INVESTOR PRESENTATION

Q1 2019



Safe harbor

Alternative performance measures and management estimates

This financial report contains a number of alternative performance measures (non-GAAP figures) to provide readers with additional financial information that is regularly reviewed by management, such as EBITDA and Free Cash Flow ('FCF'). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures and are not uniformly defined by all companies including KPN's peers. Numerical reconciliations are included in KPN's quarterly factsheets and in the Integrated Annual Report 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 financial 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.

Financial information is based on KPN's interpretation of IFRS as adopted by the European Union as disclosed in the Integrated Annual Report 2017 and do not take into account the impact of future IFRS standards or interpretations. 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.

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. Forward-looking financial information does not take into account the impact of new IFRS standards or interpretations effective for future reporting periods (such as IFRS 16 Leasing). All forward-looking statements and ambitions stated in this financial report that refer to a growth or decline, refer to such growth or decline relative to the situation per 31 December 2018, unless stated otherwise.

STRATEGY 2019-2021

Summary presentation
Capital Markets Day
28 November 2018



ORGANIC
SUSTAINABLE
GROWTH

Value over volume.
Lean operating model.

The ecosystem is evolving:

integrated converged propositions



Household



Business



Cloud



TV



Security



IoT

ONE STOP SHOP

The ecosystem is evolving:
key enabling technologies



Fiber



4G/5G



Virtualization
& Cloud

HYBRID NETWORKS & PLATFORMS

The Dutch telecom market:
mature and dynamic

Leading broadband performance in Europe

Average 4G throughput of **42Mbps**

>98% of population has at least **100Mbps** capable broadband connection

Highly regulated market

Fixed access regulation

One of the most **competitive** markets

Revenue growth:

▲ Europe: **+0.3%**

▼ Netherlands: **-2.0%**

Sources: Digital Economy and Society Index 2018 – Open Signal The State of LTE (February 2018) – EC Broadband coverage in Europe report – Company data YTD Q3 '18 y-on-y

STRATEGY 2019 2021

The best **converged smart infrastructure.**

Focus on **profitable growth** segments.

Acceleration of **simplification** and **digitalization.**

The best converged smart infrastructure
digital highway of the Netherlands

Fiber roll-out acceleration

+1 million
FttH households
by end 2021

Full mobile network modernization

100%
5G ready
by end 2021

Moving to All-IP

100%
by end 2021

Stable Capex envelope: substantial shift in mix

Focus on profitable growth segments

Consumer

+300k

Converged households by end 2021

70%

Postpaid base converged in 2021

Business

SME base

100%

on KPN EEN[1] by mid 2020

LE & Corporate

Value over volume

Stabilized

end-to-end Adjusted EBITDA[2]

mid 2020

1 Traditional fixed voice and legacy broadband
2 End-to-end Adjusted EBITDA refers to the new segment reporting after the change in the organizational structure per 1 January 2019

Acceleration of simplification & digitalization

From **20 to 2** converged IT stacks

From **5** core networks **to 1**

Simplified end-to-end organization

~€ 350 million 2019-2021 new net opex savings program[1]

1 Indirect opex adjusted for the impact of restructuring costs and incidentals

STRATEGIC FOCUS 2019-2021

Network, Operations & IT

The best **converged smart infrastructure.**

Enable **innovative technologies.**

Accelerate **simplification** of operating model.

Consumer

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

Growing converged base and product penetration.

Focus on **delivering value.**

Business

Converged simplified product portfolio.

Transformation of operating platform.

Lean and digital operations.

FINANCIALS 2019 2021

Convergence & value focus driving **revenue stabilization.**

New multi-year sustainable opex reduction supports **organic Adj. EBITDA growth.**

Stable Capex envelope: substantial shift in the mix.

Organic sustainable Adj. EBITDA and FCF growth contributing to **progressive dividend** and **deleveraging.**

Convergence & value focus

driving revenue stabilization

Consumer

Grow base and value of converged households

Business

Accelerate growth in convergence

Selective growth in IT

Value over volume

Wholesale

Grow WBA/VULA

Maintain disciplined strategy

Acceleration of simplification Digitalization & virtualization

opex reductions

1 **Rationalization and simplification of portfolio.**

2 **End-to-end digitalization and automation front-end and back-end.**

3 **All-IP network and virtualization.**

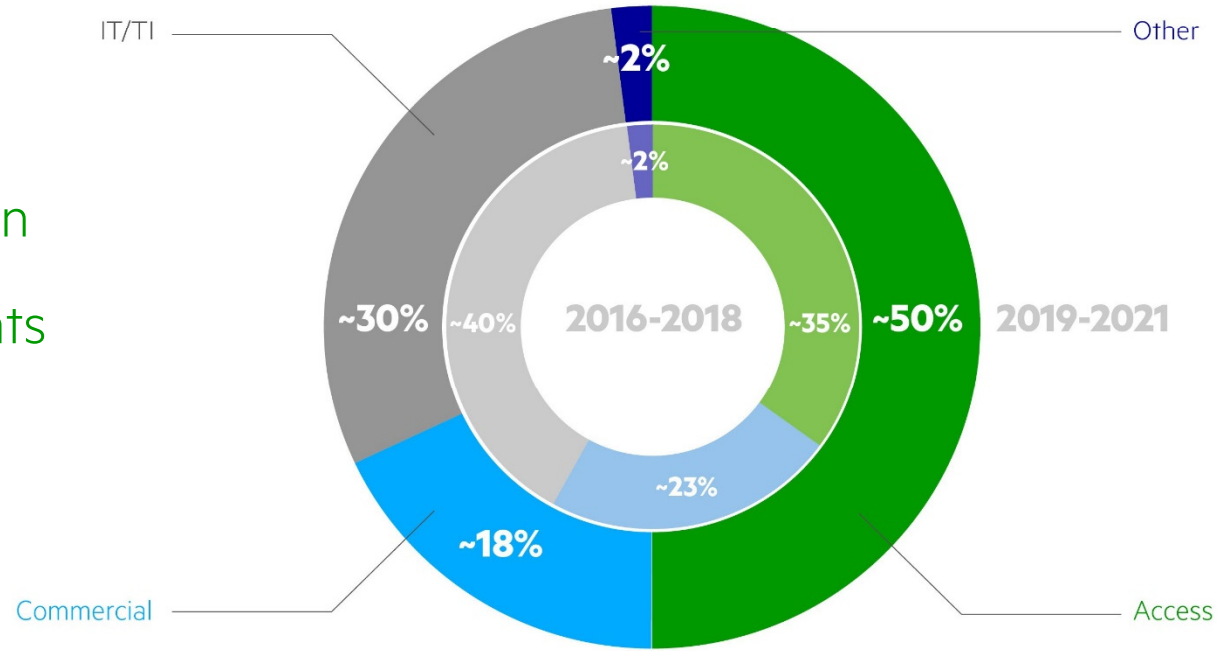
4 **IT landscape rationalization.**

5 **Organizational effectiveness.**

Stable Capex envelope

€ 1.1bn per annum in 2019-2021

Substantial shift in the mix enabling higher investments in access



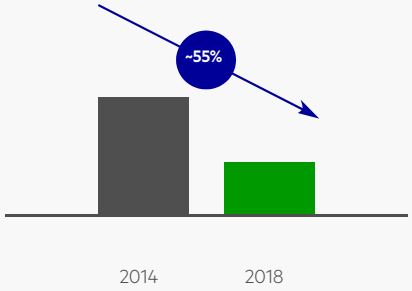
Committed to solid financial profile

Solid investment grade credit profile

Moody's	Baa3 / Stable
S&P Global Ratings	BBB- / Positive
FitchRatings	BBB / Stable

Optimized balance sheet position

Interest payments



Medium-term leverage

Net debt / EBITDA

<2.5x

Premium.

Value.

Focus.

Lean.

Innovative operating model.

&

commercial approach.

ORGANIC SUSTAINABLE GROWTH

Q4 & FY 2018 RESULTS

30 January 2019



Highlights FY 2018

Successful Simplification

~€ 225m

run-rate Capex and opex savings[1]

Delivered on full-year outlook

Adjusted EBITDA

+0.8% y-on-y

FY 2018: € 2,303m

FCF (excl. TEFD dividend)

+10% y-on-y

FY 2018: € 804m

Strategy update 2019 – 2021

ORGANIC SUSTAINABLE GROWTH

1 Realized: end Q4 2018 vs. end Q4 2016

STRATEGY 2019 2021

The best **converged smart infrastructure.**

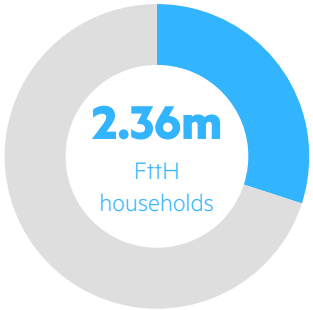
Focus on **profitable growth** segments.

Acceleration of **simplification** and **digitalization.**

Preparing for accelerated fiber roll-out

Strong starting point

~30%
of households



FttH YE 2018

Increase access investments

Preparations for **+1m FttH households** in 2019 – 2021

5G trials and **mobile network modernization** in progress

+1m FttH households

>40%

of households by end 2021

Further strengthening household relationships

growing converged base

Converged households

+91k (FY 2018)

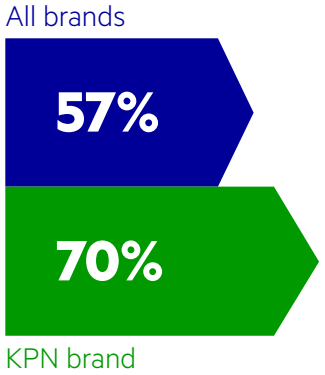
46%[1]

SIMs per household

1.54

FY 2017: 1.51

Converged postpaid base



1 As % of broadband customers

Continued focus on value in Consumer in Q4 2018

and improving customer experience

Postpaid ARPU in line

€ 18

Q4 2017: € 18

Broadband base[1]

+9k

Best-in-class NPS[2]

+14 +25 converged

Q4 2017: +13

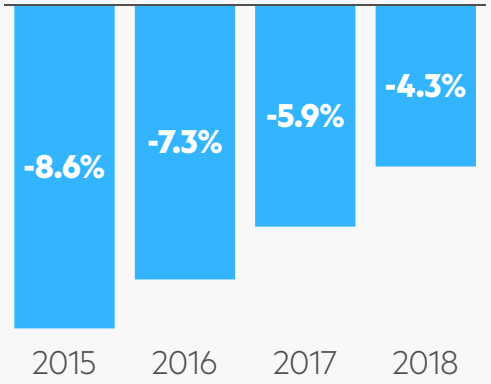
1 Corrected for migrations to and new customers of small business proposition (7k) launched in Q4 2017
2 Source: Kantar TNS

Progress made in Business, but still work to do

Adjusted revenues y-on-y growth trend

	Q4 2018	FY 2018
Communication Services	**-7.6%**	**-7.9%**
Mobile service revenues	-6.3%	-6.3%
IoT	-10%	3.0%
Broadband & Network Services	-3.6%	-2.7%
Fixed voice	-9.2%	-13%
Other	-15%	-17%
IT Services (a.o. security, cloud, workspace)	**-1.5%**	**12%**
Professional Services & Consultancy	**15%**	**8.8%**
Total	**-2.2%**	**-1.9%**

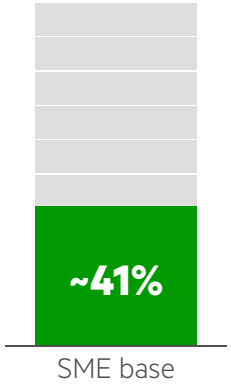
Gradually improving organic revenue trend[1]



1 Revenues for FY 2017 and FY 2018 excluding M&A and hardware

Transformation of operating platform

Migrating customers from legacy services[1]



Improving Business customer satisfaction (NPS)[2]



1 Traditional fixed voice and legacy broadband
2 Source: Kantar TNS

Financial highlights FY 2018

delivered on full-year outlook

Adjusted revenues

€ 5,639m

-1.9% y-on-y

FY 2017: € 5,749m

Adjusted EBITDA

€ 2,303m

+0.8% y-on-y

FY 2017: € 2,285m

Free cash flow
(excl. TEFD dividend)

€ 804m

+10% y-on-y

FY 2017: € 730m

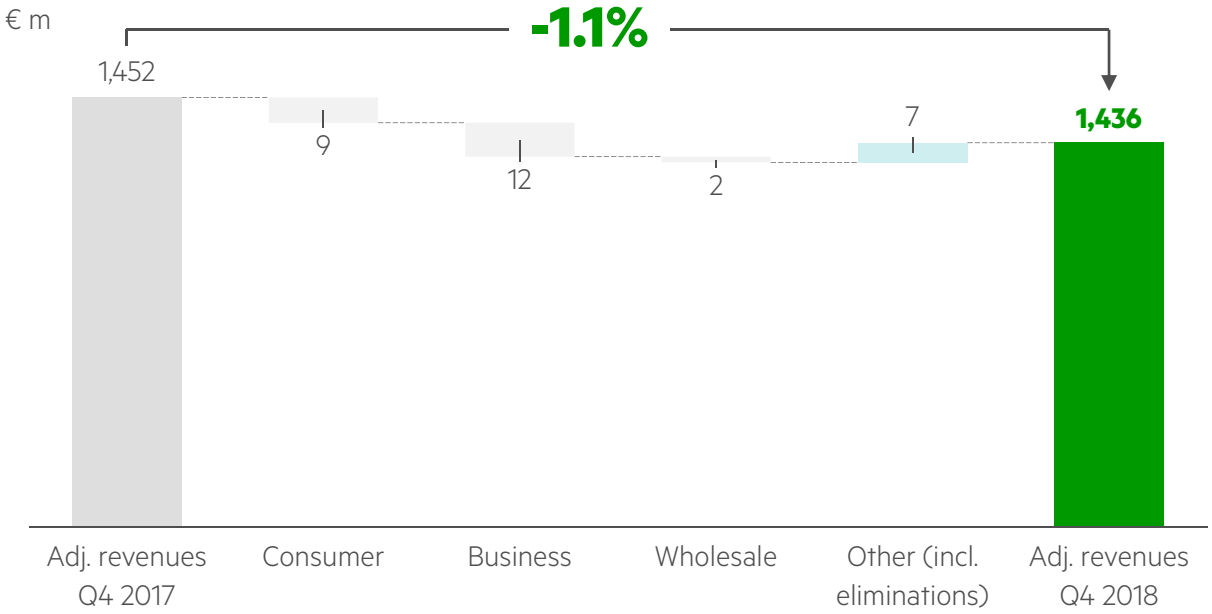
Financial performance Q4 and FY 2018

key P&L metrics

€ m	Q4 2018	Q4 2017	Δ y-on-y	FY 2018	FY 2017	Δ y-on-y
Consumer	758	766	-1.1%	2,992	3,044	-1.7%
Business	549	562	-2.2%	2,143	2,183	-1.9%
Wholesale	157	159	-1.5%	618	672	-8.0%
Other	-27	-35	-22%	-115	-150	-24%
Adjusted revenues[1]	**1,436**	**1,452**	**-1.1%**	**5,639**	**5,749**	**-1.9%**
Adjusted direct costs[1]	343	346	-0.9%	1,302	1,365	-4.6%
Adjusted indirect costs[1]	521	539	-3.4%	2,034	2,100	-3.1%
Adjusted EBITDA[1]	**572**	**567**	**1.0%**	**2,303**	**2,285**	**0.8%**
Reported						
EBITDA	530	531	-0.2%	2,186	2,169	0.8%
EBIT	177	169	4.4%	789	755	4.4%
Net profit[2]	-45	56	n.m.	280	390	-28%

1 Adjusted for the impact of restructuring costs and incidentals
2 Q4 and FY 2018 net profit impacted by € 107m one-off related to revaluation of DTA due to reduction of corporate income tax rate

Adjusted revenues declined by 1.1% in Q4 2018

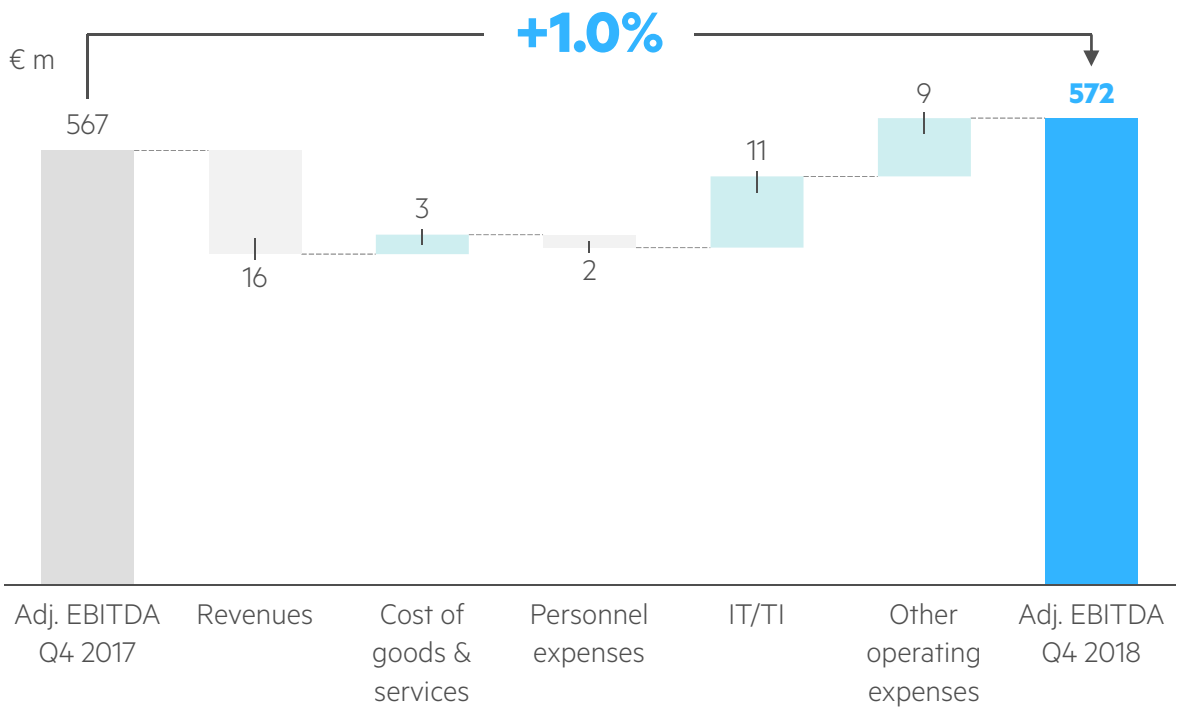


FY 2018: € 5,639m

-1.9% y-on-y

FY 2017: € 5,749m

Adjusted EBITDA supported by Simplification



FY 2018: € 2,303m

+0.8% y-on-y

FY 2017: € 2,285m

2nd wave Simplification yielded € 225m savings

the final year will roll-over in new program

2nd wave Simplification program realized run-rate Capex and opex savings

~€ 225m

end Q4 2018[1]

New net opex reduction program savings target[2]

~€ 350m

2019 – 2021

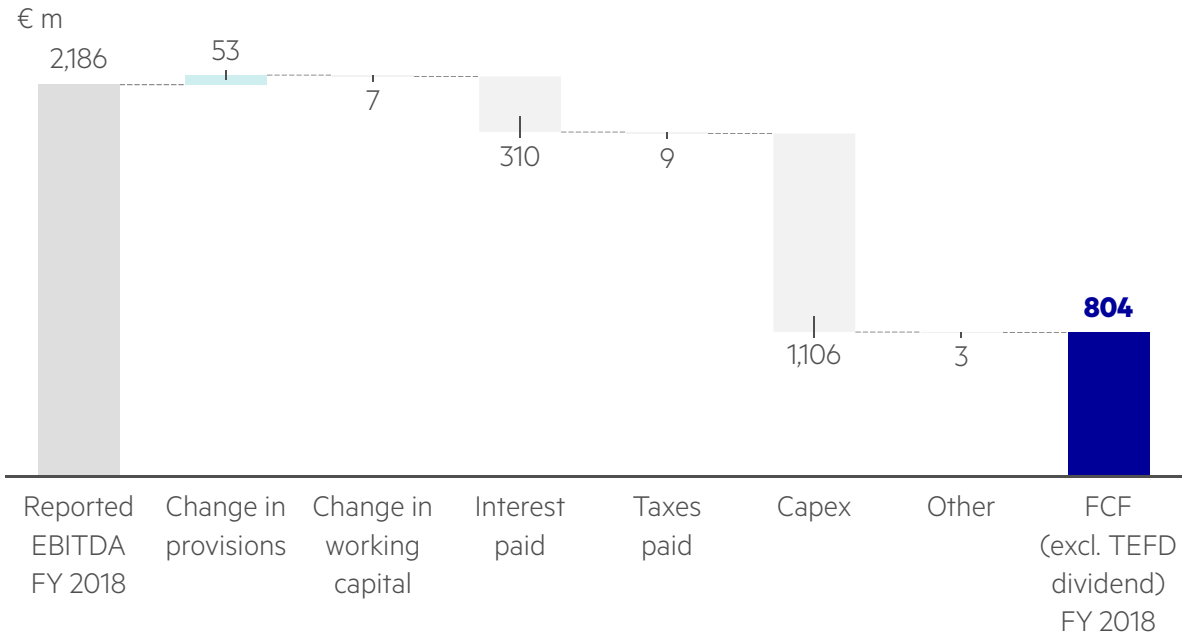
1 Realized: end Q4 2018 vs. end Q4 2016
2 Indirect opex adjusted for the impact of restructuring costs and incidentals

Financial performance Q4 and FY 2018

key cash flow metrics

€ m	Q4 2018	Q4 2017	Δ y-on-y	FY 2018	FY 2017	Δ y-on-y
EBITDA	**530**	**531**	**-0.2%**	**2,186**	**2,169**	**0.8%**
Interest paid / received	-70	-73	-4.0%	-310	-351	-12%
Tax paid / received	16	-	n.m.	-9	-13	-33%
Change in provisions	19	25	-21%	53	54	-1.5%
Change in working capital	95	124	-24%	-7	-10	-32%
Other movements (incl. TEFD dividend)	2	3	-49%	46	80	-43%
Net CF from operating activities	**591**	**610**	**-3.1%**	**1,959**	**1,929**	**1.5%**
Capex	-368	-392	-6.0%	-1,106	-1,131	-2.2%
Proceeds from real estate	-	-	n.m.	5	2	>100%
Free cash flow	**223**	**218**	**2.2%**	**858**	**800**	**7.2%**
TEFD dividend	-	-	n.m.	54	70	-23%
Free cash flow (excl. TEFD dividend)	**223**	**218**	**2.2%**	**804**	**730**	**10%**

Free cash flow growth in FY 2018

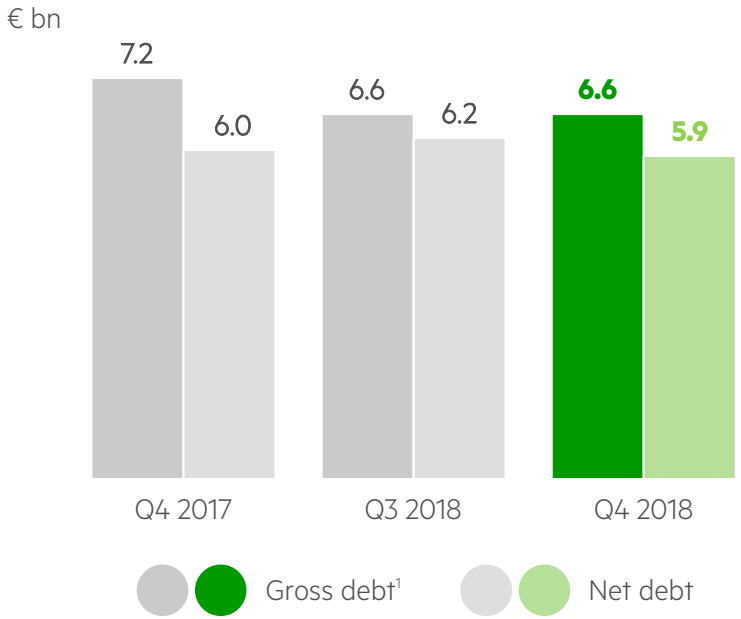


FY 2018

+10% y-on-y

FY 2017: € 730m

Solid financial position



Q4 2018 net debt / EBITDA

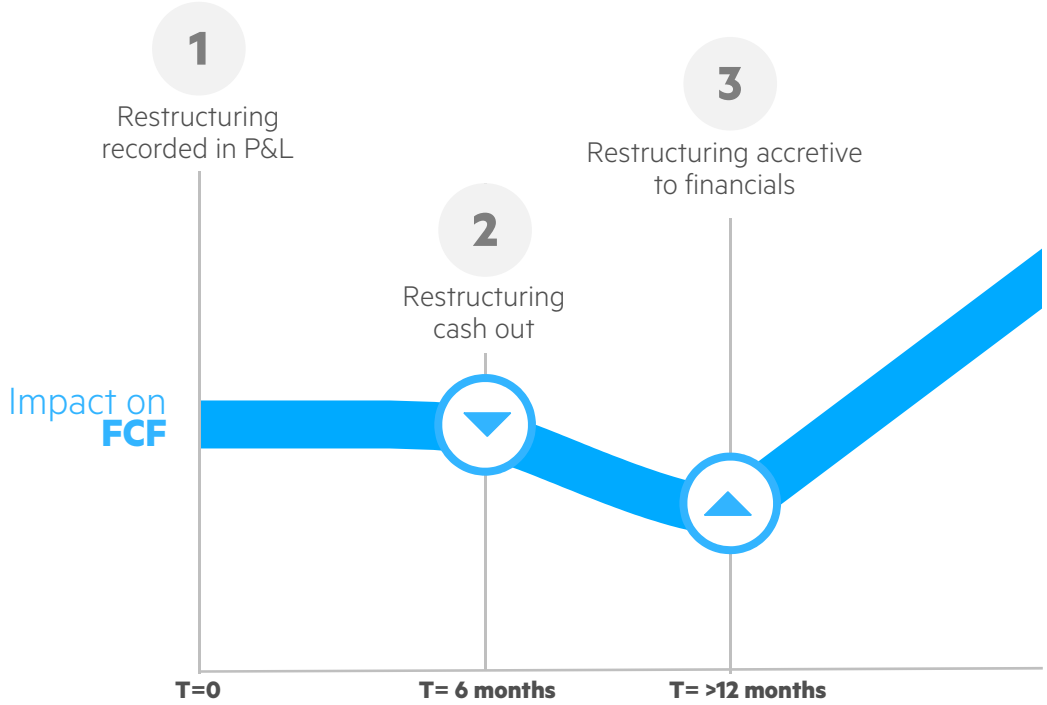
2.5x

Q3 2018: 2.7x

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

Restructuring accretive

benefits back-end loaded



Outlook 2019 and 2019 – 2021 ambitions

organic sustainable growth

	Outlook 2019	2019 – 2021 ambitions
Adjusted EBITDA	In line with 2018	Organic growth
Capex	€ 1.1bn	Stable at € 1.1bn annually
FCF (excl. TEFD dividend)	Front-end loaded restructuring charges leading to incidentally lower FCF compared with 2018	Three-year mid-single digit CAGR[1] driven by EBITDA growth
Regular DPS	€ 12.5 cents	Progressive dividend, supported by FCF

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

INFORMATION PACK



CSR
Dutch mobile service revenues
Tax
KPI overview
Debt portfolio
Treatment of hybrid bonds
Fixed infrastructure
TEFD stake - accounting treatment

Doing business in a sustainable manner

Leading position in benchmarks

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

EURONEXT
vigeo eiris
INDICES

Reputation ranking

TOP 3 European Telcos

RepTrak Pulse 2017

Achievements in Q4 2018

Expanded circular manifesto with suppliers to achieve a near to 100% circular company by 2025

70% of annual spend on network equipment and hardware for the provision of services to customers covered by agreements

160 New KlasseContact placements in Q4 2018

Dutch mobile service revenues

€ m	Q4 2018	Q4 2017	Δ y-on-y	FY 2018	FY 2017	Δ y-on-y
Consumer	206	211	-2.2%	833	887	-6.1%
Business[1]	134	144	-6.7%	549	581	-5.6%
Other[2]	43	45	-4.4%	162	159	1.9%
Total The Netherlands	**383**	**399**	**-4.1%**	**1,544**	**1,627**	**-5.1%**

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

Tax FY 2018

	P&L		Cash flow	
Regions (€ m)	**FY 2018**	**FY 2017**	**FY 2018**	**FY 2017**
The Netherlands	-233	-119	-9	-13
Other	-5	-17	-4	1
Total reported tax	**-238**	**-136**	**-13**	**-12**
Of which discontinued operations	*-5*	*-17*	*-4*	*1*
Reported tax from continuing operations	**-233**	**-119**	**-9**	**-13**
Effective tax rate continuing operations	*44.6%*	*23.4%*		

The effective tax rate for FY 2018 is mainly influenced by corporate income tax rate adjustments, other one-off effects and the Innovation Box facility

- Without one-off effects[1] the effective tax rate would have been ~23% in FY 2018

For the 2019, the effective tax rate is expected to be ~23% excluding one-off effects[1] and the potential impact of the intended Dutch corporate tax rate change

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

KPI overview

Consumer fixed

	Q4 2018	Q4 2017
Household base (k)		
F-M households	1,343	1,253
Fixed-only households	2,093	2,323
Total households	**3,436**	**3,576**
F-M penetration broadband base	46%	42%
Bundled	2,556	2,571
Not-bundled (BB-only)	385	396
Not-bundled (PSTN & Digitenne)	495	608
Total households	**3,436**	**3,575**
Net adds (k)		
Broadband	2	7
IPTV	22	21
ARPU per household (€)	46	44

Consumer mobile

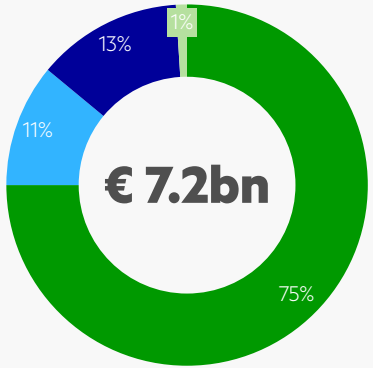
	Q4 2018	Q4 2017
Postpaid base (k)		
F-M postpaid customers	2,065	1,886
Mobile-only postpaid customers	1,547	1,788
Total postpaid base	**3,612**	**3,674**
F-M penetration postpaid base	57%	51%
Net adds (k)		
Postpaid	-19	-15
Prepaid	-76	-7
Postpaid ARPU (€)	18	18
Wireless service revenues (€ m)	206	211

Business

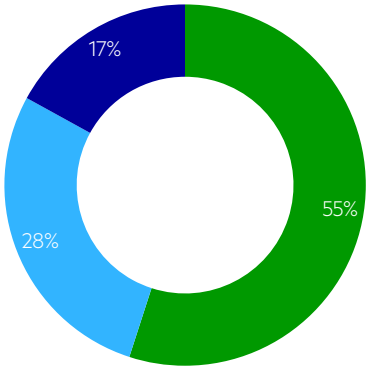
	Q4 2018	Q4 2017
Customer base (k)		
Mobile	1,855	1,882
Traditional Fixed voice	287	382
VoIP	544	487
Broadband	289	285
ARPU (€)		
Mobile	22	23
Traditional Fixed voice	49	47
VoIP	11	9
Broadband	73	71

Debt portfolio

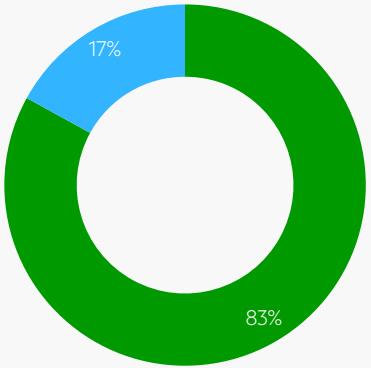
Nominal debt[1] by type



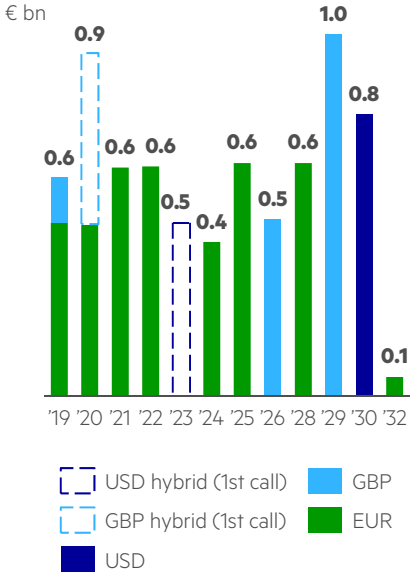
Nominal debt by currency



Fixed vs. floating interest[3]



Bond redemption profile



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

Treatment of hybrid bonds

KPN & credit rating agencies

Each tranche of the hybrid bonds is recognized as 50% equity and 50% debt by the rating agencies

Definition of KPN net debt includes: '[...], taking into account 50% of the nominal value of any hybrid capital instrument'

- Hybrid bonds are part of KPN's bond portfolio
- Independent of IFRS classification
- In line with treatment by credit rating agencies

IFRS

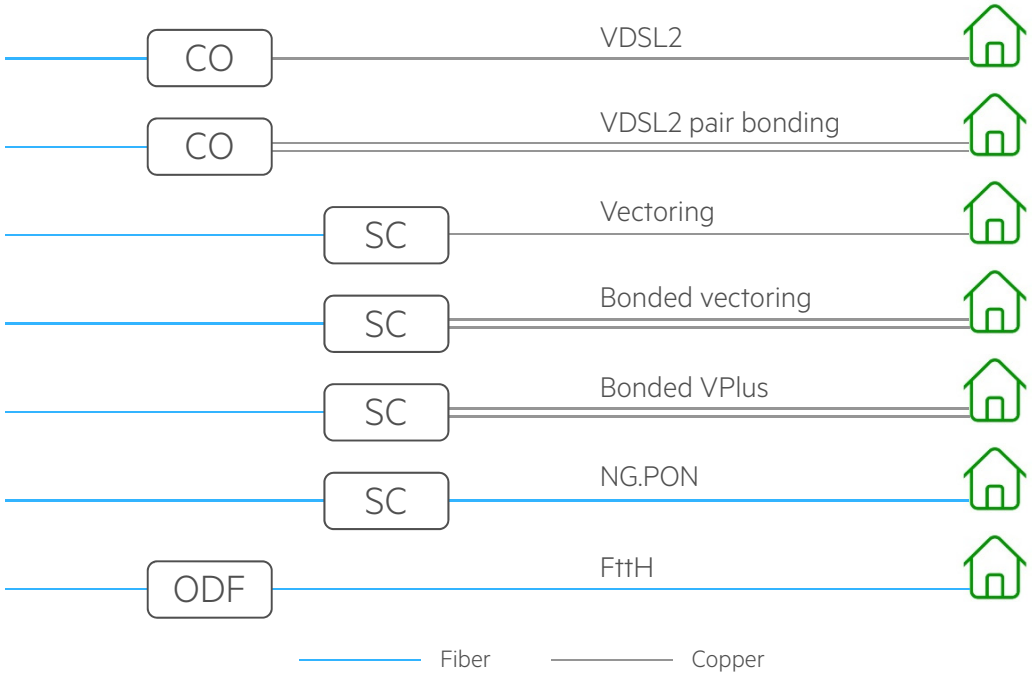
GBP and USD tranche have 60 years specified maturity, accounted for as financial liability

- Coupon payments treated as regular bond coupon, hence expensed through P&L, included in FCF

Tranche	Nominal	KPN net debt	Maturity	Rates (swapped)[1]	IFRS principal	IFRS coupon
GBP 0.4bn 6.875%	€ 460m	€ 230m	60 years (first-call Mar-2020)	6.777%	Liability	Interest paid (incl. in FCF)
USD 0.6bn 7.000%	€ 465m	€ 233m	60 years (first-call Mar-2023)	6.344%	Liability	Interest paid (incl. in FCF)
Total	**€ 925m**	**€ 463m**				

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

Fixed infrastructure



Download speed	Active in network
~50Mbps	✓
~100Mbps	✓
~120Mbps	✓
~240Mbps	✓
~400Mbps	
>1Gbps	
~1Gbps	✓

Telefónica Deutschland stake
accounting treatment

Balance sheet

Stake included as financial asset[1]

Fair value of KPN's stake based on Telefónica Deutschland's share price and adjusted quarterly

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

P&L

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

Cash flow statement

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

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

Tax

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

Deferred tax asset can be utilized to offset income related to KPN's stake

1 Defined under IFRS as equity investment measured at fair value through other comprehensive income



Contact Information:

KPN Investor Relations

+31 70 44 60986

ir@kpn.com

ir.kpn.com