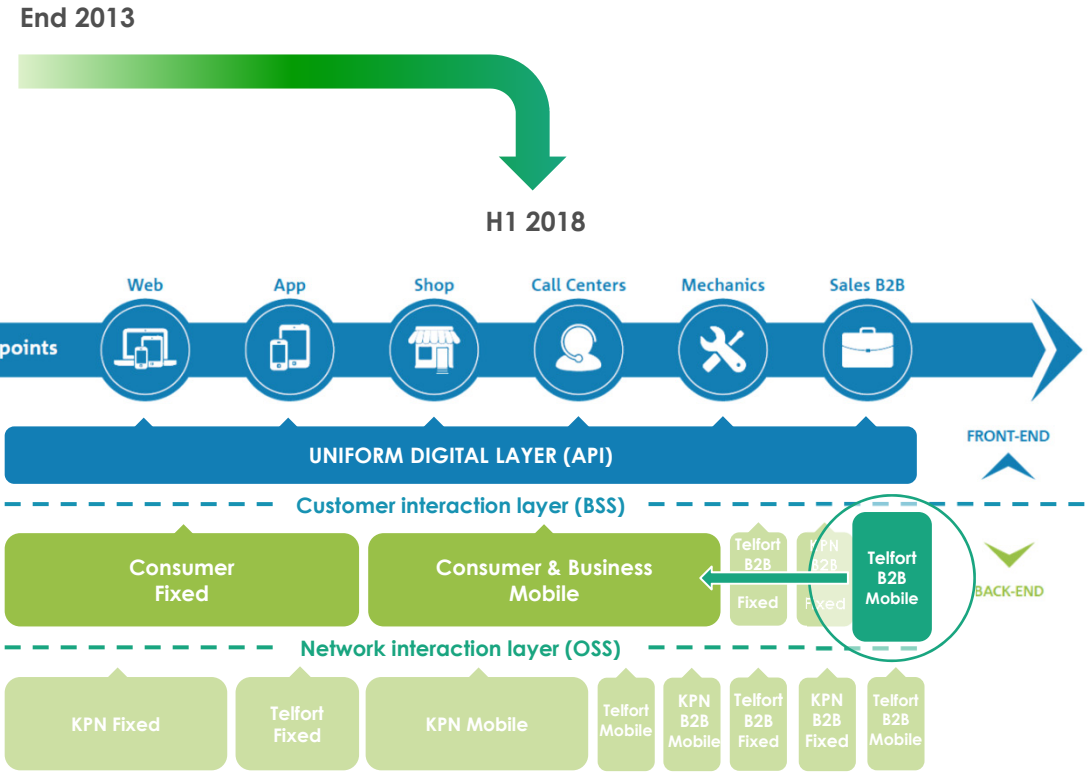
Next generation Telco

Fully virtualized

More flexible and simplified network and operating model

Mobile BSS integration completed with migration of Telfort mobile base





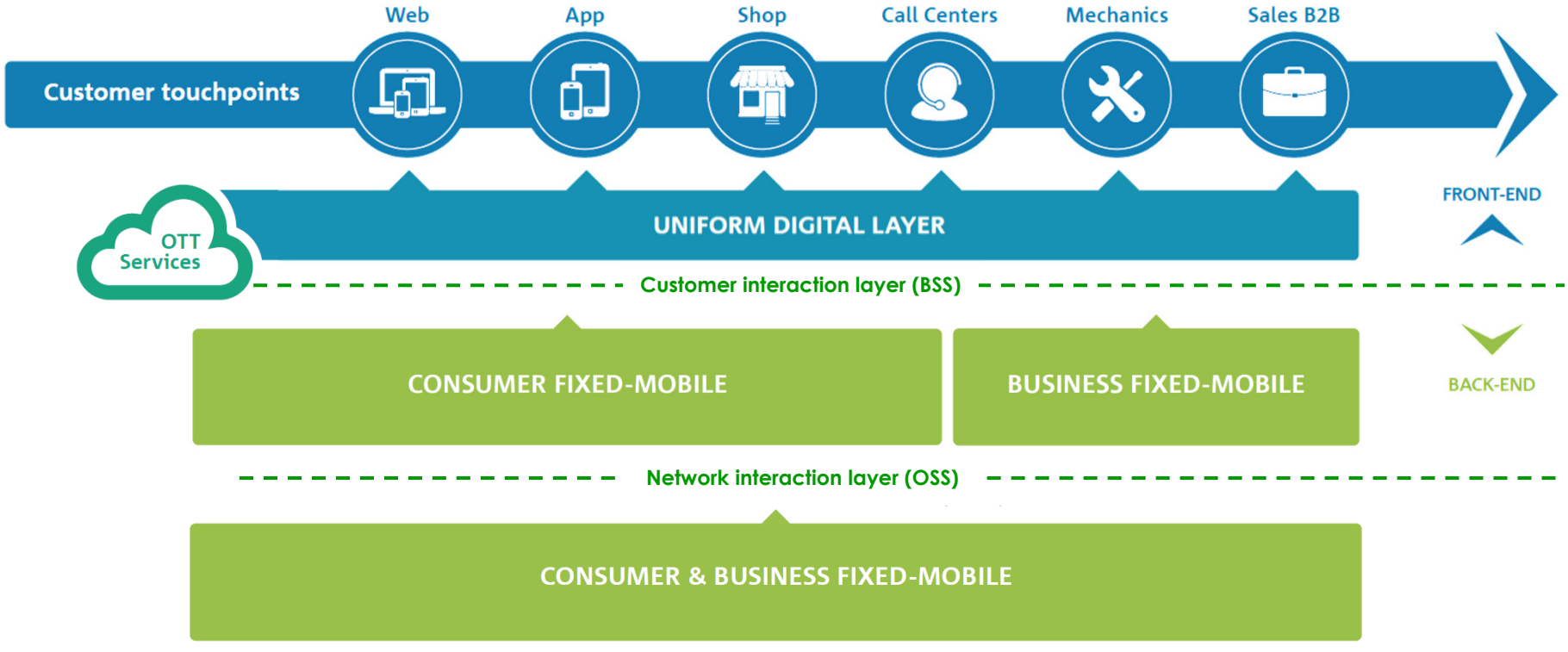
BSS integration
~€ 80m run-rate savings[1] from KPN Consumer Fixed and Mobile IT rationalization

OSS integration
~€ 30m run-rate savings[1] from consolidation of network interaction layer

1 Run-rate savings per end 2019

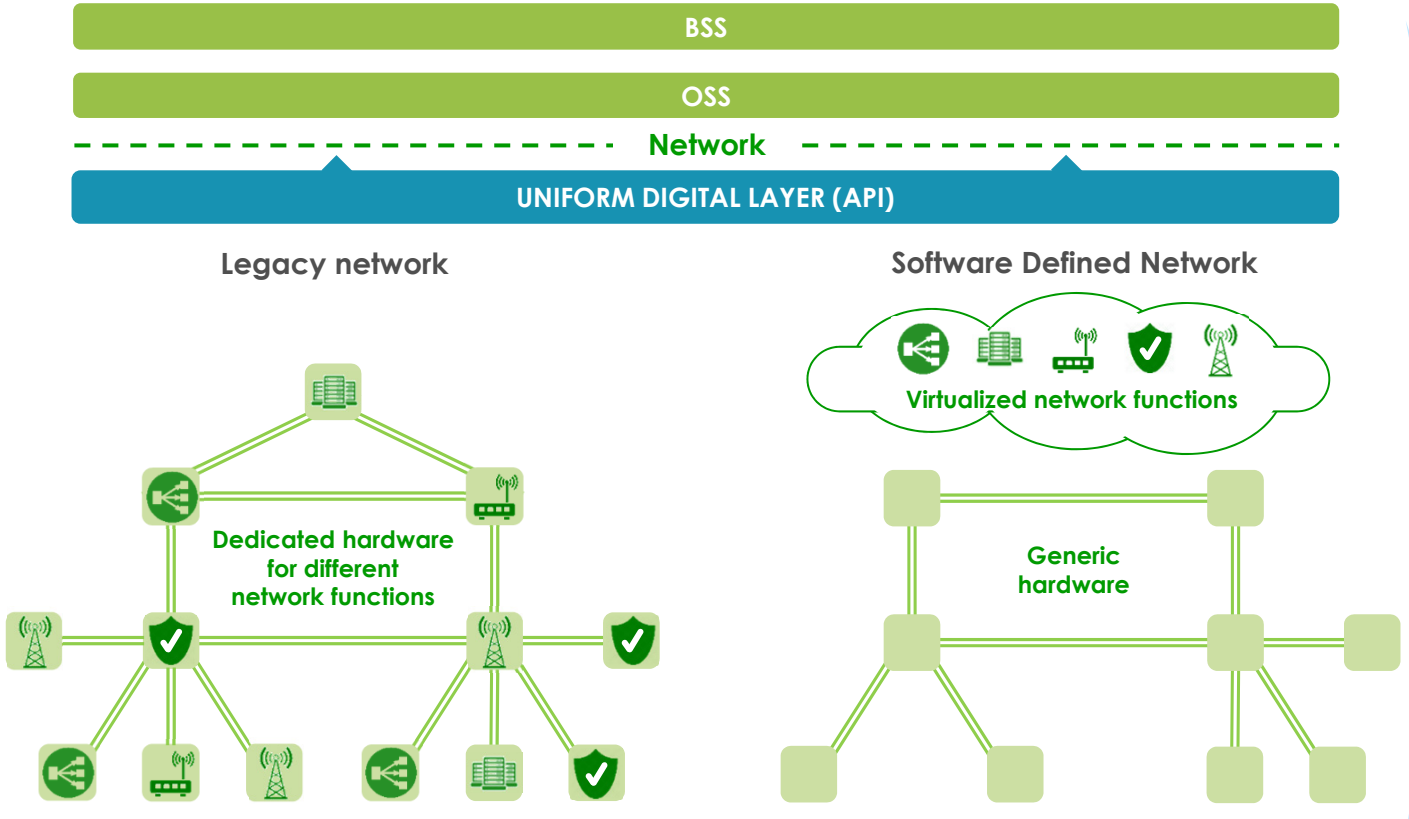
Gradual approach to simplify operating model (cont'd)

2017-2019: Evolving into next generation Telco



Gradually moving to a software defined network

Providing flexible on-demand capacity and new services, faster and at lower costs



ON-DEMAND VIRTUALIZED SERVICES

Fast delivery

Real-time scaling

Intuitive user experience

Near real-time updates

DRIVING PERFORMANCE

Infrastructure as a Service

Flexible capacity

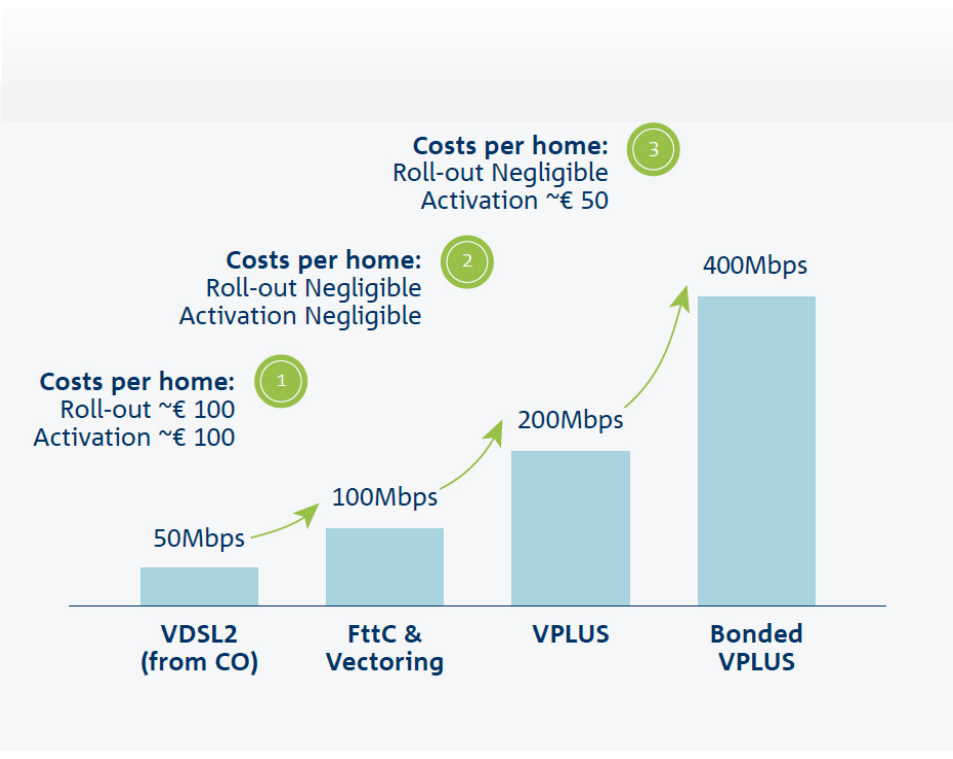
Highly automated maintenance

Self-healing and self-optimizing networks

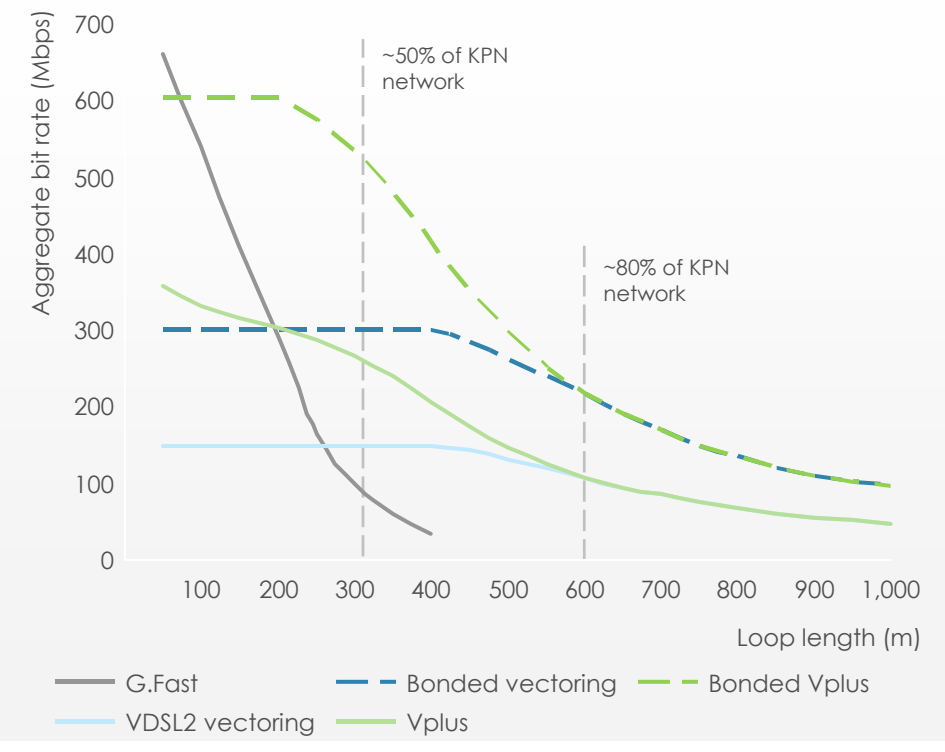
Ready to upgrade if demand changes

Dense fiber network reaching ~80% of households (FttH / FttC)

Cost and time efficient upgrades



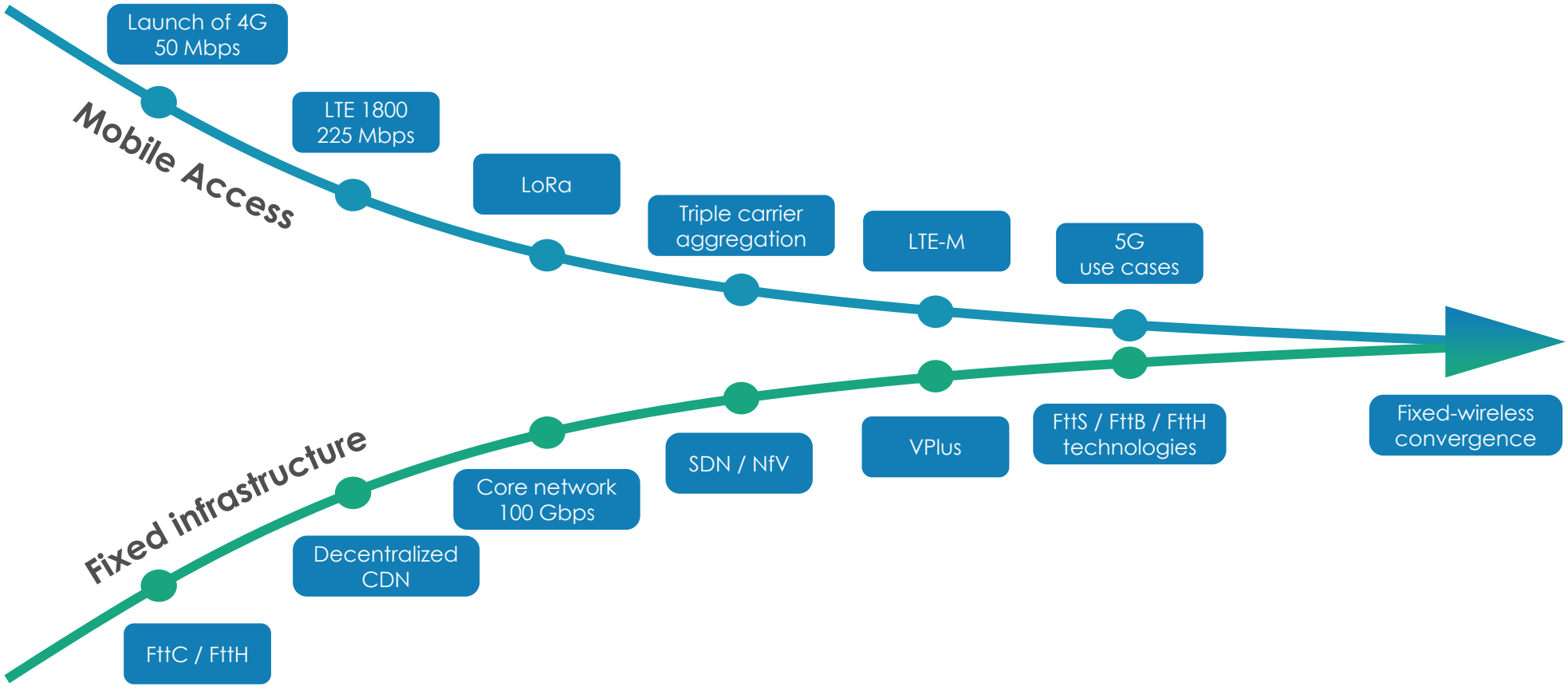
Vplus delivering highest stable speeds without changing network architecure[1]



1 Source: Nokia; bonded speeds based on KPN management estimate

Converging fixed and mobile network technologies

Mix of technologies to deliver best customer experience



Determining value of 5G technologies through use cases

Starting several pilots with business partners

Urban areas



Transport & Logistics



Rural applications



Automotive



Contents

1 Strategy

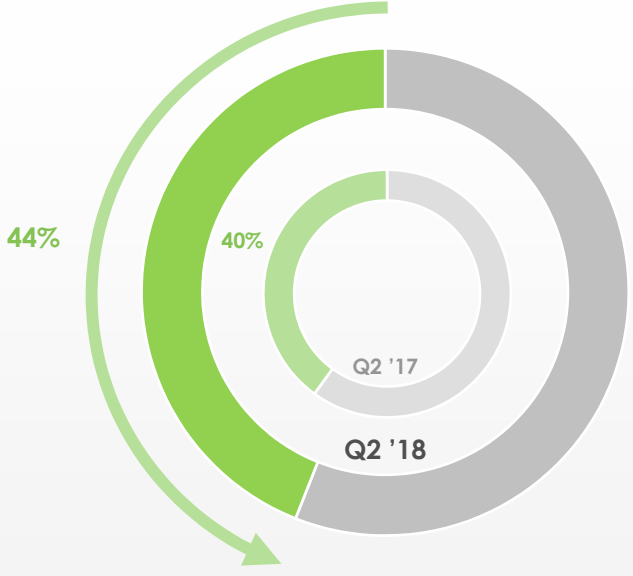
2 Performance

3 Appendix

Continued growth fixed-mobile bundles in Consumer

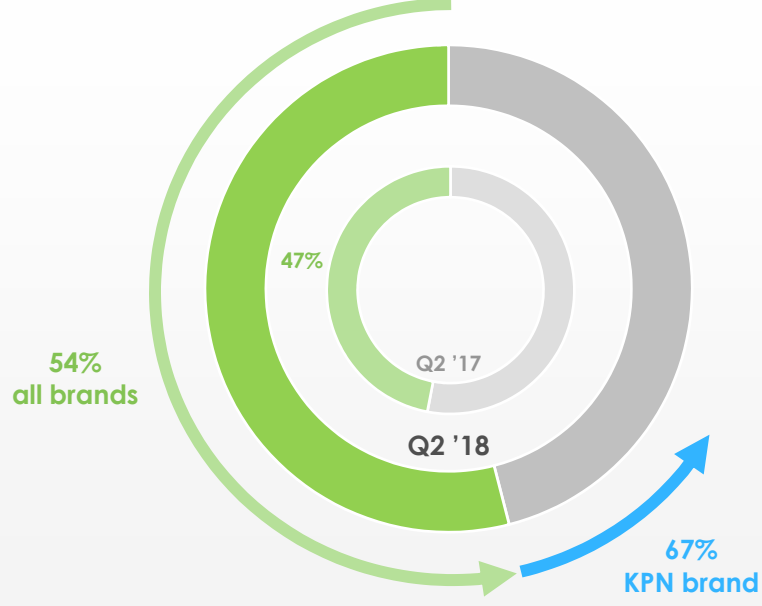
Successful up- and cross-sell of additional SIMs per household

Households in fixed-mobile bundles[1]



Q2 '18: 19k net adds

Postpaid customers in fixed-mobile bundles

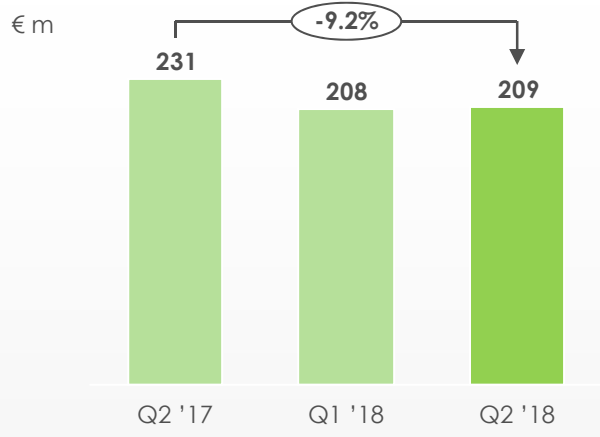


Q2 '18: 46k net adds

1 As % of broadband customers

Continued focus on value in competitive Consumer environment

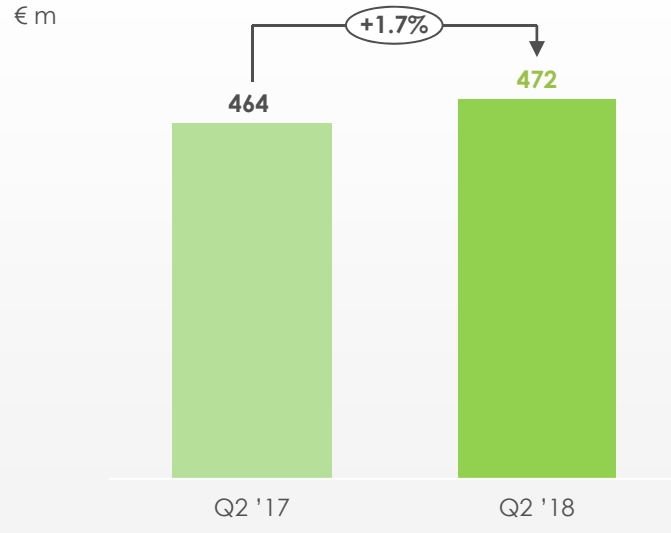
Mobile service revenues impacted by regulation and price pressure in mobile-only



-3.5%

Growth of mobile service revenues
(Excluding regulation)

Continued fixed revenue growth



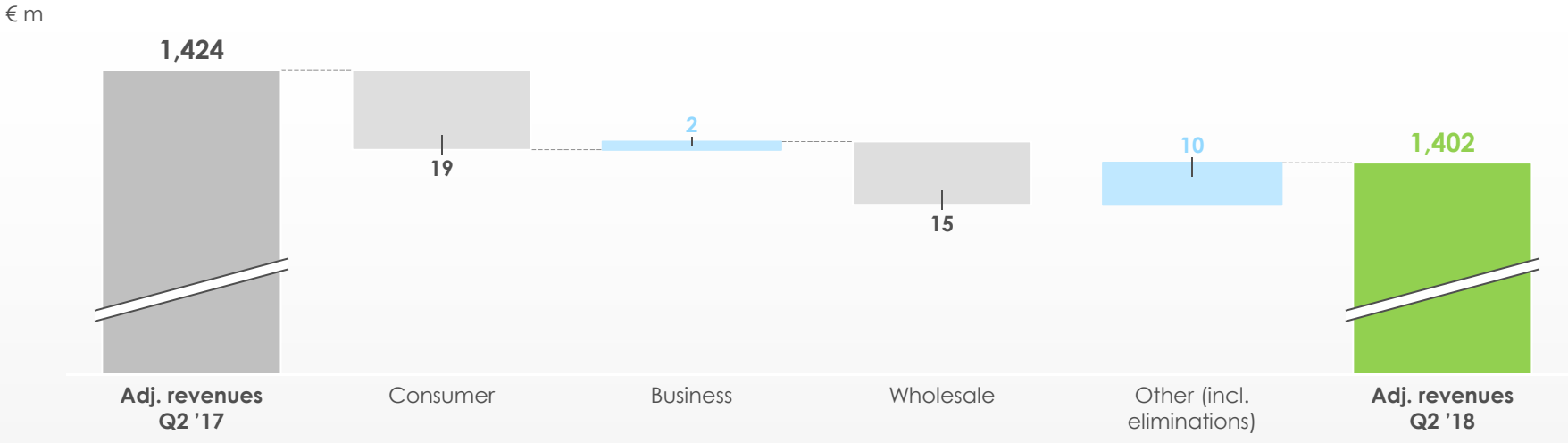
Business transformation taking shape

Business revenue growth drivers

	Q2 '18 adjusted y-on-y growth	H1 '18 adjusted y-on-y growth
Communication Services	**-7.3%**	**-8.0%**
Mobile service revenues	-6.2%	-7.0%
IoT	8.3%	22%
Broadband & Network services	-1.4%	-1.4%
Fixed voice	-15%	-15%
Other	-13%	-18%
IT Services (a.o. security, cloud, workspace)	**28%**	**23%**
Professional Services & Consultancy	**9.1%**	**7.0%**
Business total	**0.3%**	**-1.1%**

Adjusted revenue trend improving compared to Q1 '18

Adjusted revenues declined by 1.5%[1]

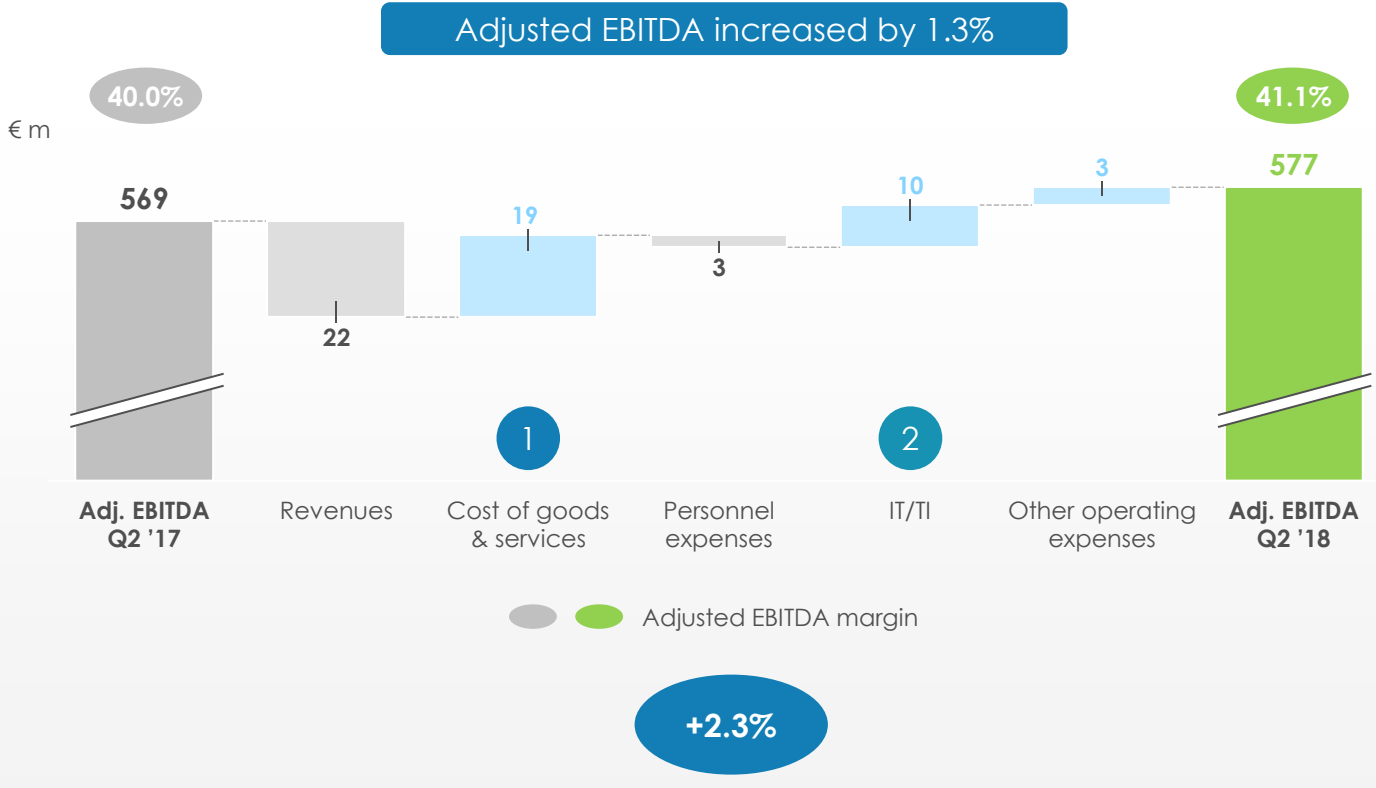


+0.5%

Growth of adjusted revenues, excluding € 29m regulation impact
(roaming & MTA / FTA)

1 vs. Q1 2018: -3.4%

Adjusted EBITDA growth driven by Simplification and digitalization



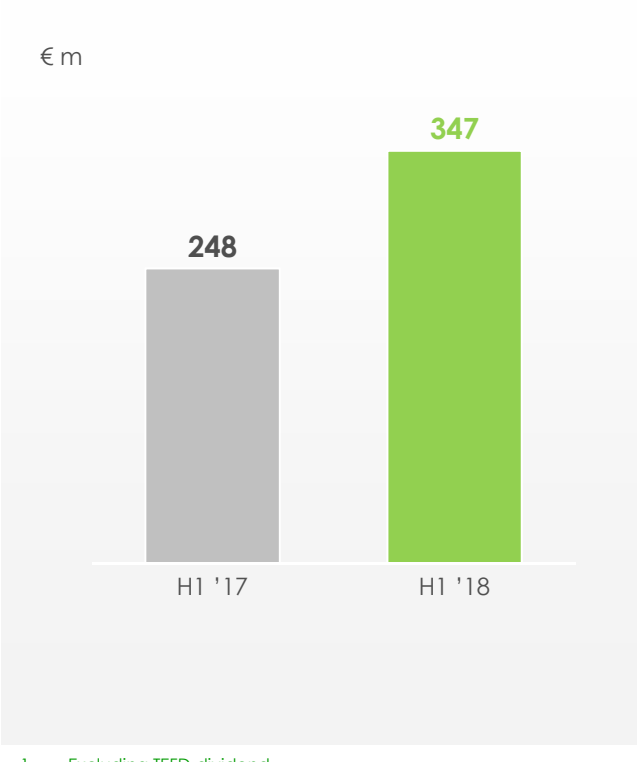
1. Lower traffic costs due to reduction MTA tariffs
2. Ongoing Simplification and digitalization savings

+2.3%

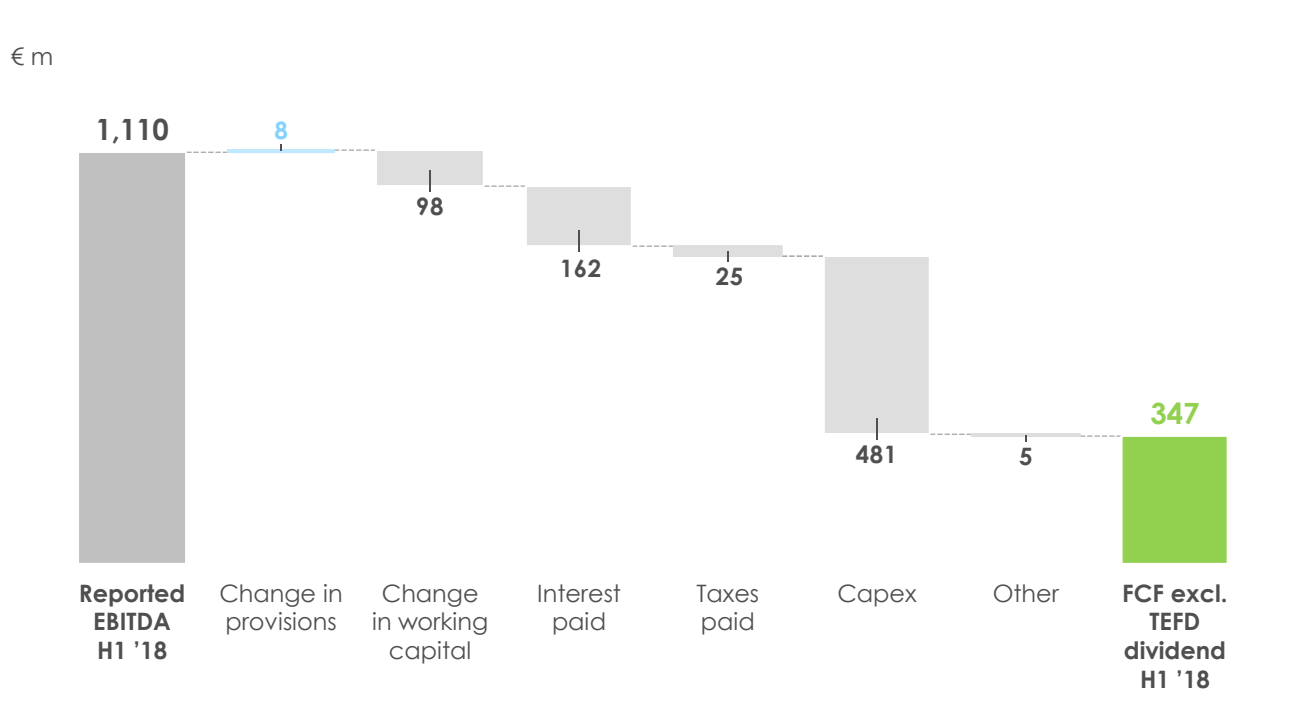
Growth of adjusted EBITDA, excluding € 5m regulation impact
(roaming & MTA / FTA)

Free cash flow growth driven by lower interest paid and higher EBITDA

Growing free cash flow[1]



Free cash flow components

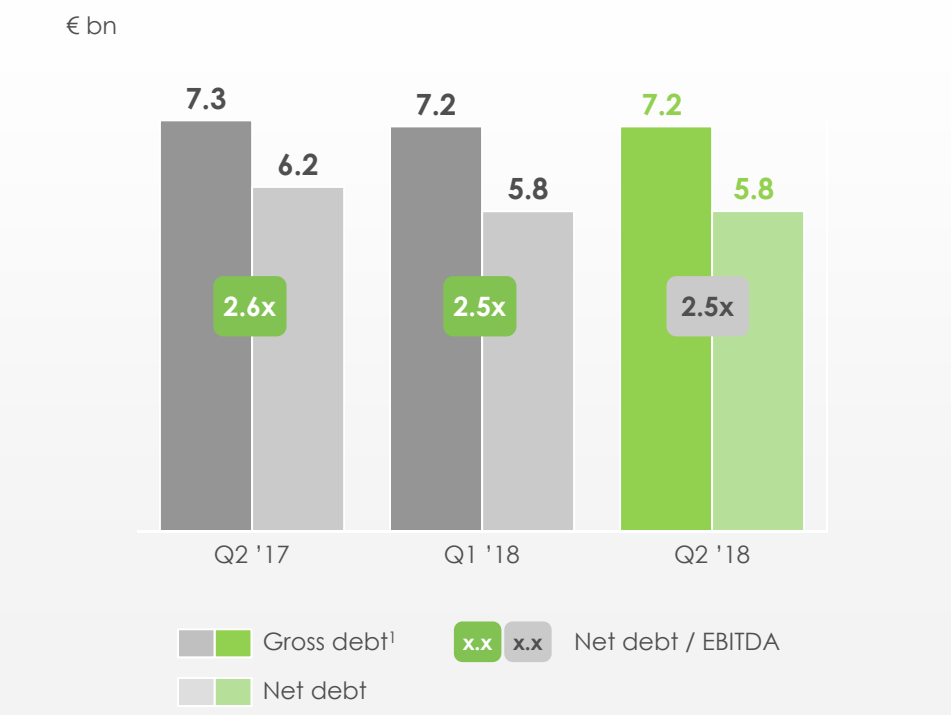


1 Excluding TEFD dividend

Solid financial position

Intention to redeem € 1.1bn hybrid bond from existing cash

Lower debt level



Hybrid redemption at first call date[2]

- Successful execution of strategy since issuance in 2013
- Realignment proportion hybrid capital to balance sheet
- Saving € 67m annual coupon from 2019 onwards

Debt portfolio

- Net debt in line with Q1 '18
  - Free cash flow generated in Q2 '18
  - Partial sale of TEFD stake

  Offset by
  - Final dividend over 2017 paid to shareholders
- Average coupon senior bonds 3.8% (Q2 '17: 4.1%)

1 Gross debt defined as the nominal value of interest bearing financial liabilities, excluding derivatives and related collateral, representing the net repayment obligations in Euro, taking into account 50% of the nominal value of the hybrid capital instruments

2 First call date: 14 September 2018

Contents

1 Strategy

2 Performance

3 Appendix

KPN ADR program

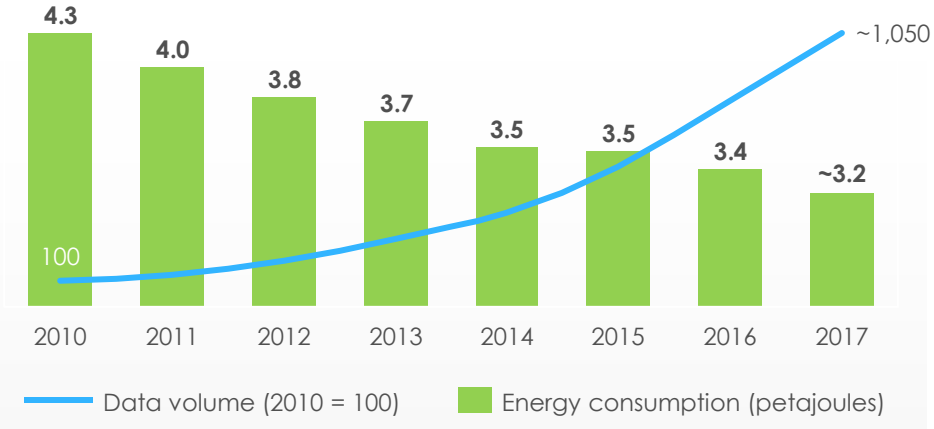
KPN has a sponsored Level 1 ADR program

Bloomberg ticker	KKPNY
Trading platform	Over-the-counter (OTC)
CUSIP	780641205
Ratio	1 ADR : 1 Ordinary Share
Depositary bank	Deutsche Bank Trust Company Americas
Depositary 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
Depositary bank's local custodian	Deutsche Bank, Amsterdam

Successful CSR strategy delivering benefits for customers and KPN

Recognition by leading benchmarks

Less energy consumption despite rising data volumes[1]



Helping customers to reduce energy usage[1]

Customers saved **~1.9PJ** energy in 2017

=

Equivalent to **~€ 70m**

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

#1
Industry Leader
Most sustainable Telco in the world

CDP
DRIVING SUSTAINABLE ECONOMIES

A
List constituent
(Climate)

1 2017 based on management estimate

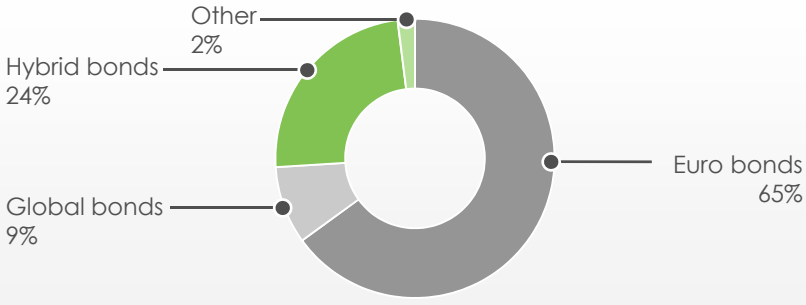
Dutch mobile service revenues

Service revenues (€ m)	Q2 '18	Q2 '17	*y-on-y %*
Consumer	209	231	*-9.2%*
Business[1]	141	148	*-5.0%*
Other[2]	41	36	*15%*
KPN The Netherlands	**391**	**414**	***-5.6%***

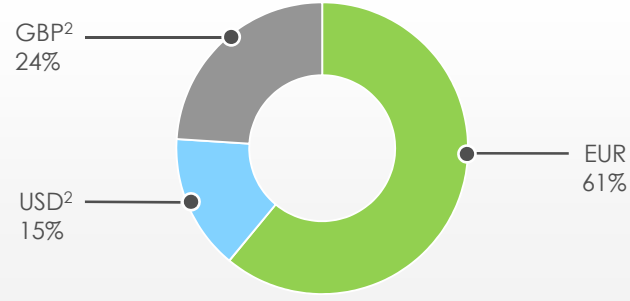
1 Includes M2M service revenues
2 Includes amongst others Wholesale mobile service revenues and visitor roaming

Debt portfolio

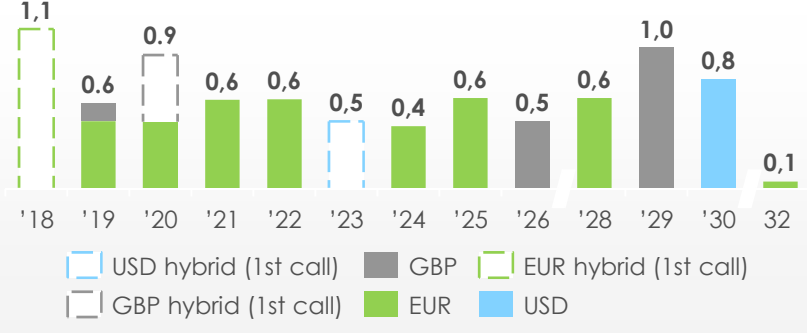
Breakdown nominal debt[1] (total € 8.3bn)



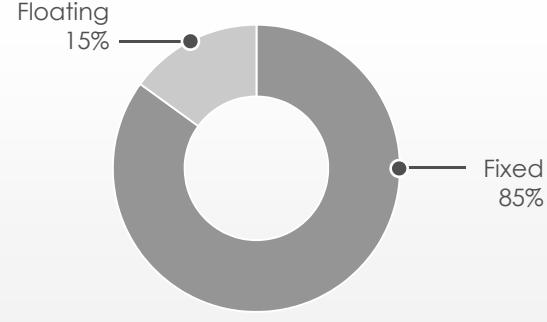
Nominal debt by currency



Bond redemption profile (€ bn)



Fixed vs. floating interest[3]



1 Based on the nominal value of interest bearing liabilities after swap to EUR, including EUR 1.1bn hybrid bond, GBP 400m hybrid bond and USD 600m hybrid bond
2 Foreign currency amounts hedged into EUR
3 Excludes bank overdrafts

IFRS 15 changed revenue recognition rules

Example 1: Handset sales via own channels

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

Accounting for this example

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**

IFRS 15 – 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

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)

Accounting for this example

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**

IFRS 15 – 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
Add: contract cost	120	-	…	-	120
Less: amortization	-5	-5	…	-5	-120
Closing balance	**115**	**110**	**…**	**-**	**-**

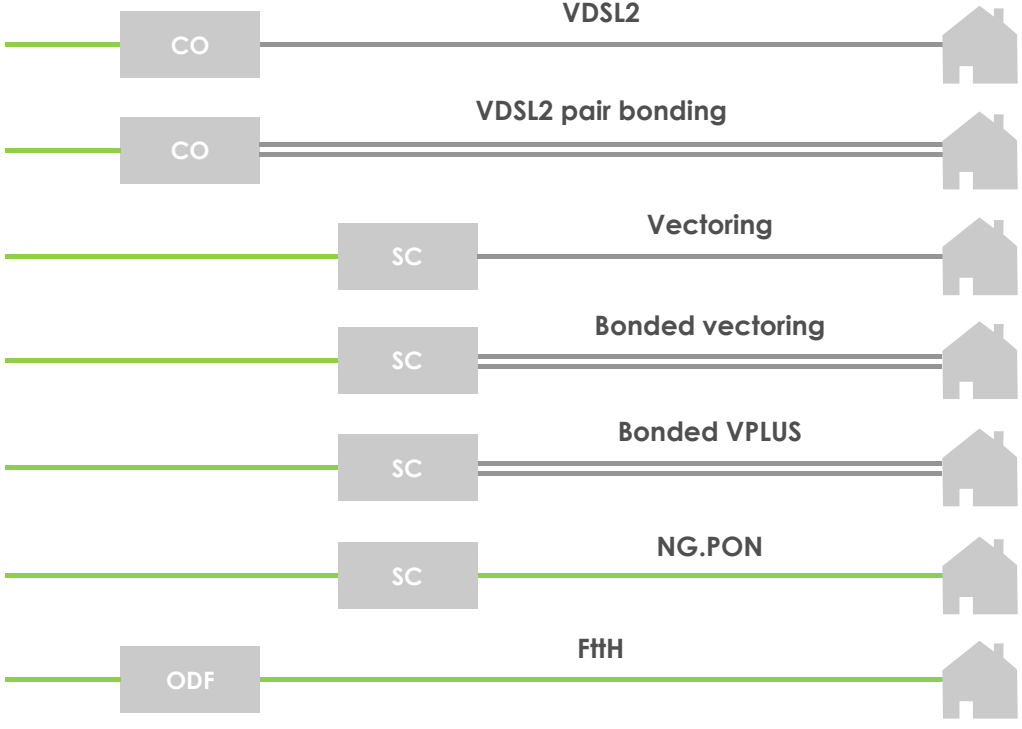
IAS 18 – P&L

(€)	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**

Spectrum in The Netherlands



Fixed infrastructure



	Download speed	*Active in Network*
VDSL2	~50Mbps	✓
VDSL2 pair bonding	~100Mbps	✓
Vectoring	~120Mbps	✓
Bonded vectoring	~240Mbps	✓
Bonded VPLUS	~400Mbps	
NG.PON	>1Gbps	
FttH	~1Gbps	✓

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 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.