

Raising the bar

KPN Capital Markets Day › March 7, 2016

Eelco Blok
CEO

Simplify

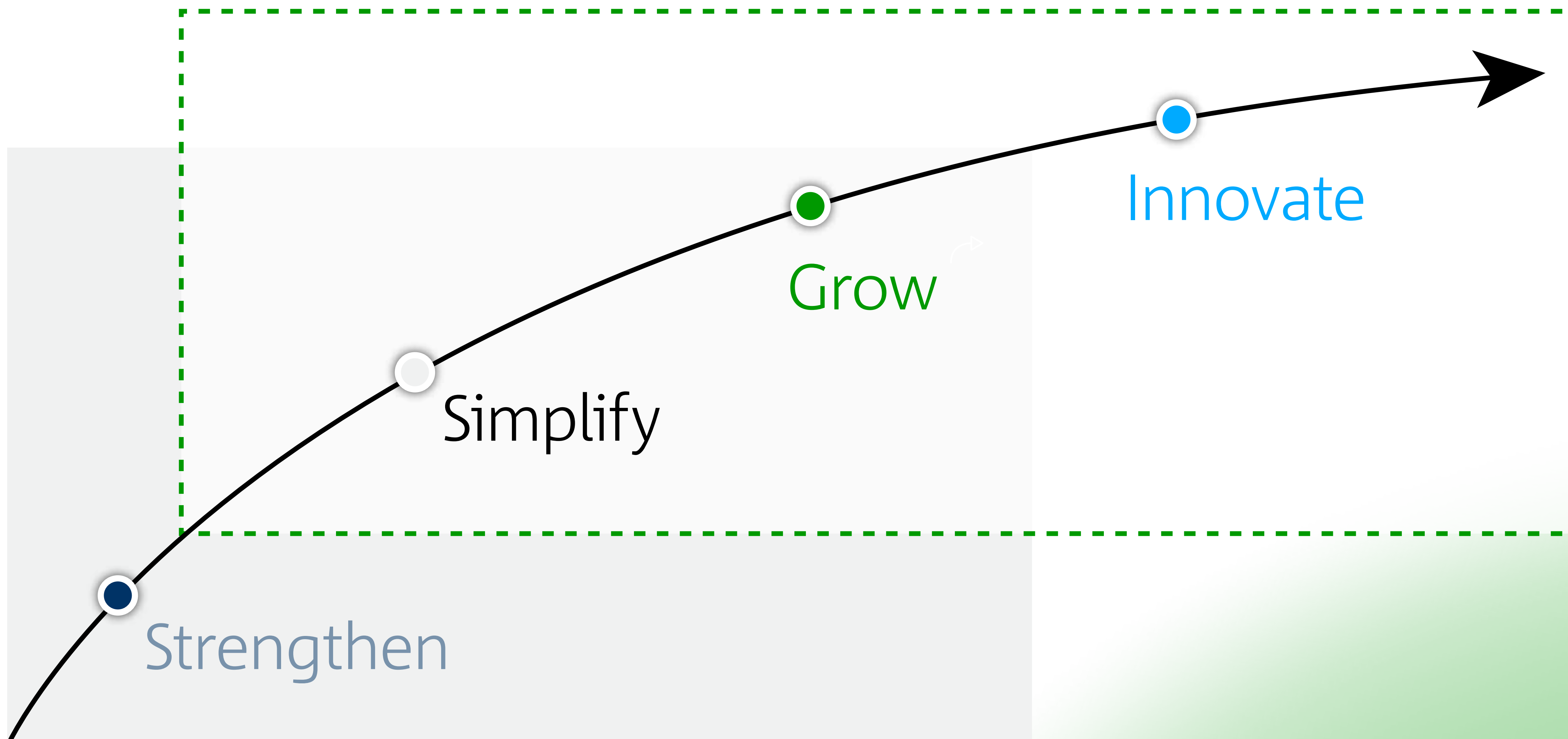
Innovate

Grow

Werken
met gemak.
Ook onderweg.

Raising the bar

Taking successful strategy to the next level



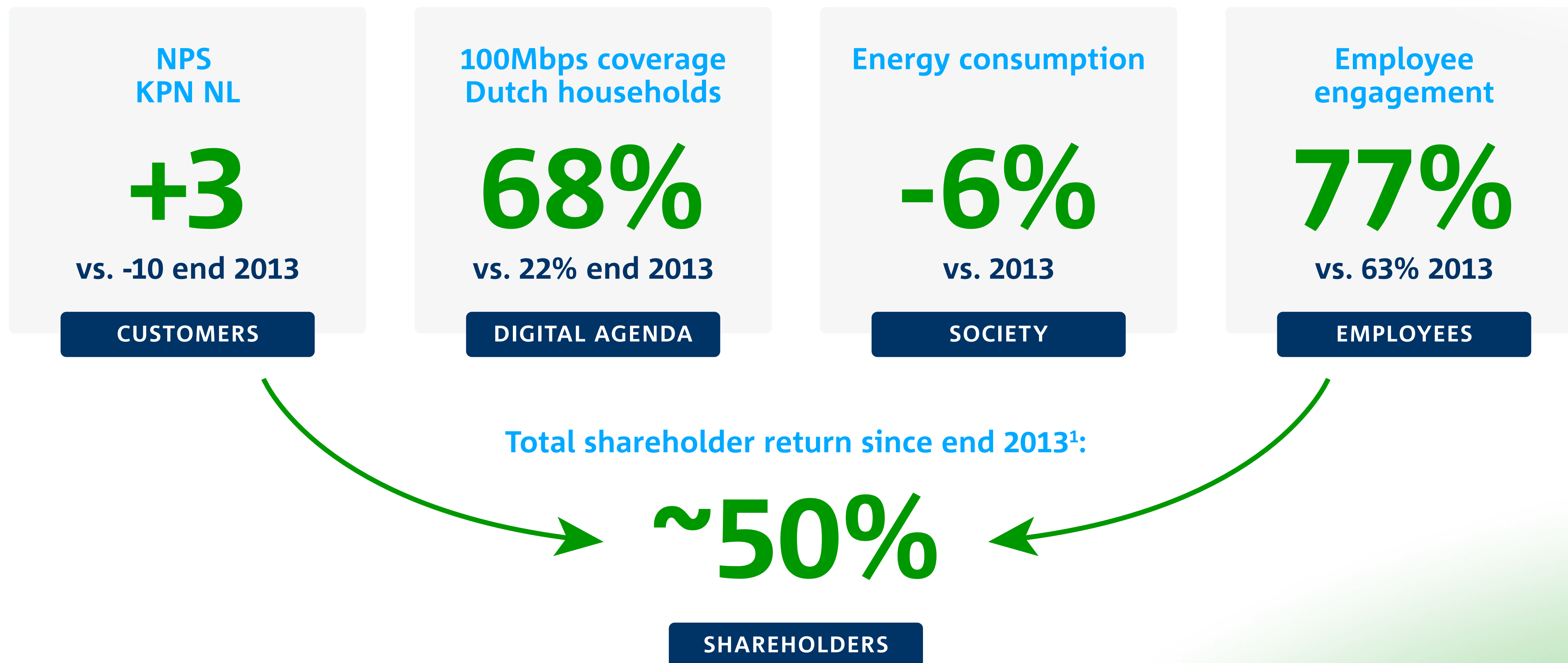
Significant progress since last CMD in 2014



	Promised in February 2014	Achievements since
Financials	Stabilizing financial performance	Adjusted EBITDA FY '15 stable vs. FY '14
	Grow free cash flow	FY '15 free cash flow growing 30% vs. FY '14 ¹
Operations	Simplification program leading to > € 300m run-rate savings by 2016	Simplification program upgraded to ~€ 450m run-rate savings by 2016
	Maintain lead fixed & mobile network position	Fixed: 68% 100Mbps coverage Mobile: 99% 4G coverage
	Strengthen market positions	Fixed-Mobile: 33% penetration of postpaid base Market share ² Broadband 41% & TV 29% Dutch mobile market share ³ 44%

¹ FCF excluding Telefónica Deutschland dividend; Normalized FCF FY '14
² Telecompaper
³ Total Dutch (Consumer and Business) mobile service revenue market share

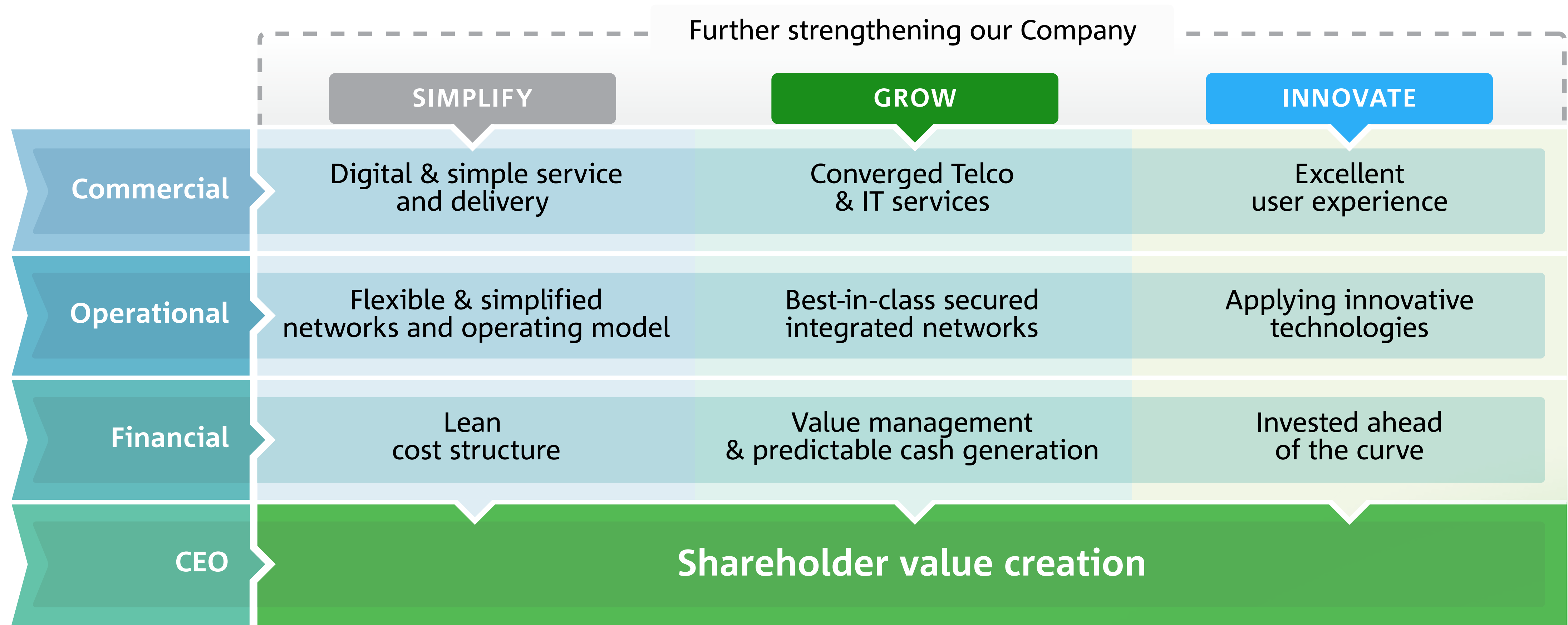
Delivering value for stakeholders



¹ Bloomberg. Total shareholder return between 1 January 2014 to 29 February 2016. Assumptions: 1,000 shares at start, gross dividends received reinvested in security

Strategy

Strategic choices embedded in organization



Key priorities for the coming years

Accelerate up- and cross-sell in bundles

Grow in TV and IT services

Finalize Business transformation

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

Finalize build of flexible and simplified integrated network and operating model

Finalize balance sheet transformation

Grow dividend and distribute large part of excess cash to shareholders

Simplify

Grow

Innovate

Preparing for the Digital Age

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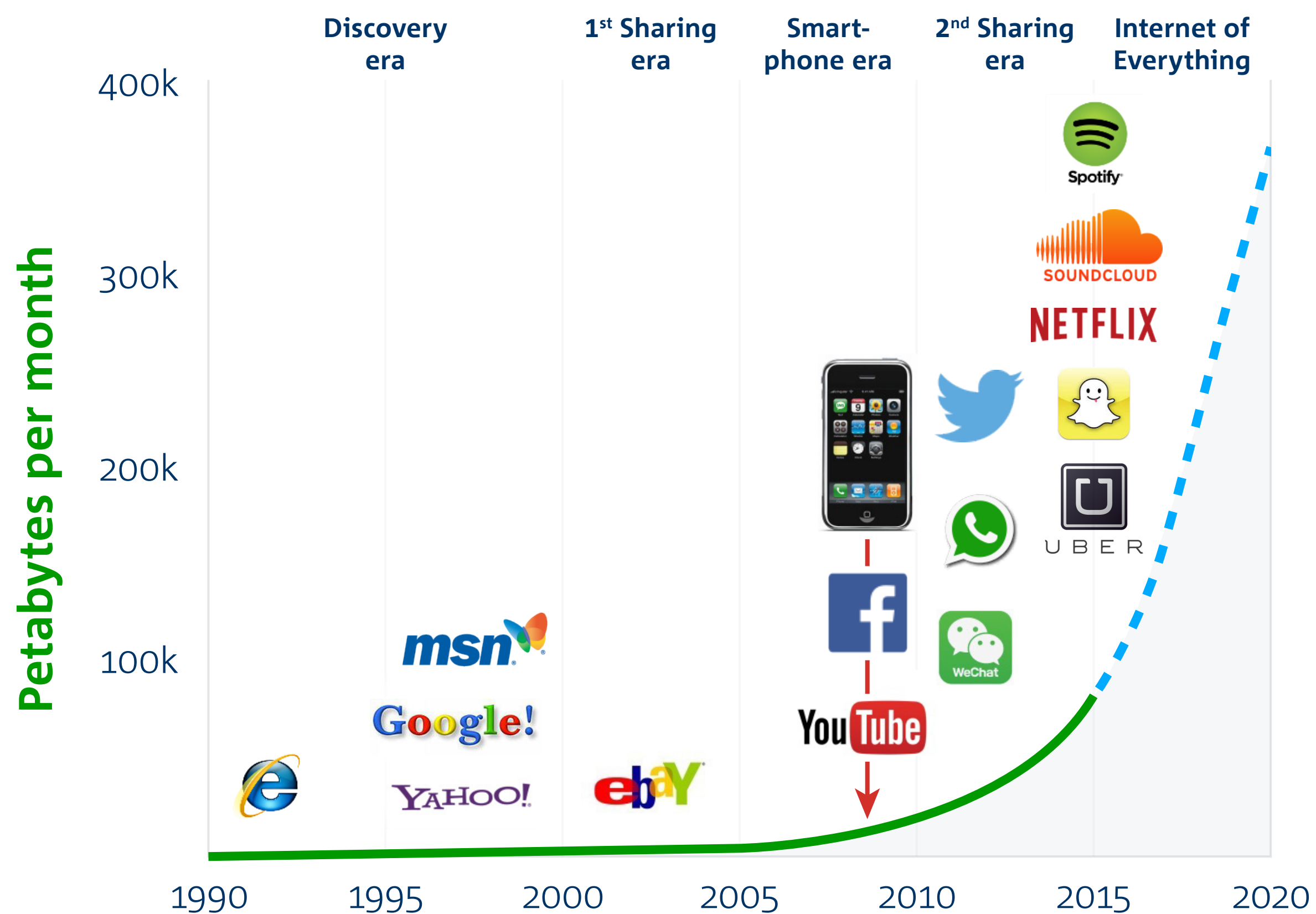
Erik Hoving
CTO



The Telco industry is past the turning point

Smartphone era has changed everything

Exponential data growth¹ ignited by launch 1st iPhone



¹ Bell Labs; worldwide data traffic in core networks
² Tecmark
³ Bell Labs

It transformed...

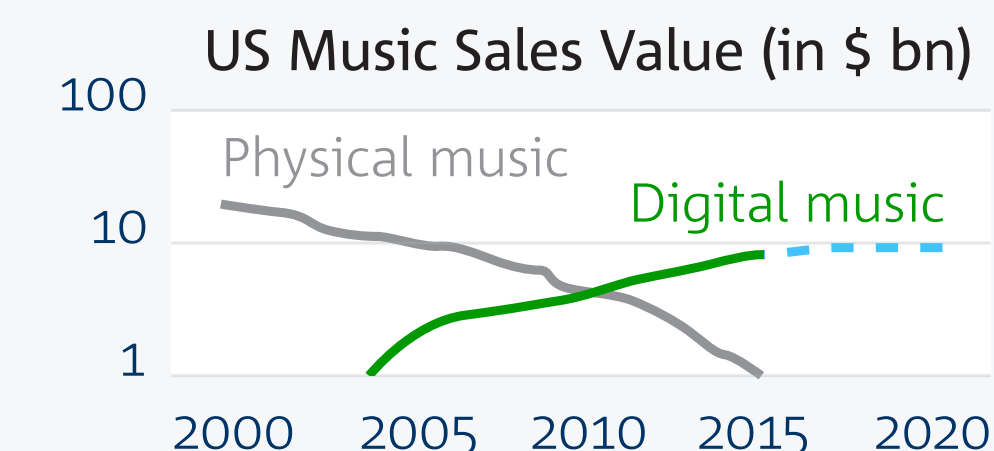
... Phone usage²

We live on our smartphone






> 221x a day for 3h16min

... Industries³



... How we think about our networks

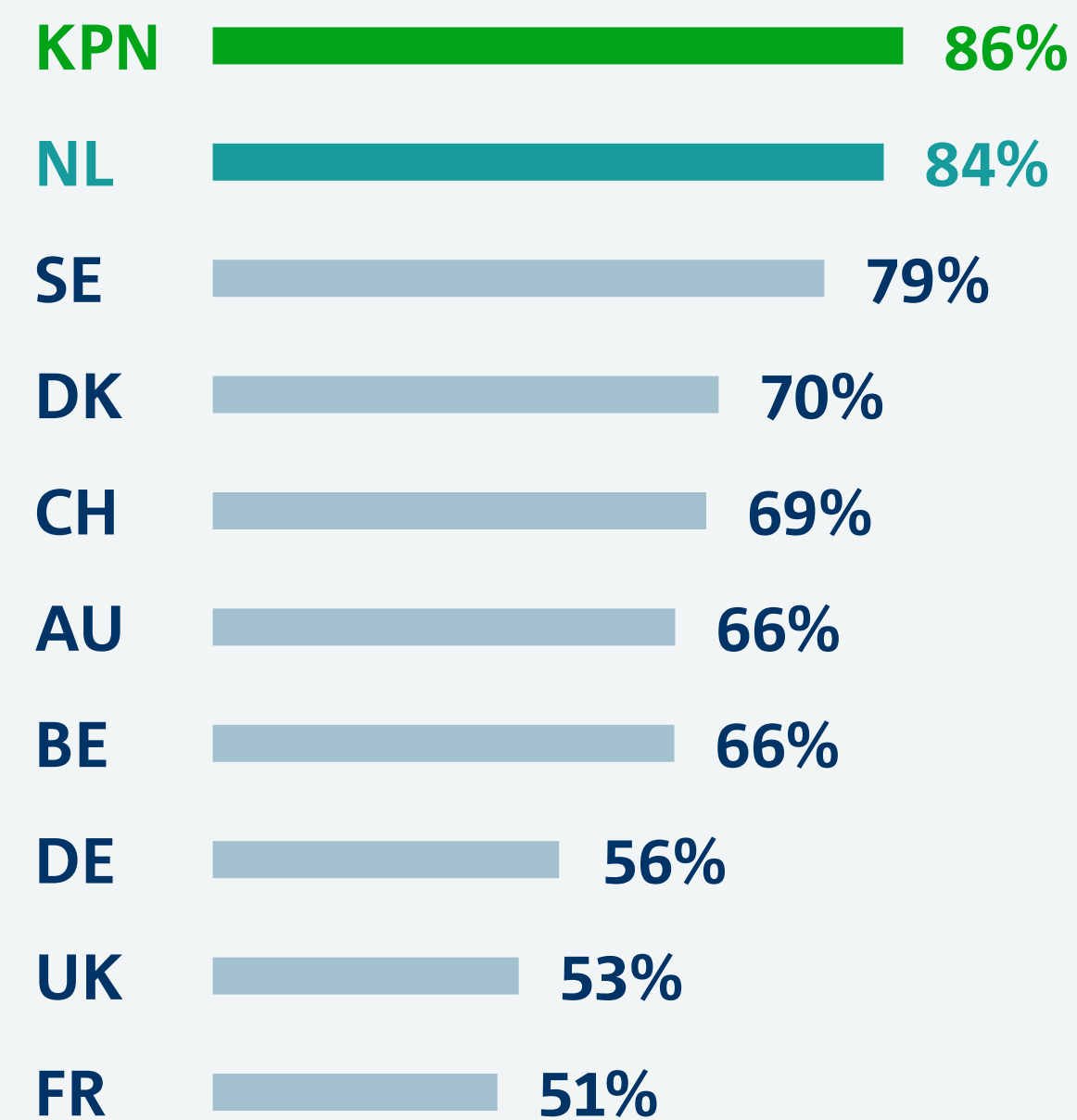
- Prepare for data growth
-  Roll-out 4G fast and increase capacity along usage
-  Increase fiber penetration and optimize copper
-  Simplify organization and network

We are fully prepared

Through early investments and innovative technologies

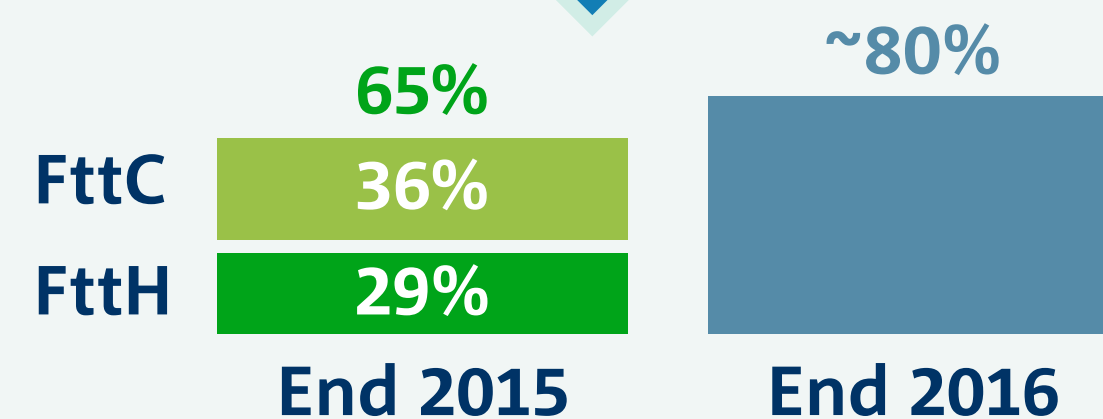
First to reach nationwide 4G coverage in Europe

Most time spent on LTE¹

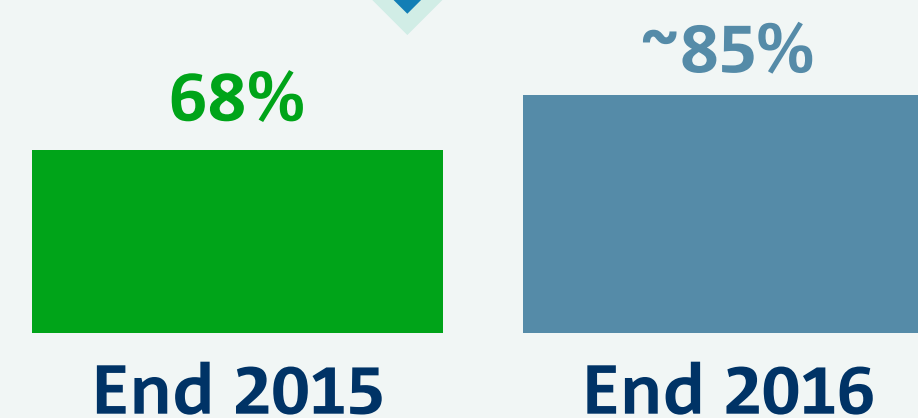


High fiber penetration & first to deploy vectoring

FIBER COVERAGE



100Mbps COVERAGE



To fully integrated access model

SIMPLIFYING OPERATING MODEL

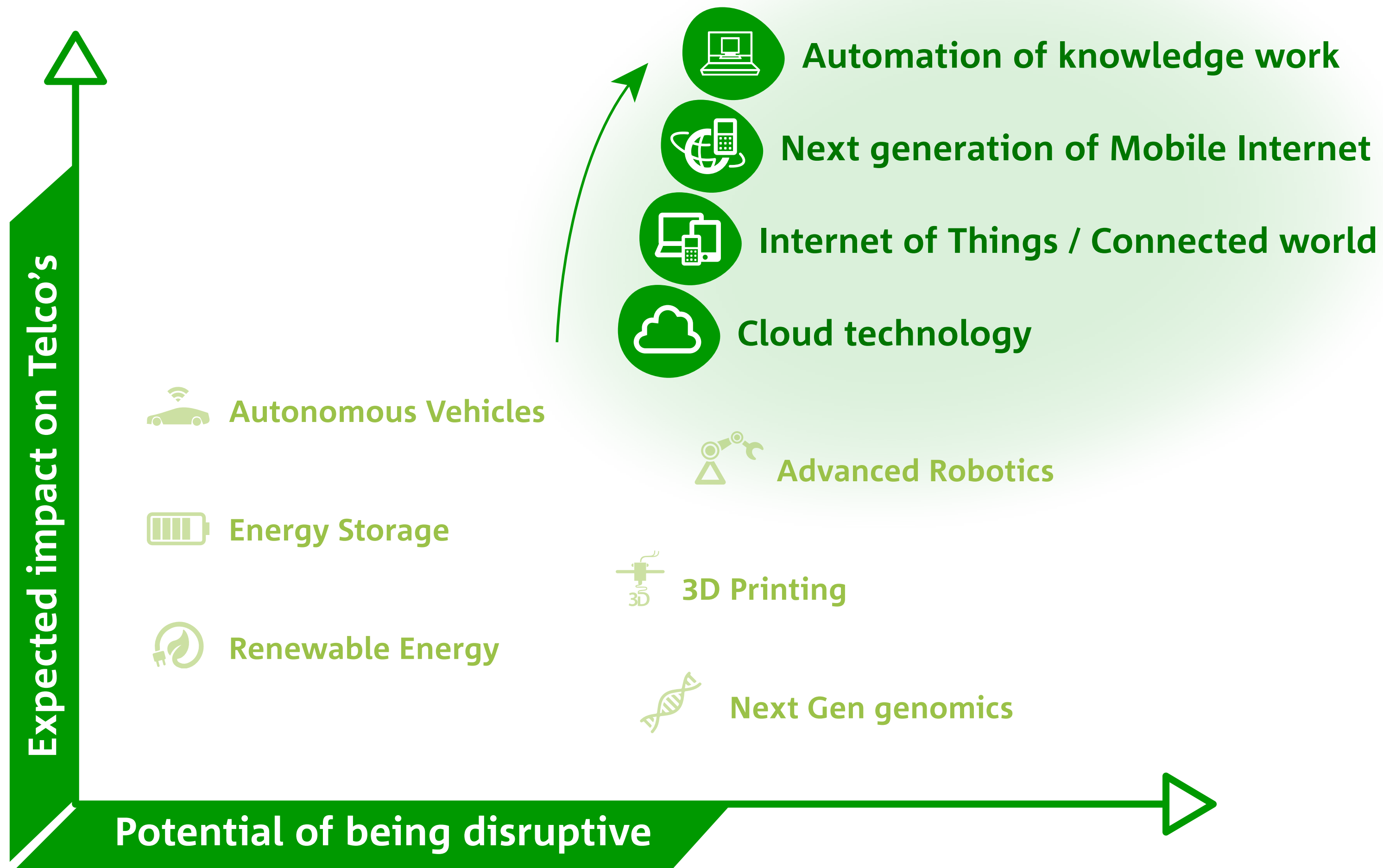


BUILD FLEXIBLE & SIMPLIFIED INTEGRATED NETWORK



We live in exciting times...

Four technological developments to impact Telco's



Growing digitization to fuel emergence of digital life

In 2020 a day will have **48** hours



Physical Life



Digital Life

This trend is already taking place...

From basic access to full networked society

The
90-00s:
Be there



Call
Text



The 10s:
Share



Social media
Chat **Listen music**
Watch TV



Critical requirements to manage data growth

In a day that has 48 hours

Further network integration
towards fully integrated access



Excellent customer experience via innovative & converged services

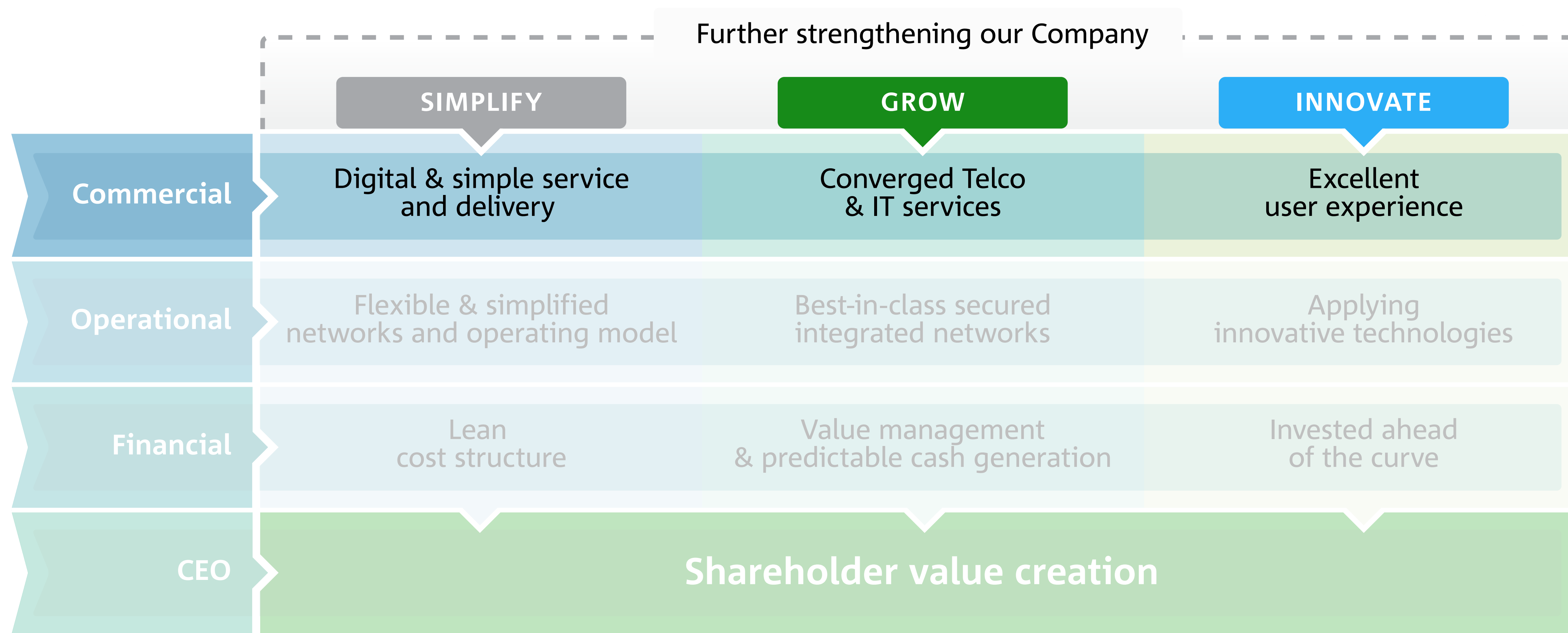
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Frank van der Post
CCO



Strategy - Commercial

Moving to fully customer-centric organization



Excellent customer experience at core of strategy

Embedding customer centric focus throughout KPN organization

Customer experience approach

FUNDAMENTALS



- ◆ High quality products and services
- ◆ Innovative and broad product offering
- ◆ Best-in-class, reliable networks and ICT infrastructure

360° CUSTOMER VIEW



- ◆ Customer understanding
- ◆ Comprehensive insights (data analytics)
- ◆ Targeted interventions
- ◆ Unified experience
- ◆ Privacy ensured

CUSTOMER JOURNEY DESIGN



- ◆ Digital customer interaction
- ◆ First Contact Resolution & First Time Right
- ◆ Self-care platform
- ◆ Proactive & interactive digital communication

Key priorities for the coming years in Business

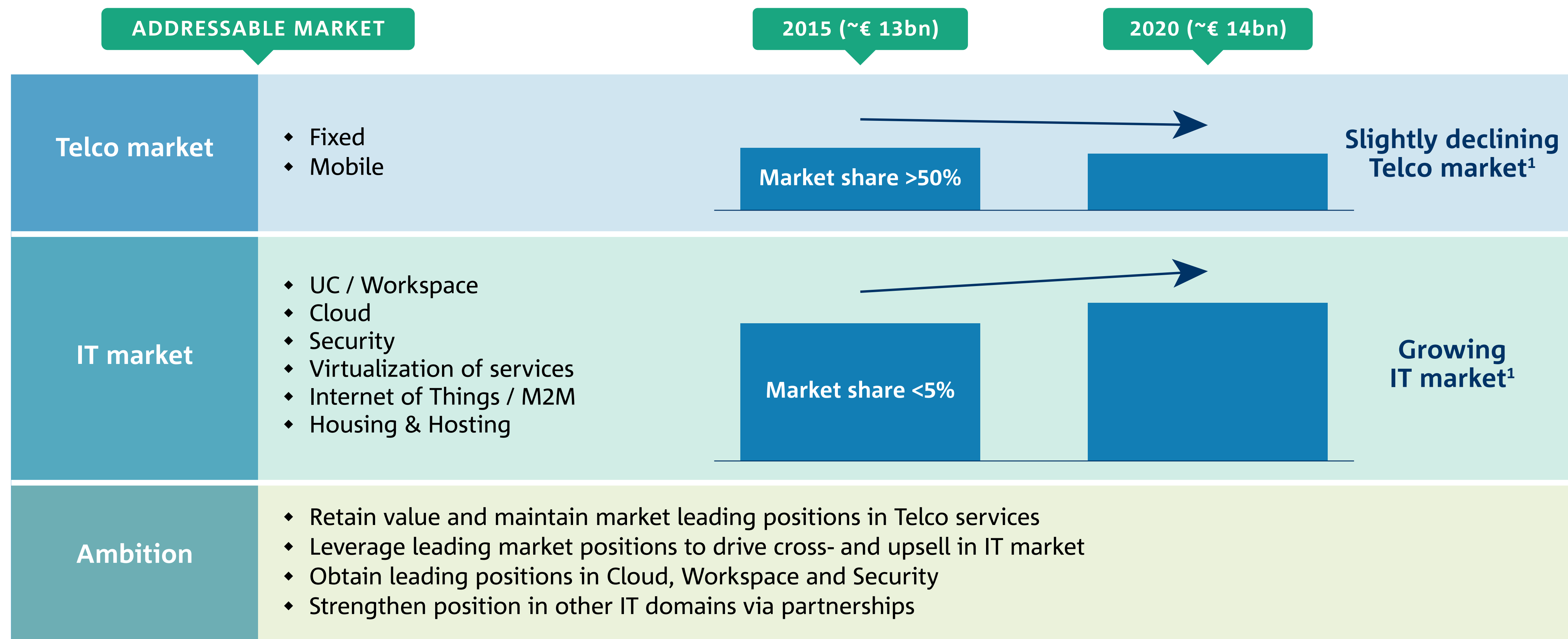
Transforming into Business ICT service provider

- 1 Realize growth by strengthening and deepening customer relations
- 2 Clear market segmentation with a targeted sales approach
- 3 Strengthen portfolio & distribution via partnerships
- 4 Rationalize & simplify products and services to create standardized building blocks
- 5 Operational excellence to improve customer experience
- 6 De-risk revenue profile

Improve profitability and stabilize revenues

Strengthening & deepening customer relations

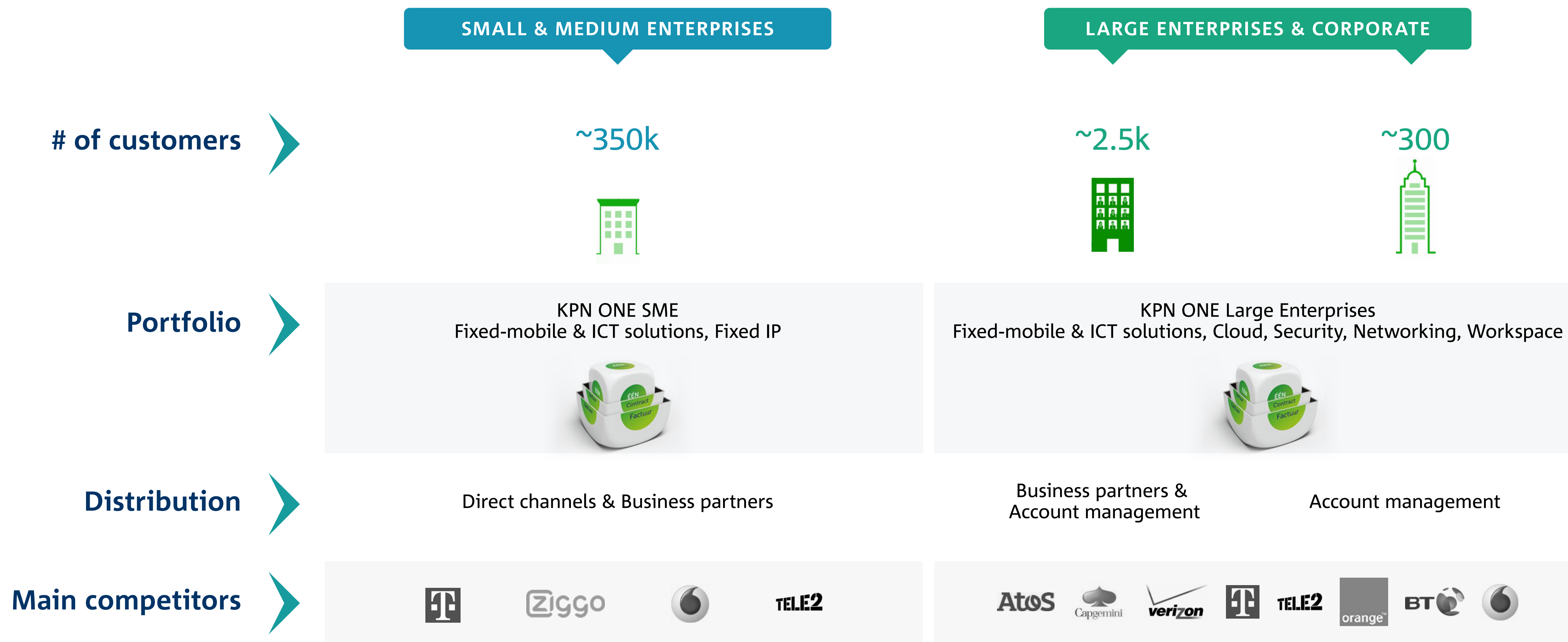
Leverage leading position in Telco to grow market share in IT



¹ Gartner, management estimates

Clear market segmentation and sales approach

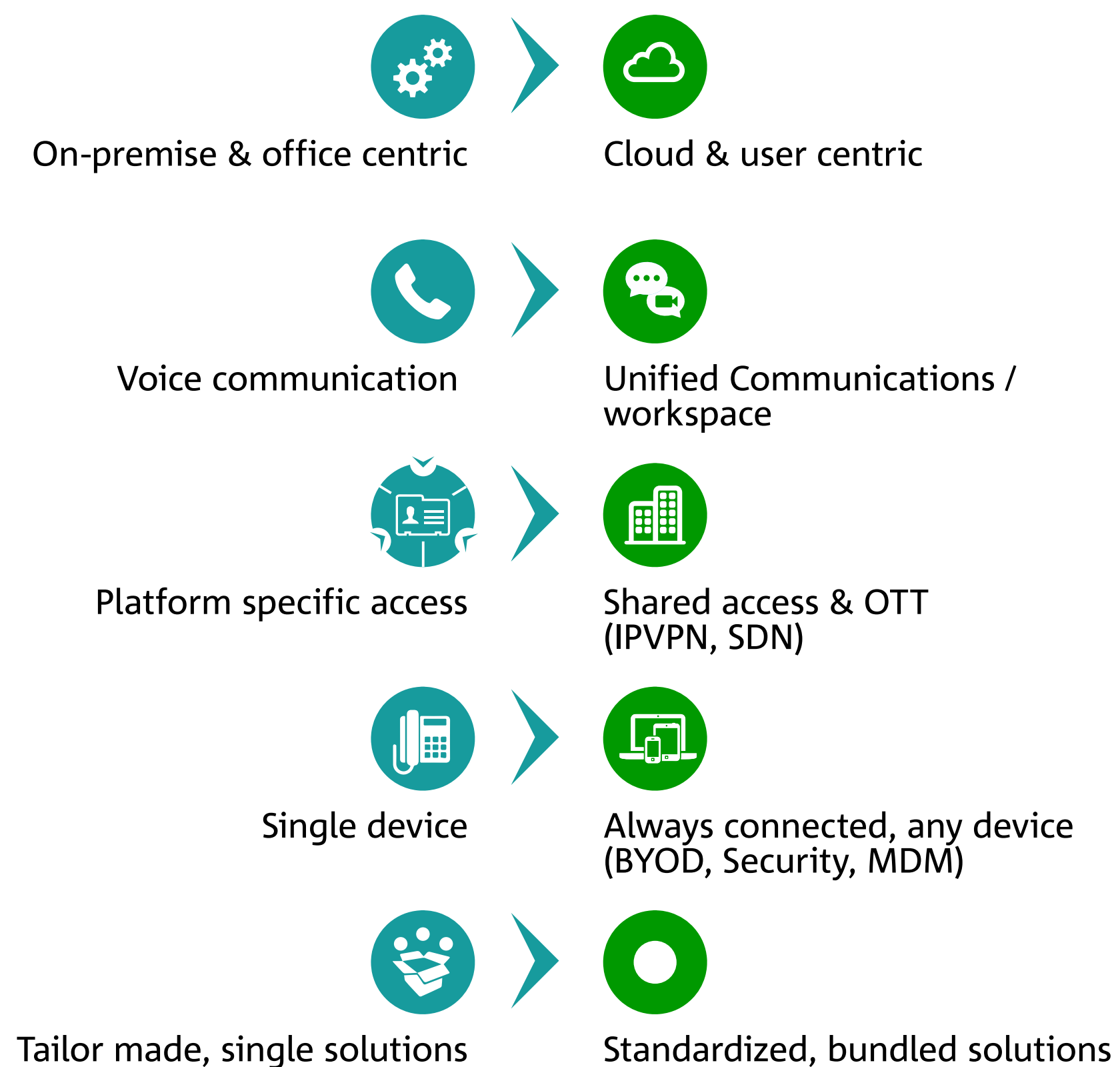
KPN's distribution reach forms strong basis for growth in IT



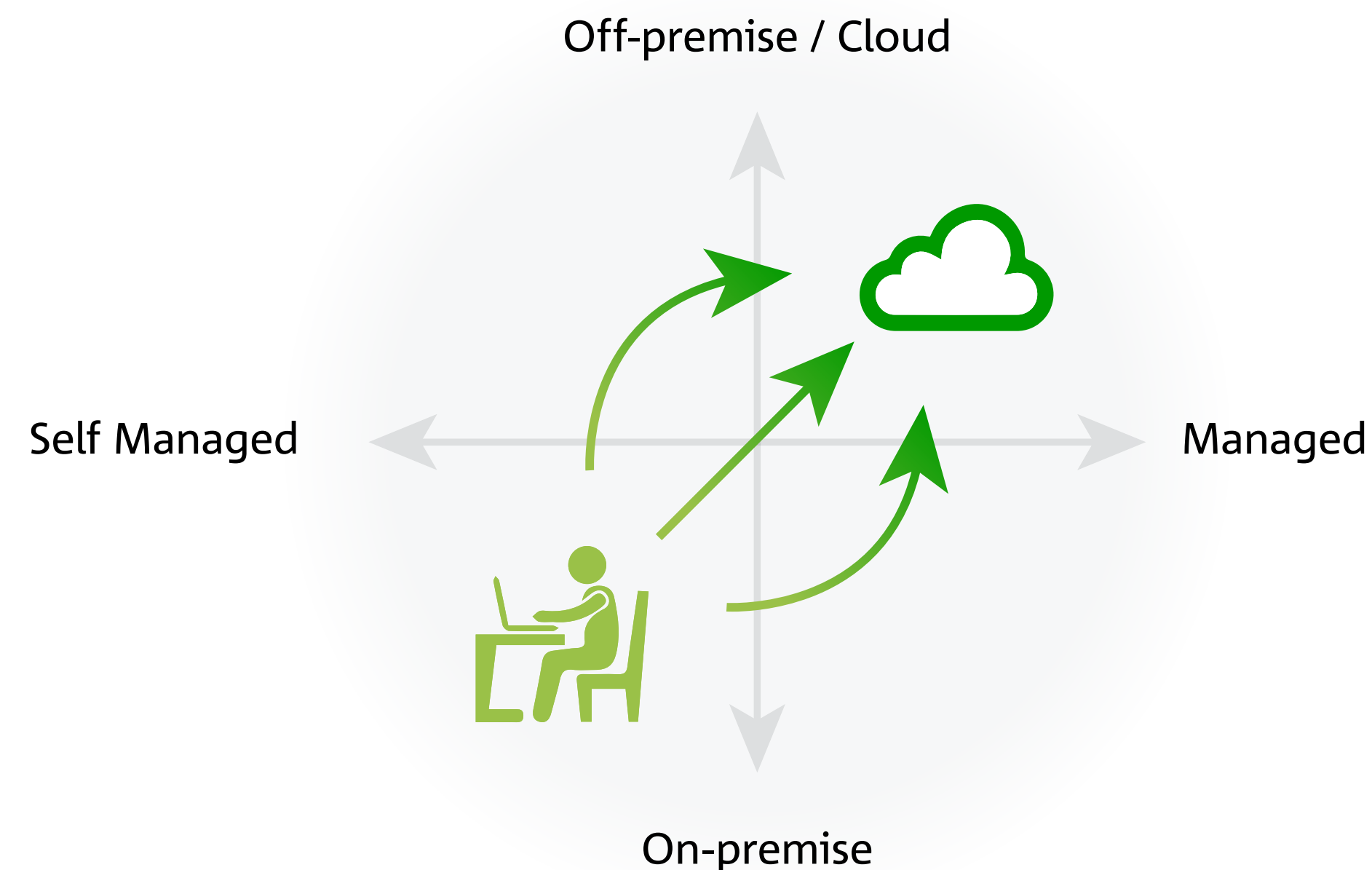
Changing business market dynamics

Driven by technological developments and changing customer needs

CHANGING CUSTOMER NEEDS



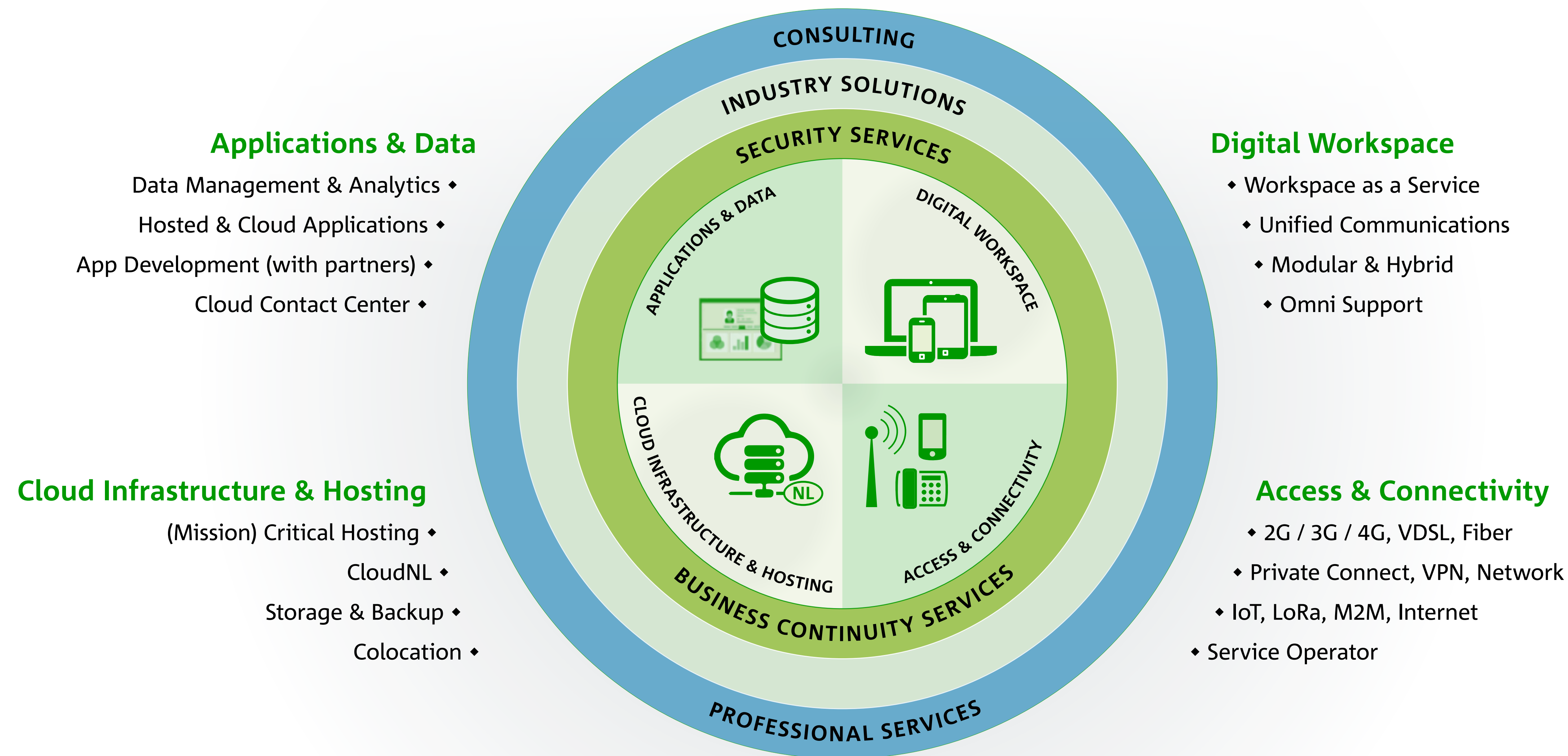
KPN UNIQUELY POSITIONED TO BENEFIT FROM CHANGING MARKET DYNAMICS



KPN enables productivity and supports digital transformation for its customers

KPN well positioned to deliver on customer needs

Standardized building blocks to deliver productivity



Strengthen portfolio & distribution via partnerships

Strong position in Dutch market to lead digitization

International networking

- ◆ Strengthen global presence by combining services of partners to service international customers



Sell third party IT solutions

- ◆ Leverage technology and standardized products of leading IT companies to service our customers



Distribution

- ◆ Use of sales, service and implementation partners to maximize market reach and customer intimacy



Incubator

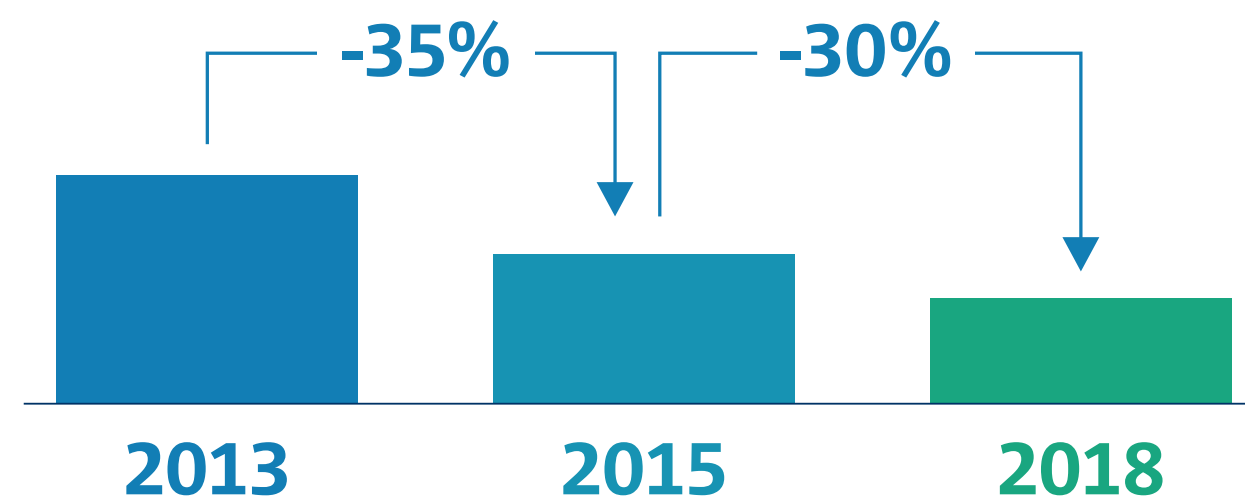
- ◆ KPN to be at forefront of IT and Telco developments



Rationalizing and simplifying products & services

Digital transformation to drive excellent customer experience

Rationalization



Portfolio reduction

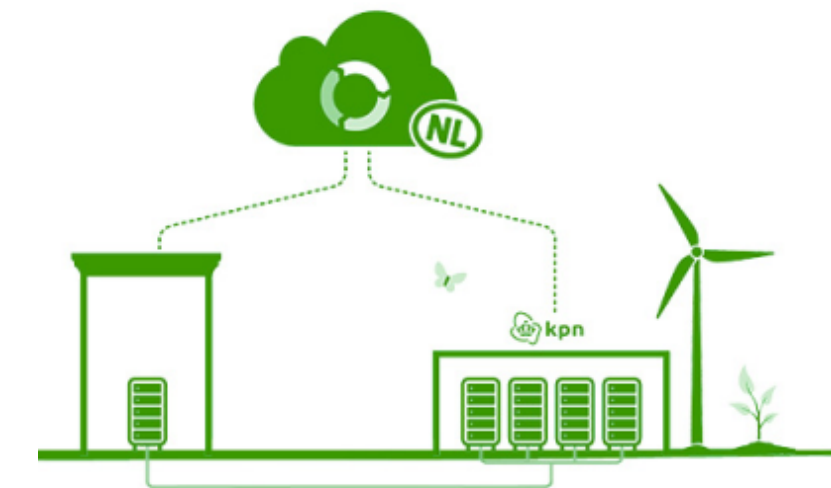
- ◆ Simplifying product portfolio
- ◆ Integrate service platforms and phase out legacy

Standardization



- ◆ Standardized and modular portfolio
- ◆ Portfolio enabling use of KPN and third party applications
- ◆ Standardized customer processes for service & delivery

Innovation



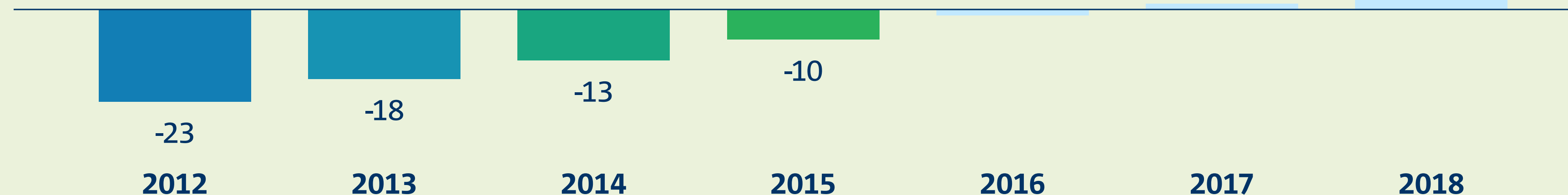
- ◆ Virtualization
- ◆ Workspace
- ◆ Security services
- ◆ Data & Applications
- ◆ Internet of Things

Operational excellence to improve customer experience

Dedicated programs in place to support NPS development

NPS improving, dedicated programs to drive NPS to positive level

NPS Business



Apply lessons learned in 2015

- ◆ Simplification of portfolio and delivery processes
- ◆ More efficient customer contact
- ◆ Improved price/quality balance

Dedicated NPS programs 2016

- ◆ Improve digital customer interaction
- ◆ Dedicated point of contact @ Helpdesk
- ◆ Standardize & automate platforms and services

Finalizing transformation is key priority

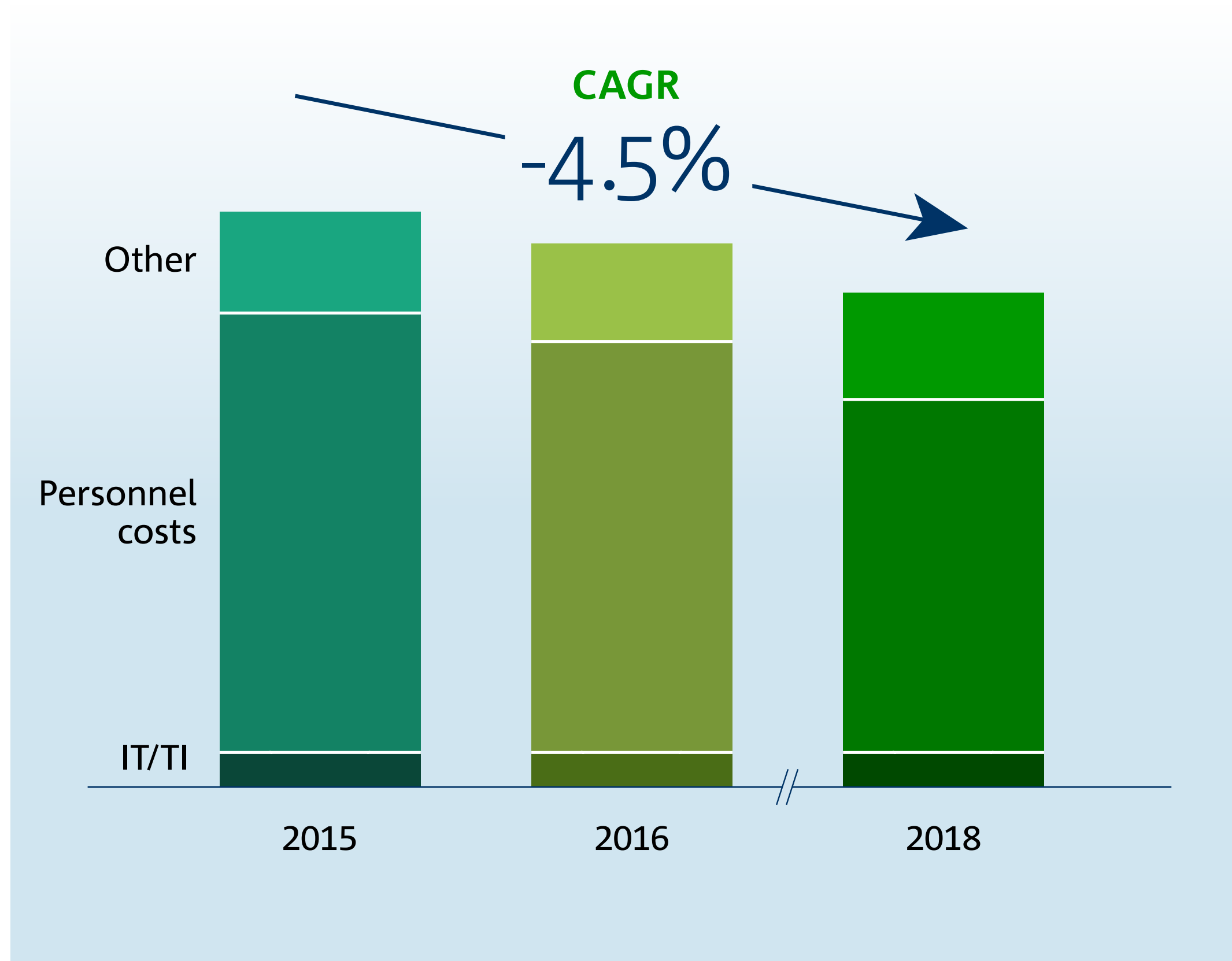
De-risk revenue profile and stabilize revenues in medium-term

		% y-on-y growth FY 2015	% of total revenues FY 2015		% of total revenues FY 2018
Mainly SME	Single play wireless	-10%	24%	Repricing ongoing	15-20%
	Traditional fixed	-21%	18%	Continued rationalization traditional voice	5-10%
	Multi play	37%	4%	Multi play seats picking up	10-15%
Mainly LE & Corporate	Network & IT services	-11%	23%	Economy slowly improving	25-30%
	Customized solutions	-5.2%	23%	Leverage position in Telco and grow IT	25-30%
	New services	30%	4%	Strong growth Cloud, IoT, M2M	10-15%

Finalizing transformation is key priority (cont'd)

Improve profitability by stabilizing revenues and reducing indirect costs

Reduce indirect costs



Simplification program

- ◆ Portfolio rationalization
- ◆ Automation of delivery and service
- ◆ Online self-care portal
- ◆ First Time Right
- ◆ Agile working environment
- ◆ FTE reductions in supporting roles

Key priorities for the coming years in Consumer

Consumer strategy centered around household

1

Increase penetration of fixed-mobile bundles

2

Reduce churn by increasing loyalty and customer satisfaction

3

Accelerate up- and cross-sell in bundles

4

Grow in TV via cloud-based IPTV platform

5

Benefit from growing mobile data usage

6

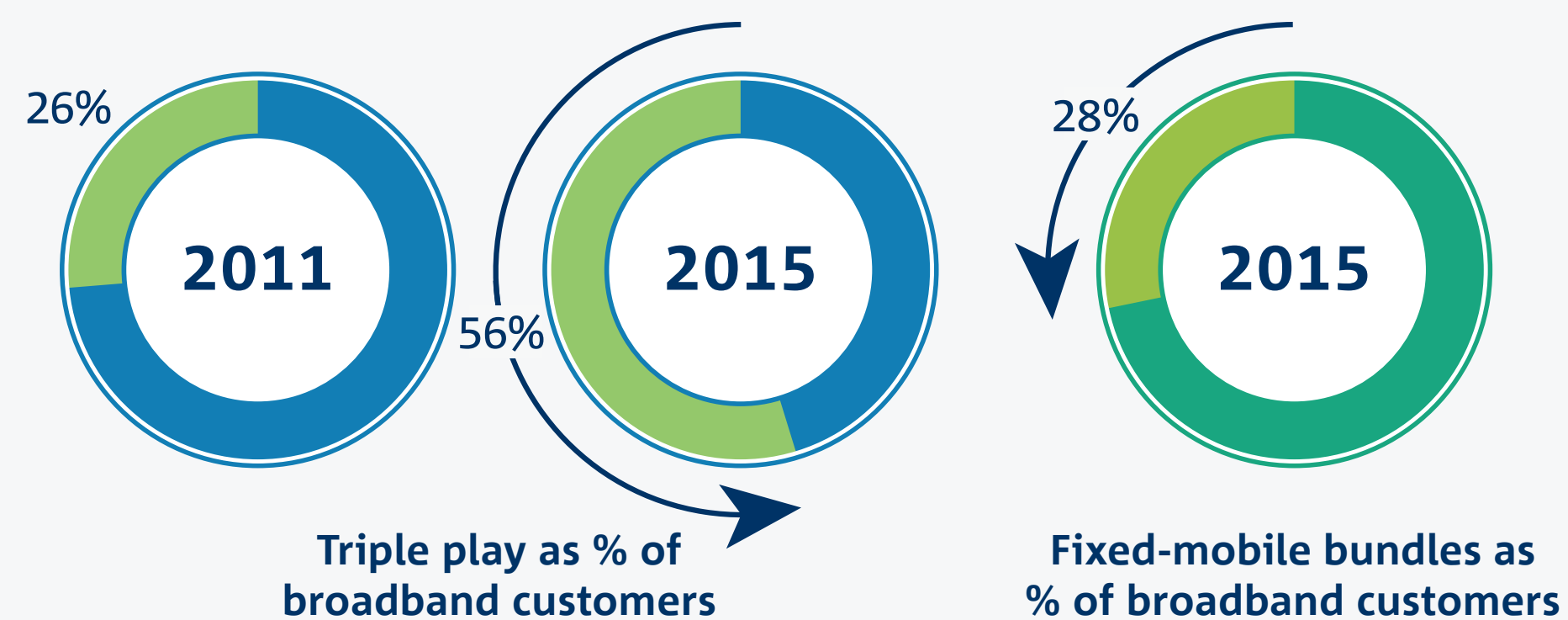
Further improve excellent customer experience

Grow revenues, increase loyalty and reduce cost to serve

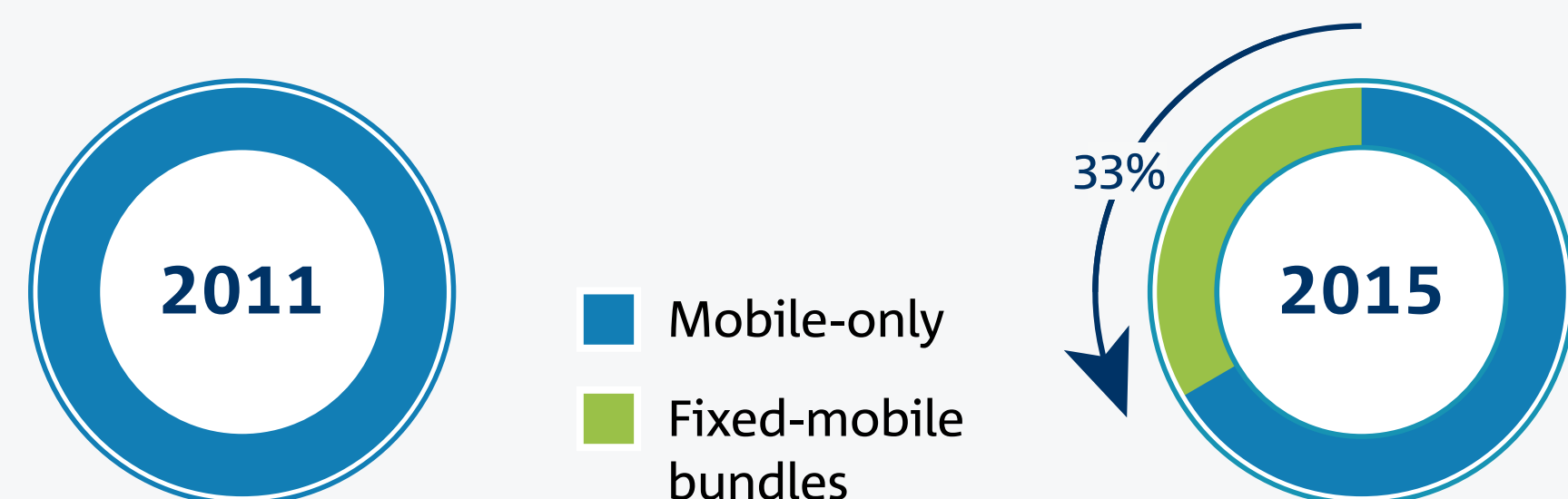
Successful bundling strategy...

Strong increase fixed-mobile penetration

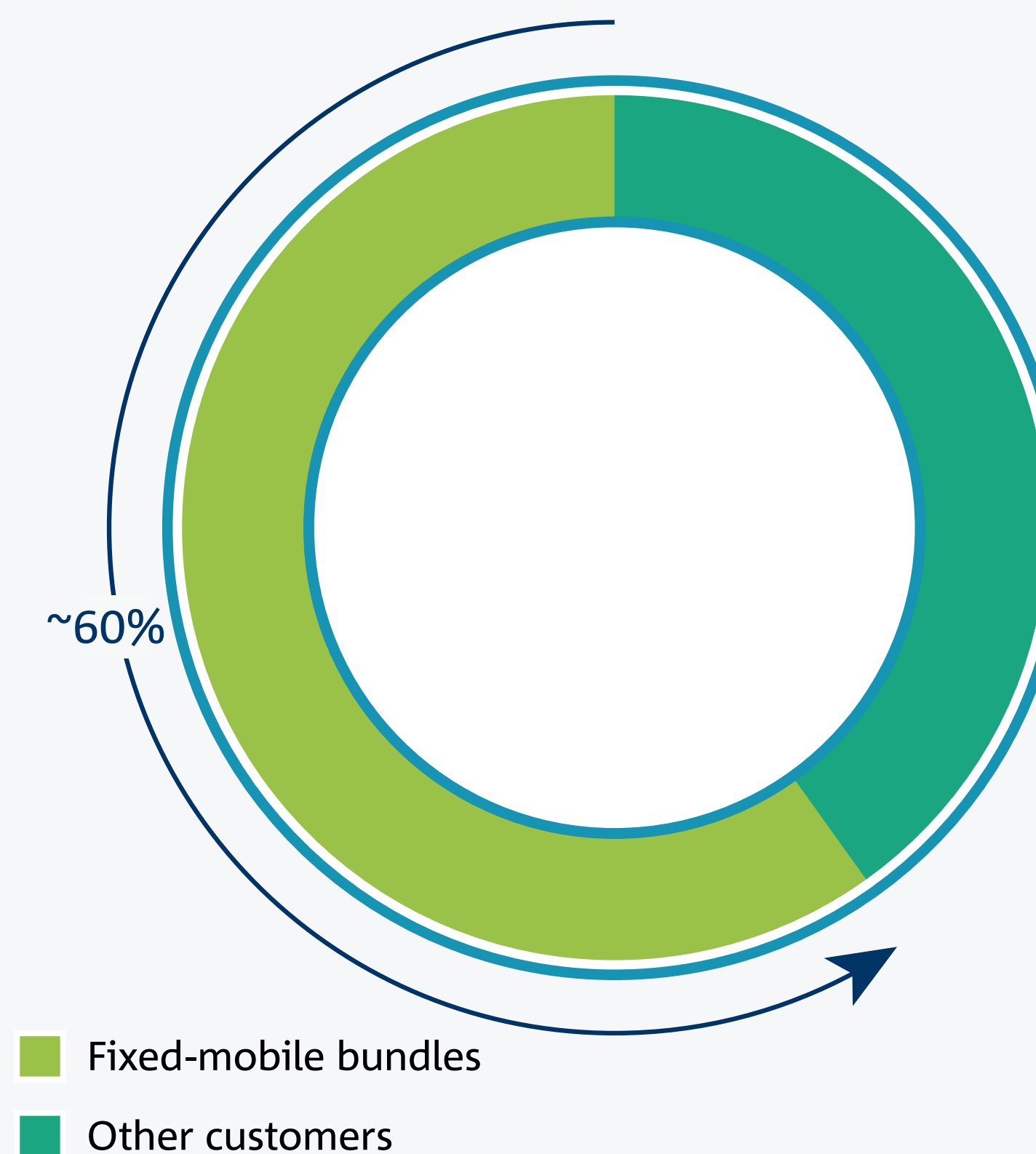
Steady growth bundling in fixed



Strong growth bundling in mobile¹



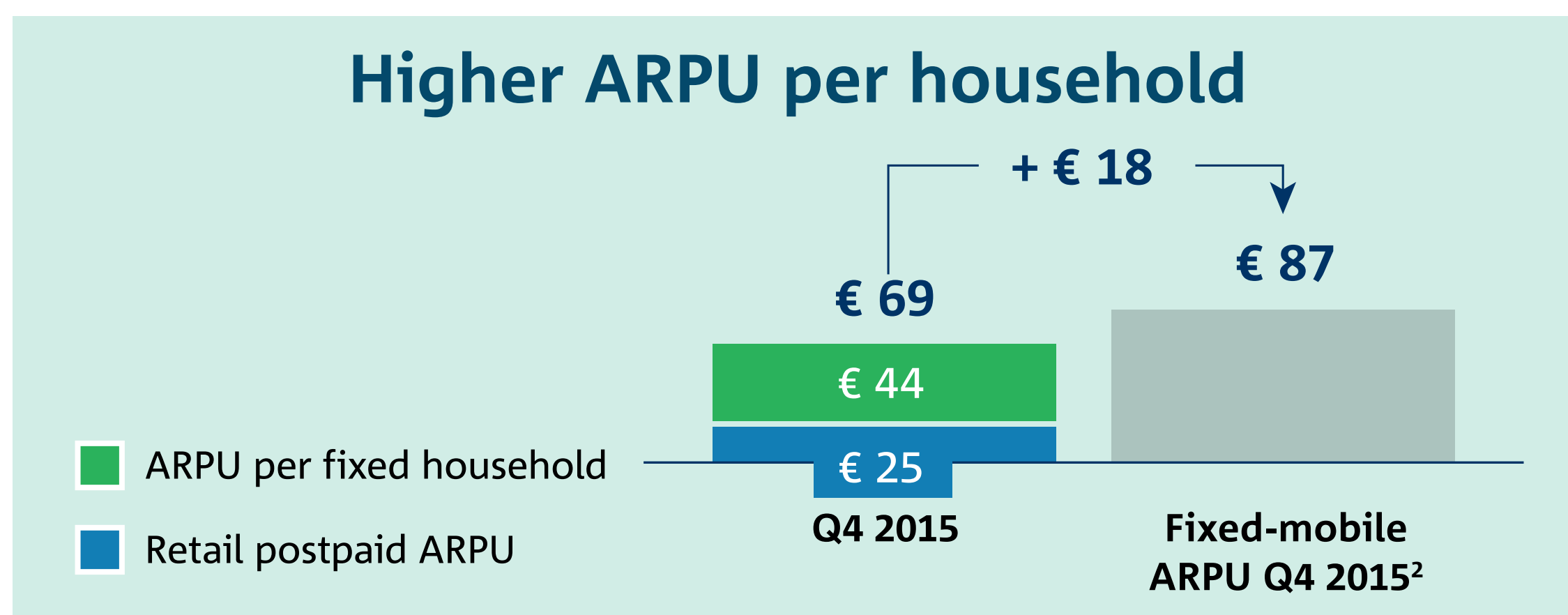
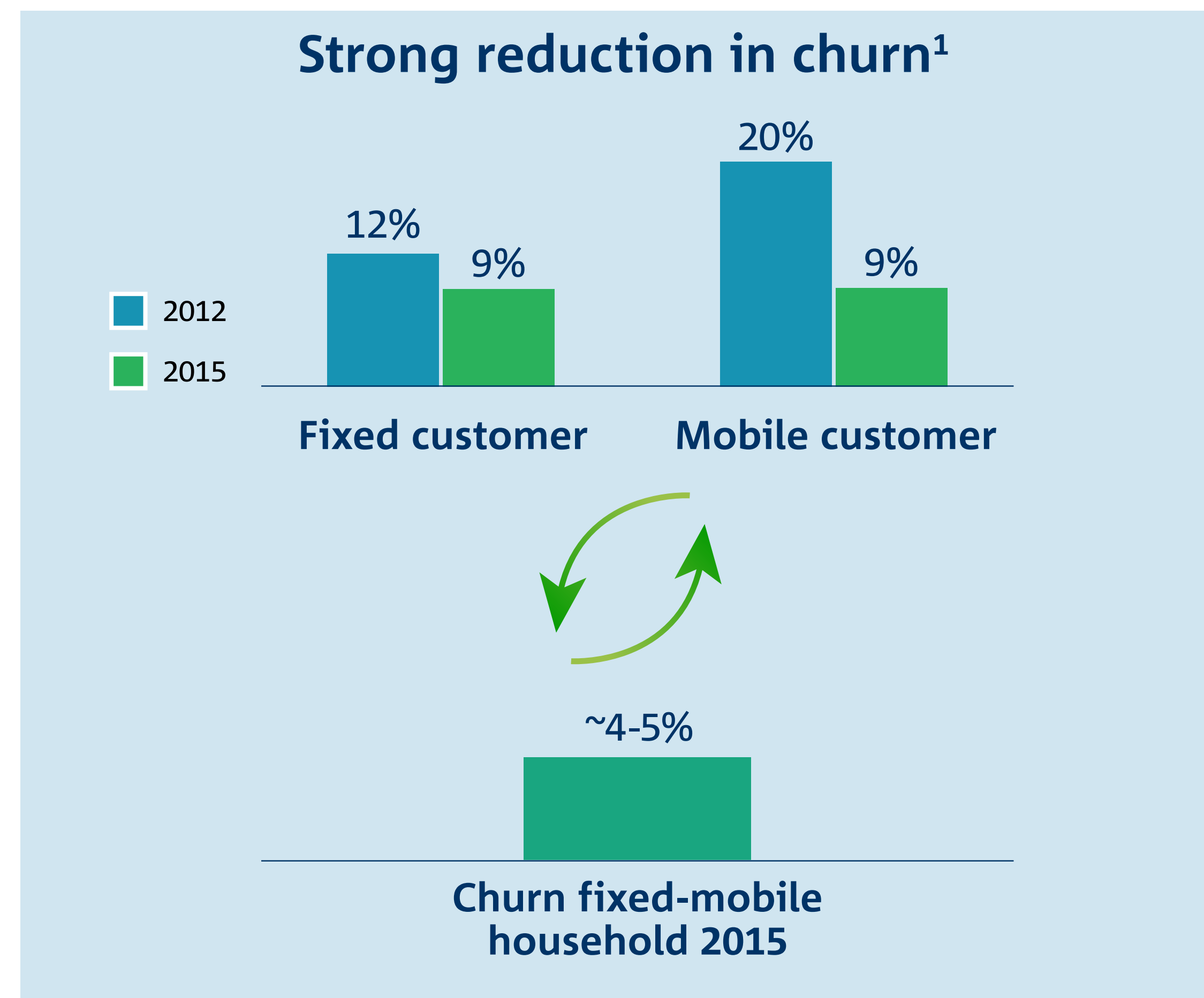
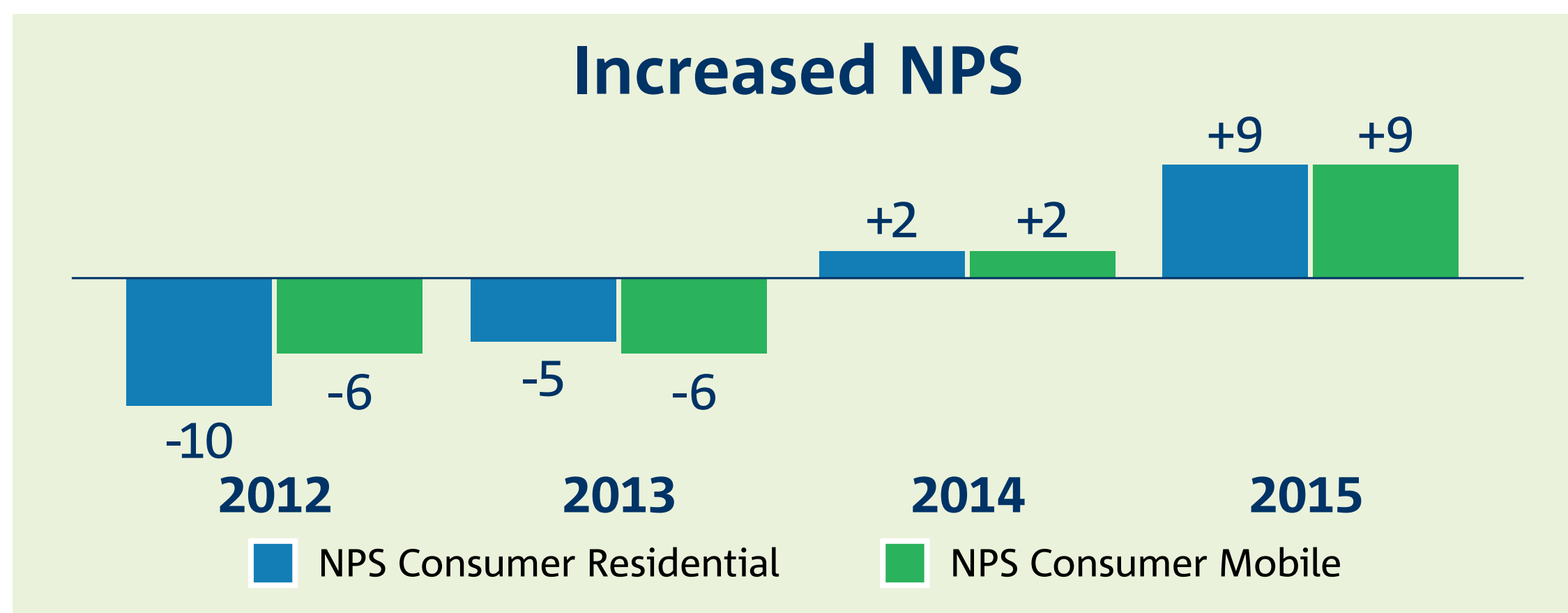
Medium-term ambition



¹ Retail postpaid customers

...driving customer satisfaction and reducing churn

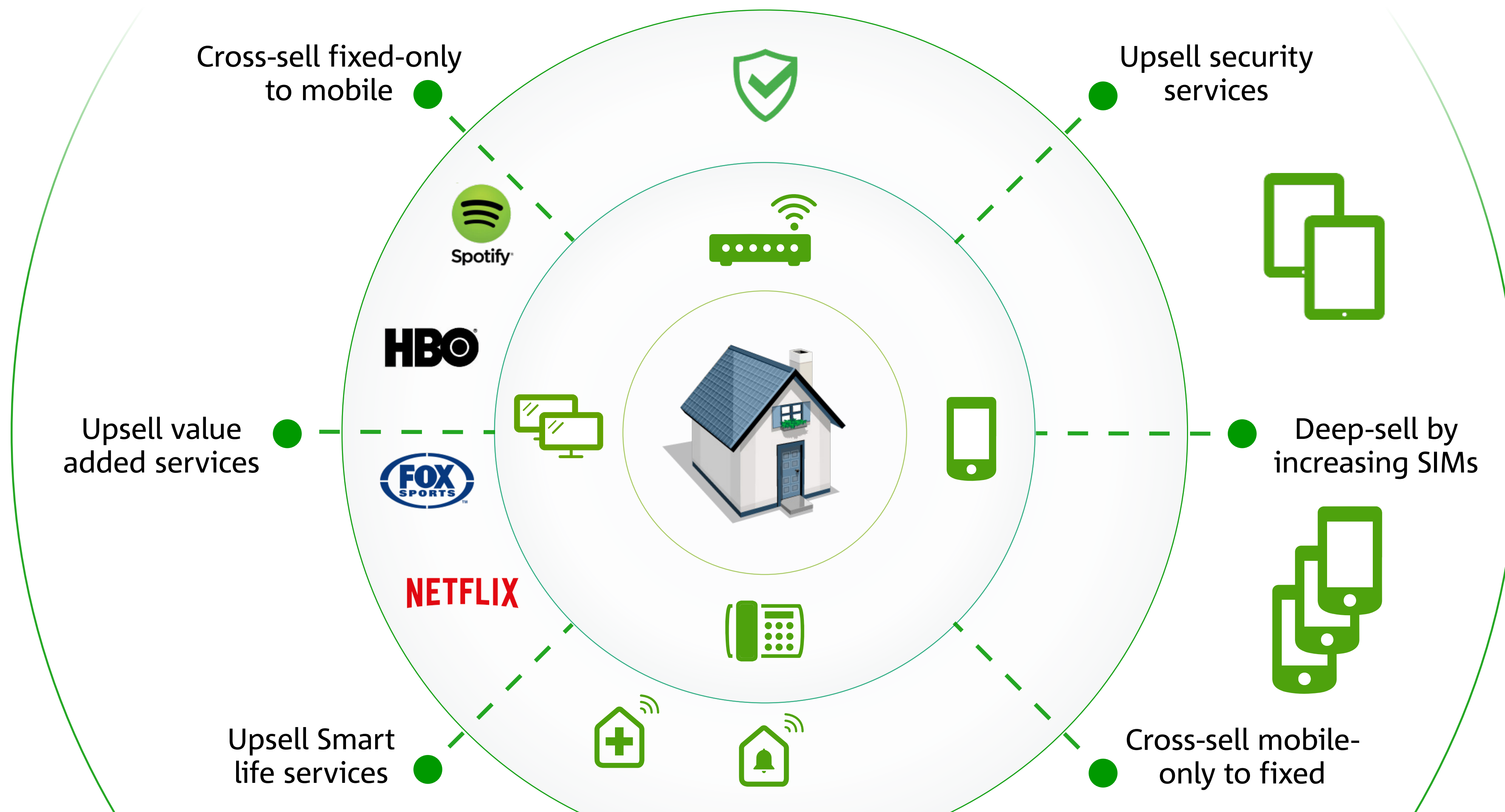
Continued increase NPS and lower acquisition costs



¹ Annualized gross churn KPN brand
² Management estimate

Household at center of service model in Consumer

Significant opportunities to increase share of wallet per household



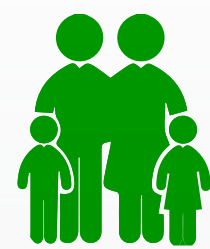
Increase value per household in Consumer market

Tailor made approach to optimize value per household

EXAMPLE









Household scorecard

- ✓ 4-person household
- ✓ Apartment building
- ✓ High income family



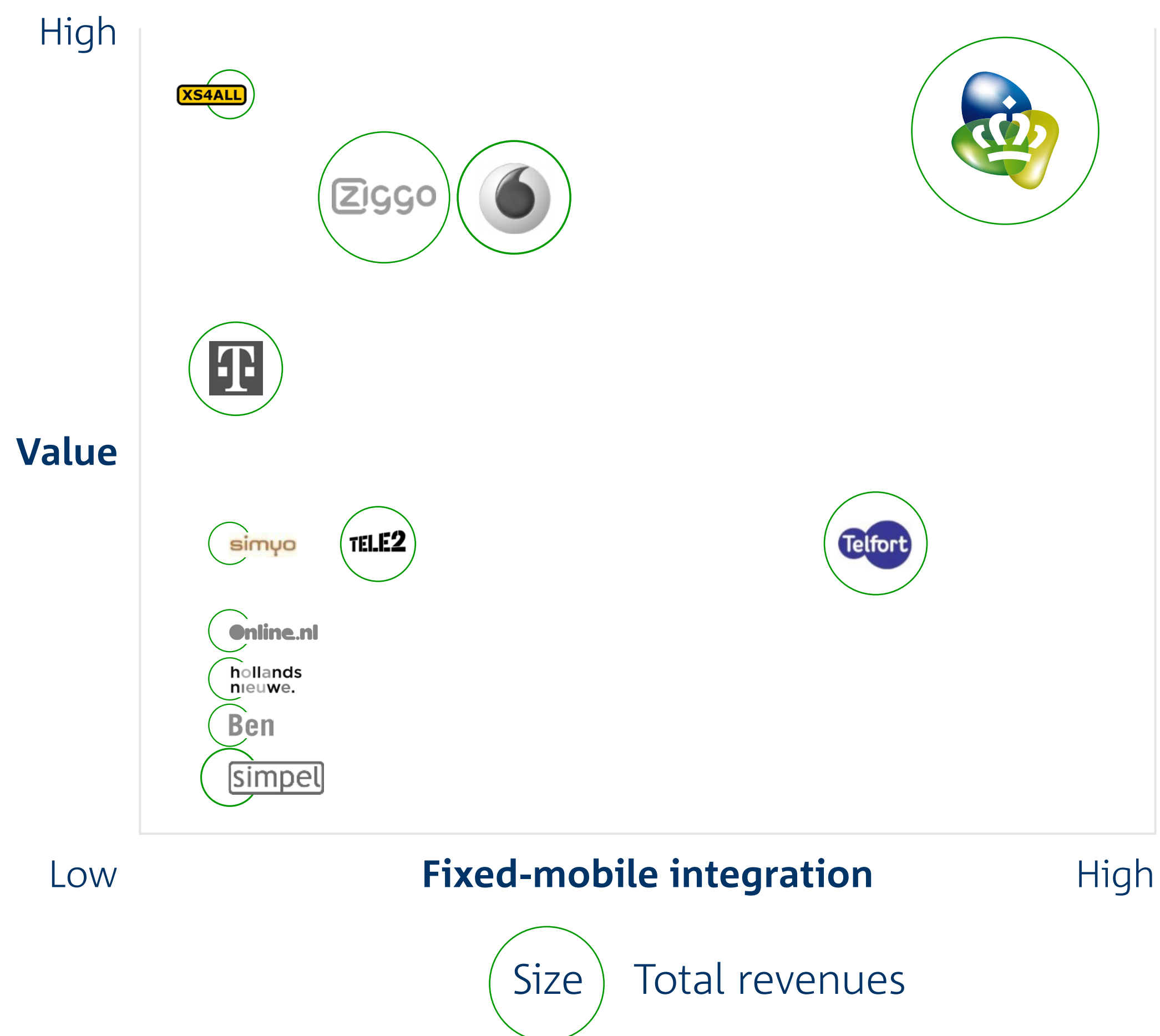
THEORETICAL OPTIMAL SALES

TAILOR MADE APPROACH

◆ Broadband			✓
◆ TV receivers			✓
◆ Pay-TV packages	HBO	HBO FOX SPORTS	Upsell 1 additional TV pack
◆ Mobile SIMs			Deep-sell 2 additional SIMs
◆ Data SIMs	-		Upsell 2 data SIMs
◆ Connected Home	-		Upsell 1 Smart life service

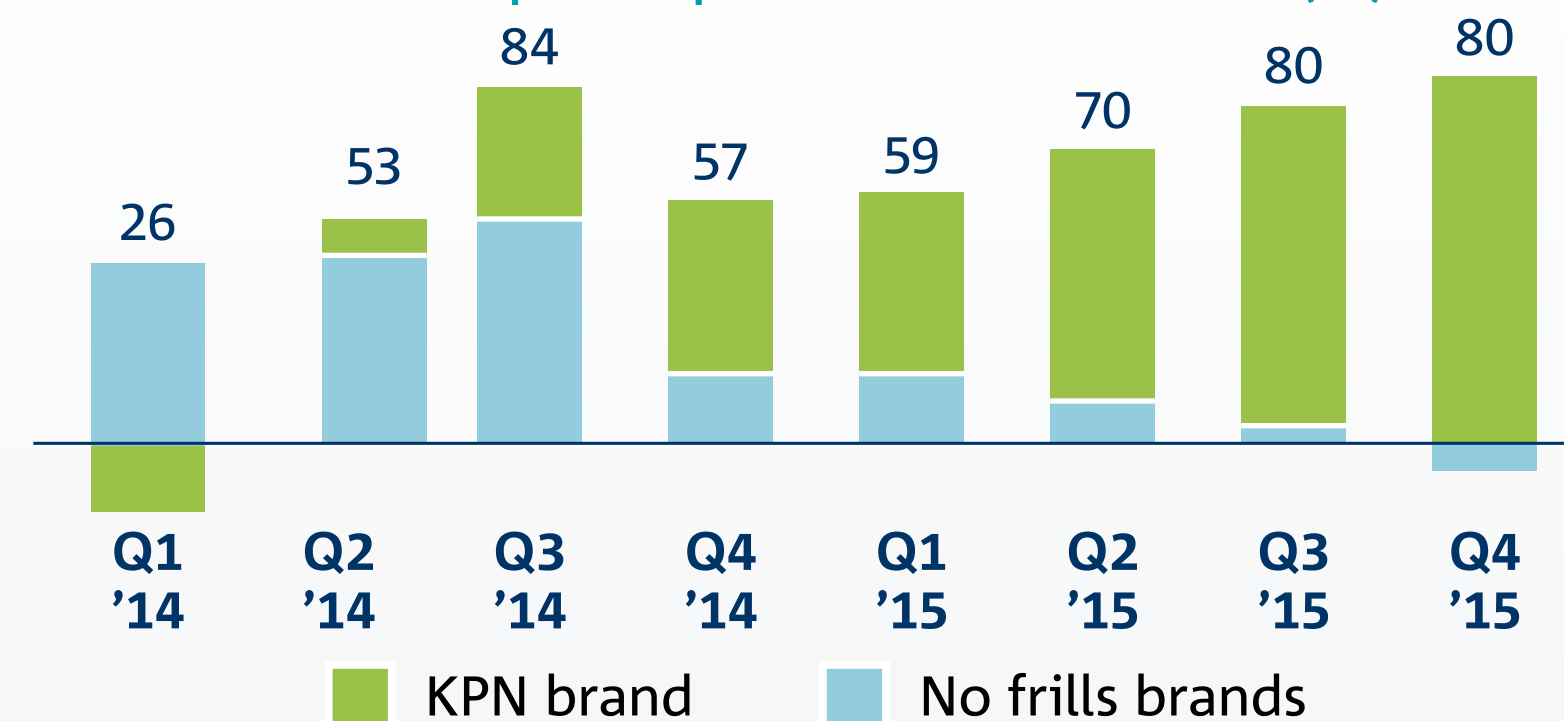
Strong competitive positioning in Dutch market

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

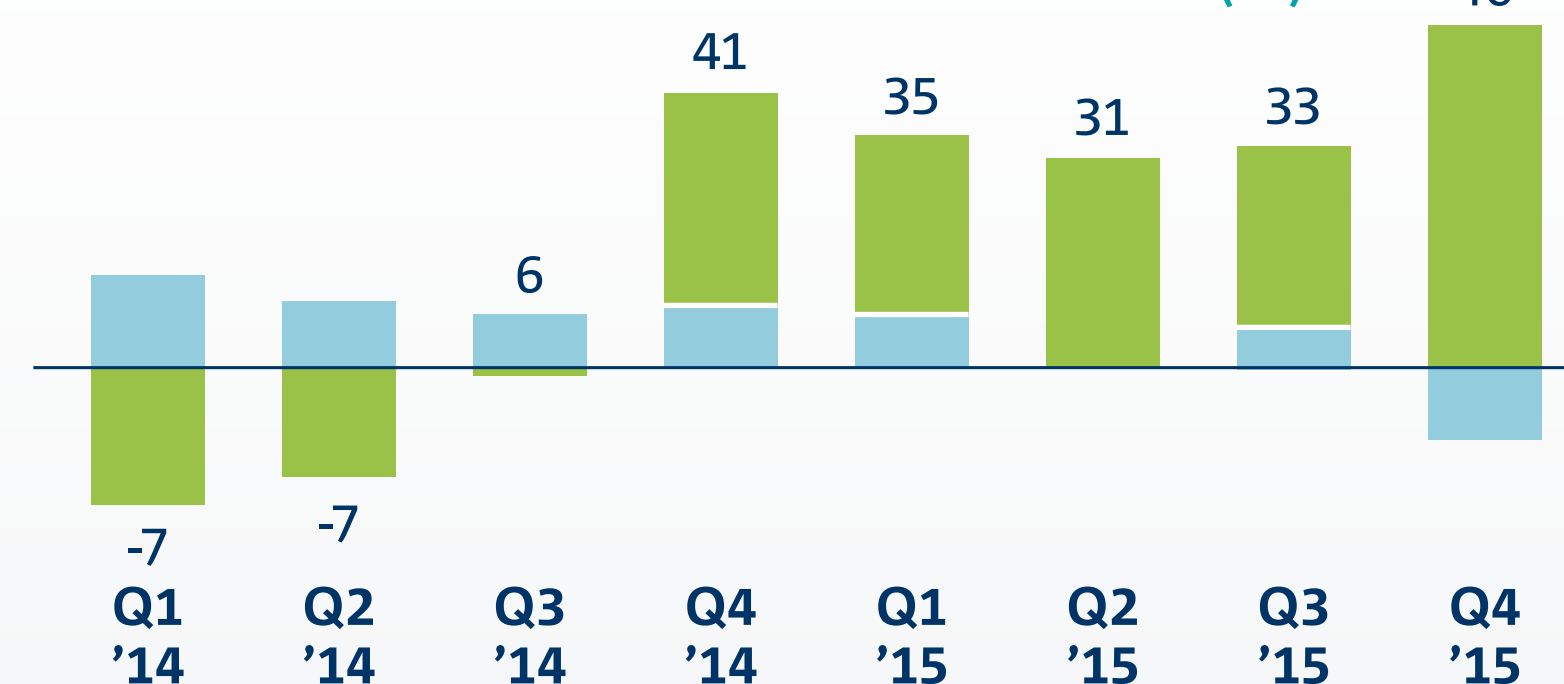


STRONG SHIFT TO HIGH VALUE KPN BRAND

Retail postpaid net adds (k)





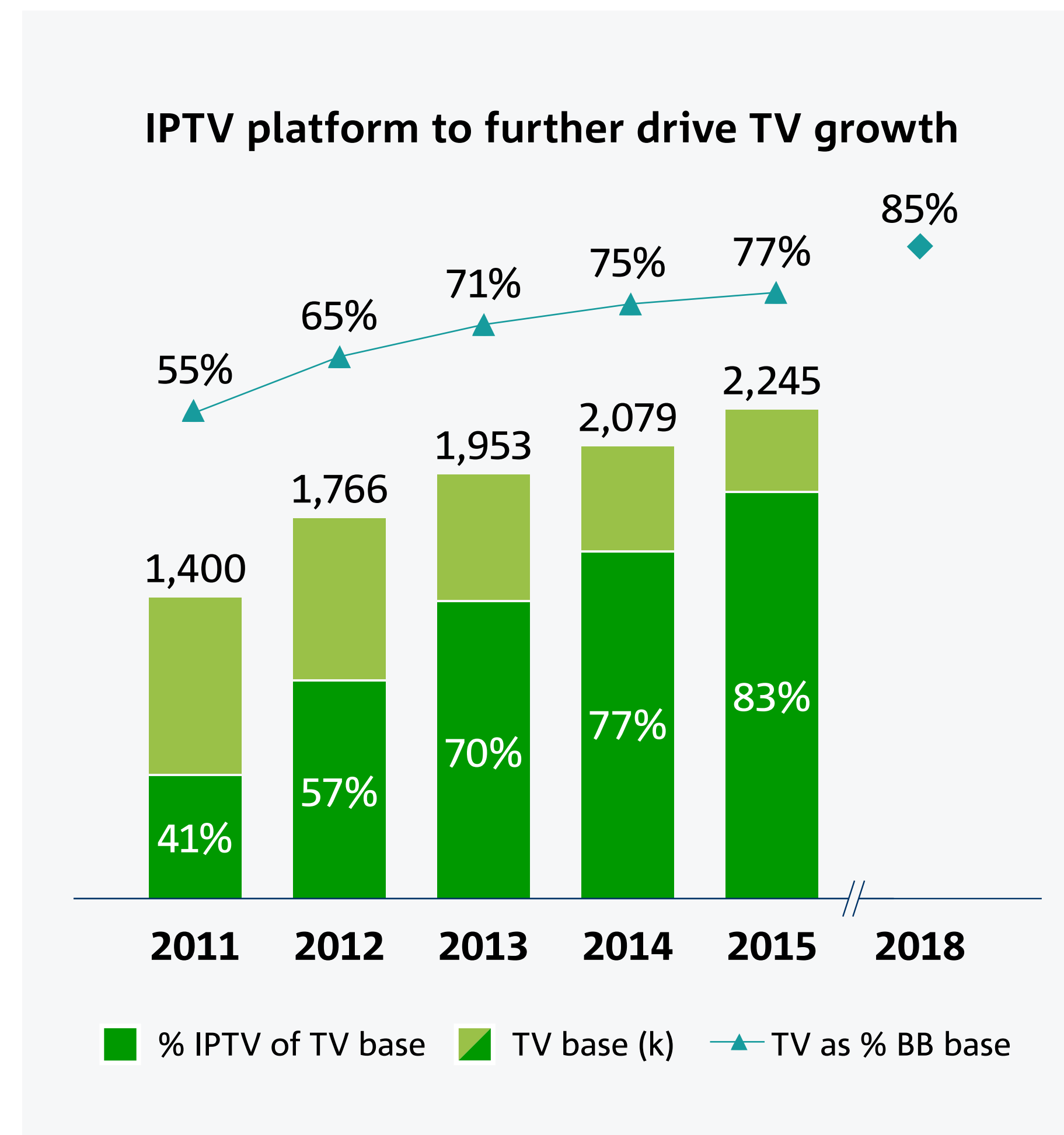
Broadband net adds (k)



Grow in TV via cloud-based IPTV platform

Best customer experience at lowest cost to serve

	KPN's interactive TV platform	Traditional broadcast
Set-top box (STB)		
	Cloud-based	Intelligence in set-top box
Fully interactive functionalities	✓	✗
Support OTT apps	✓	✗
View and plan recordings via mobile app	✓	✗
Centralized software upgrades	✓	✗
Costs STB	\$	\$\$\$
Energy efficient STB + modem	~15 Watt	~40 Watt



Content aggregation via smart partnerships

Revenue share model facilitating popular content via IPTV platform

Strong focus on partnerships to deliver rich content offering

Basic content

- ◆ Partnerships with broadcasters
- ◆ Attractive interactive functionalities for customers

Upsell content

- ◆ Revenue share model
- ◆ Access OTT services & Pay-TV packages via IPTV user interface



Exclusive content

- ◆ Smart partnerships
- ◆ Only available for KPN customers



ILLUSTRATIVE

Revenue share model

Contract content supplier

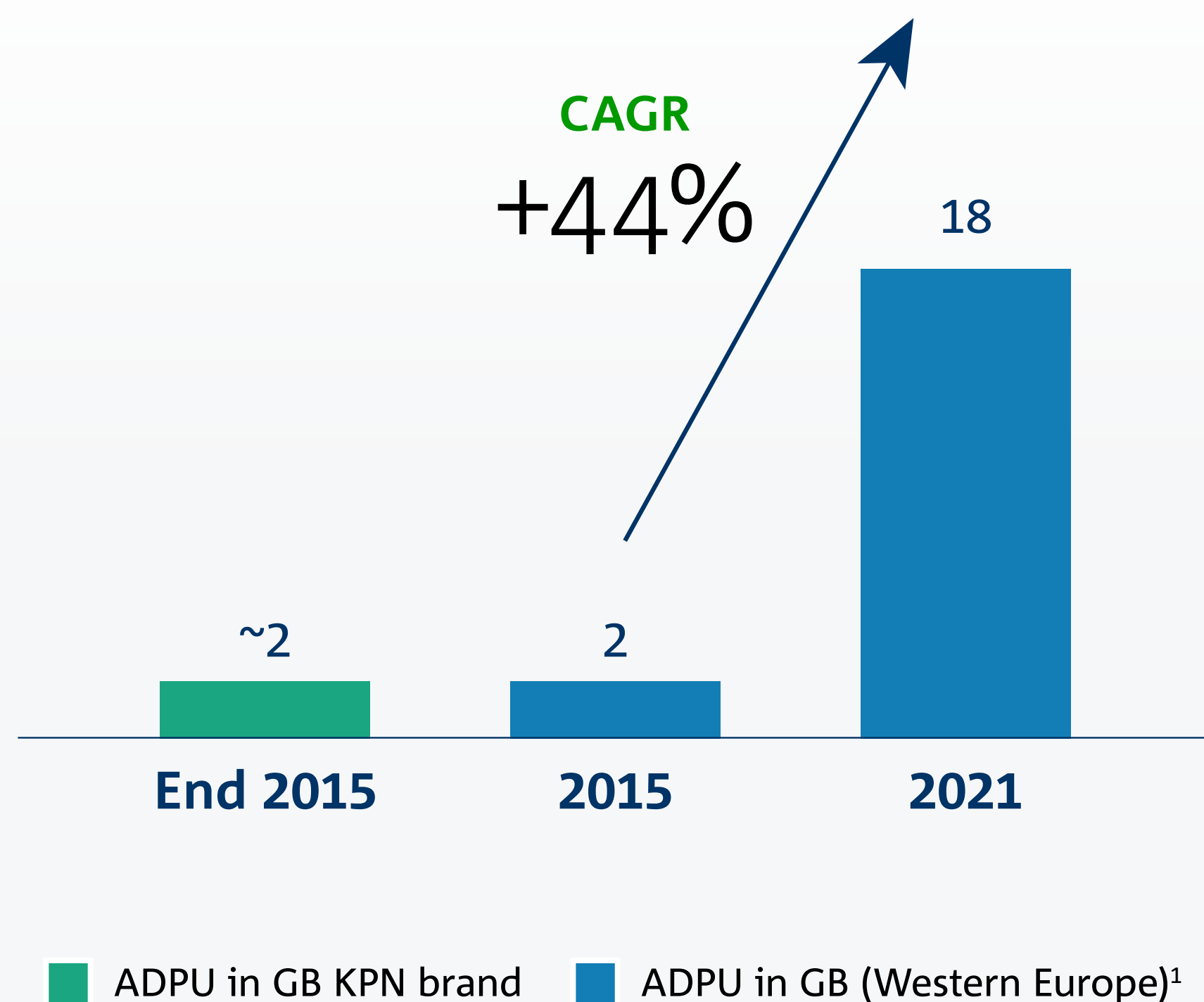
Non-exclusive agreement	✓
Integrated in IPTV user interface	✓
Consumer fee	€ 10
Revenue share KPN	50%



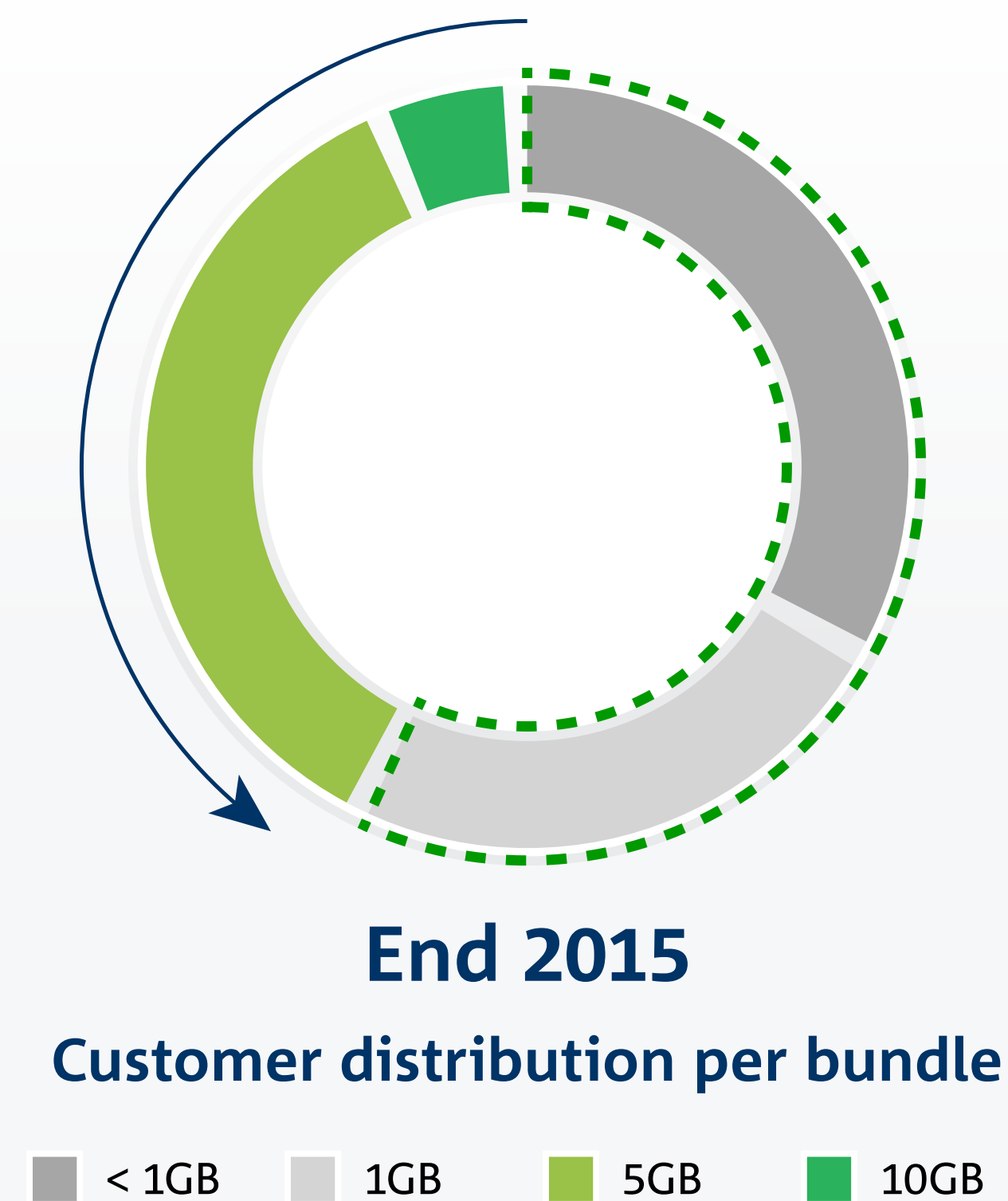
Mobile data growth driving shift to large bundles

Significant upsell potential in existing mobile subscriber base

EXPONENTIAL DATA USAGE EXPECTED



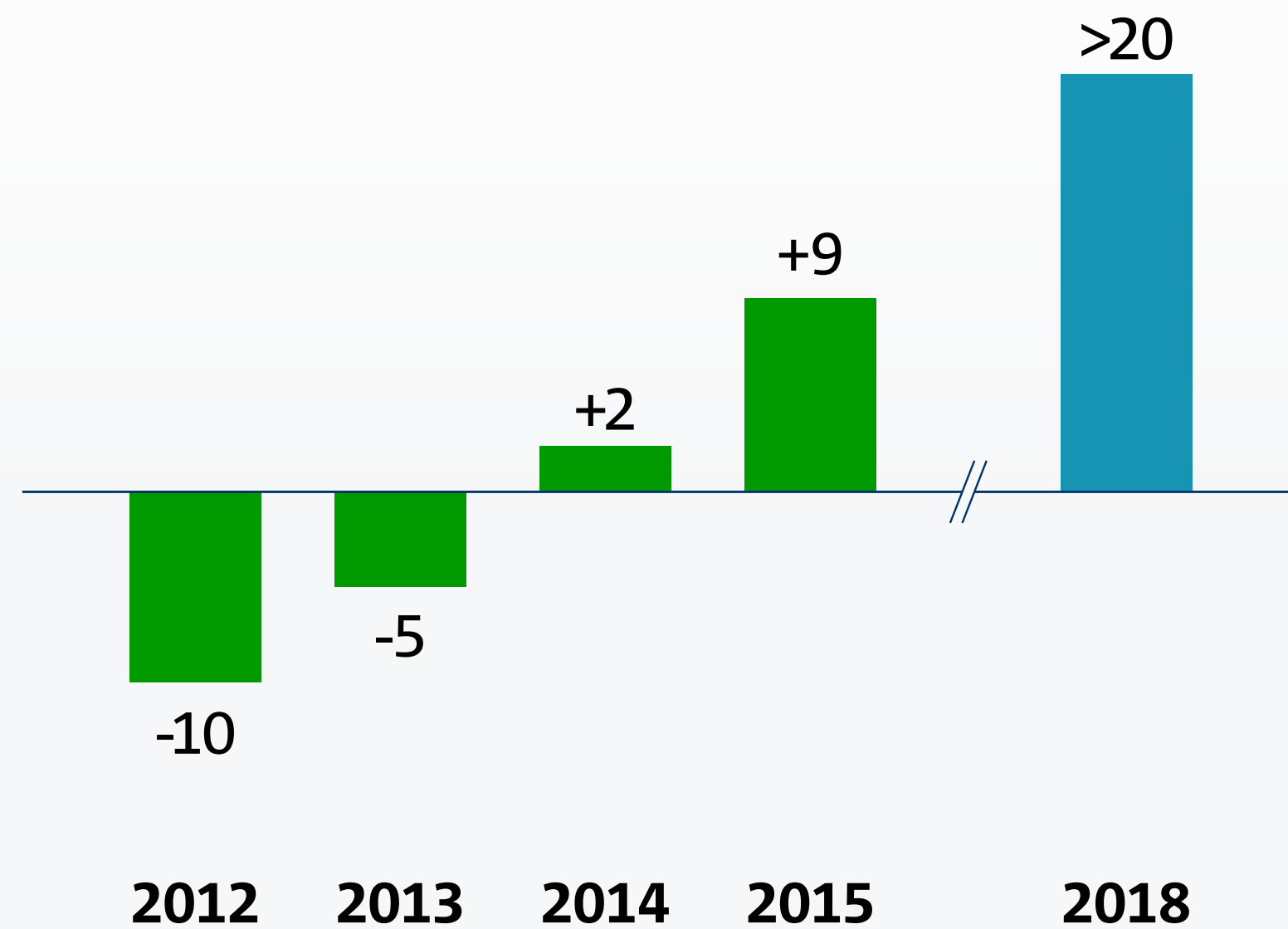
SIGNIFICANT UPSELL POTENTIAL²



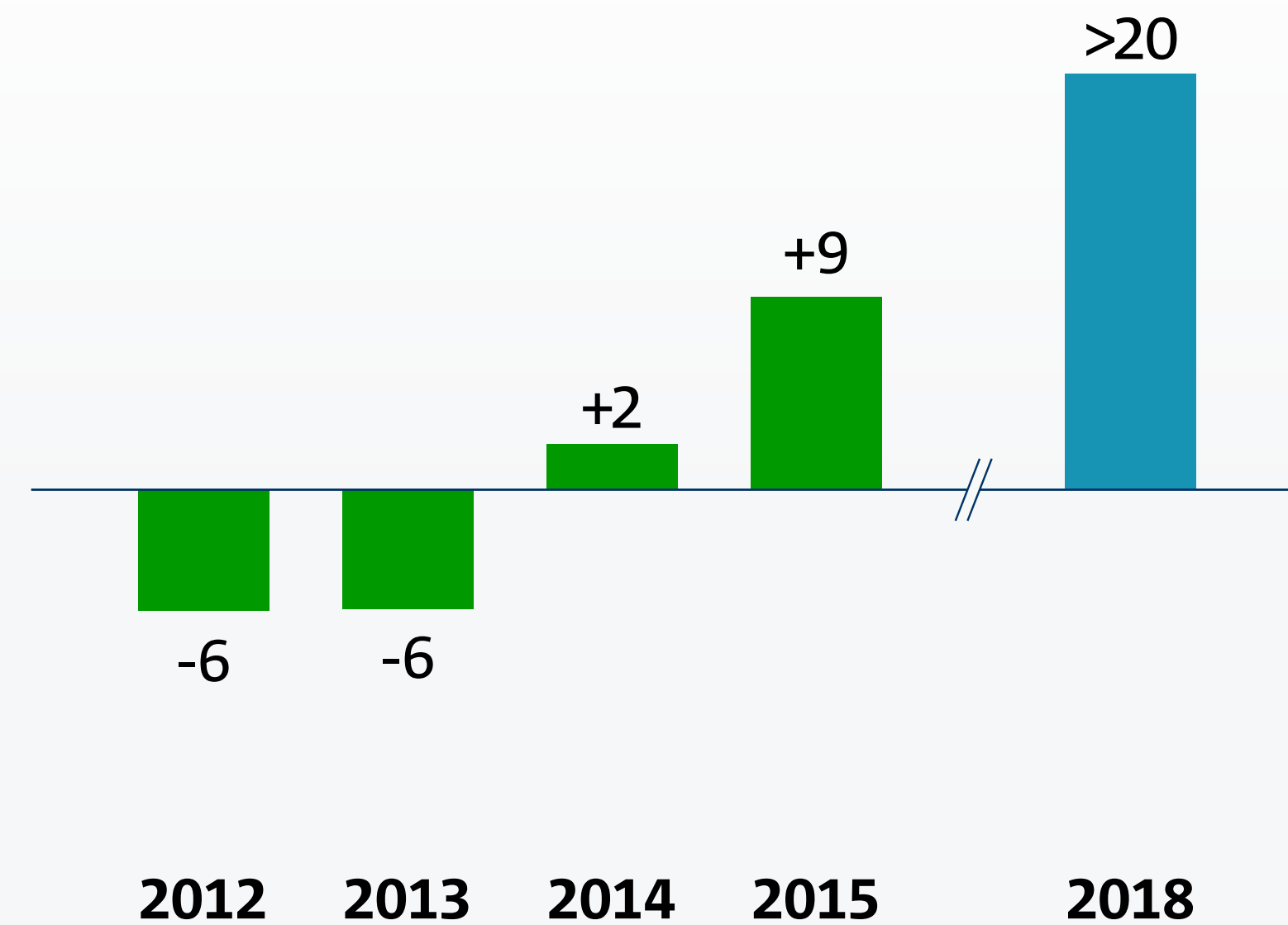
Focus on excellent customer experience driving NPS

Large customer satisfaction gap versus competition

NPS CONSUMER RESIDENTIAL



NPS CONSUMER MOBILE



Improving in-home solutions and connectivity

Implementing in-home strategy to meet customer needs and support NPS

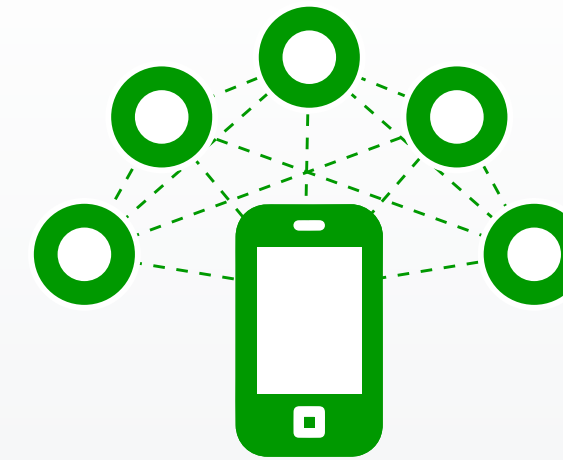
Strong demand
for stability



BEST IN-HOME SERVICES

- ◆ Stable, fast and reliable in-home connectivity
- ◆ Managed connectivity (hardware, wiring and wireless solutions)

Strong growth Internet of
Things applications



BEST IN-HOME SOLUTIONS

- ◆ Managed Smart Home (Smart life) solutions
 - Security, Comfort, Vital/Health, Entertainment
- ◆ Premium service offering for all connected devices

Consumer strategy centered around households

Grow revenues, increase loyalty and reduce cost to serve

Grow revenues per household

- ◆ Upsell, cross-sell and deep-sell products & services to increase RGUs and ARPU per household

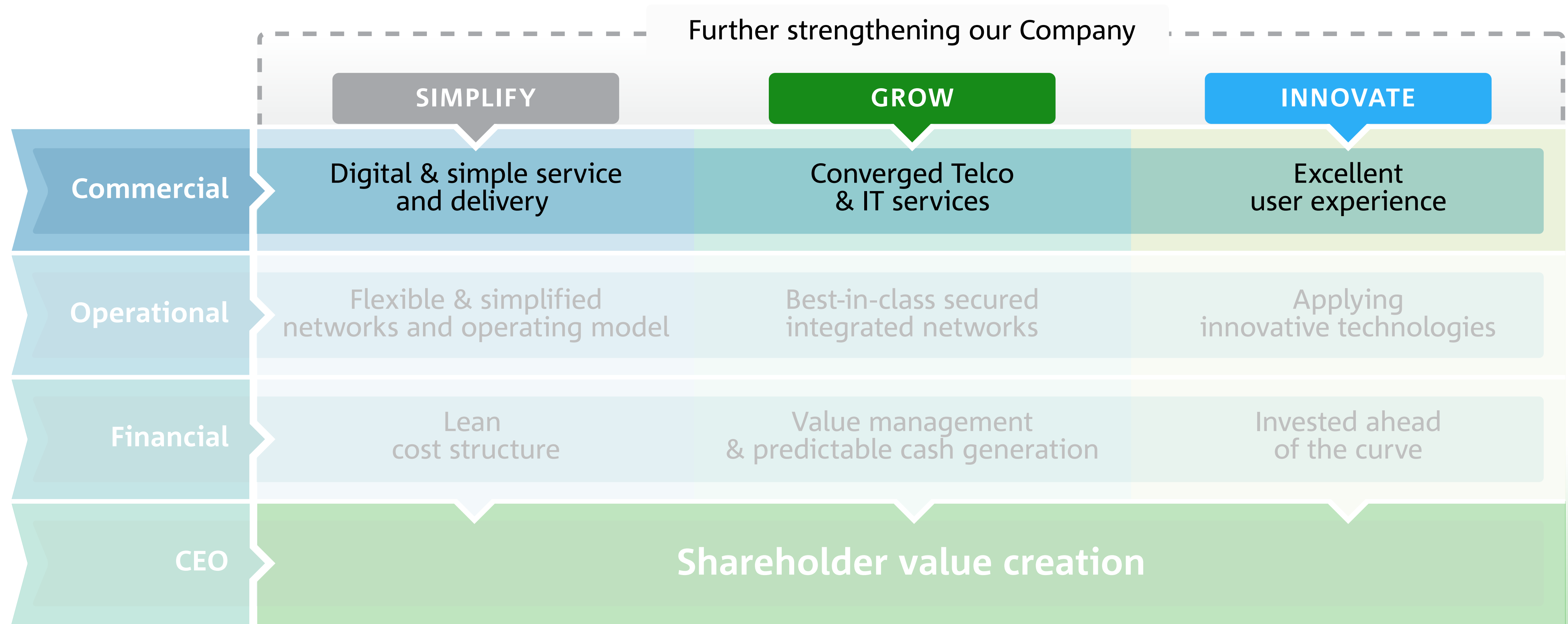
Increase loyalty

- ◆ Excellent customer experience
- ◆ Further improve customer satisfaction
- ◆ Lower subscriber acquisition costs

Lower cost to serve

- ◆ Reduce service calls
- ◆ Digital customer interaction





Simple, flexible integrated networks & operations

KPN Capital Markets Day › March 7, 2016

Joost Farwerck
COO

A white hexagon with a subtle gradient, containing the word "Simplify" in a black, sans-serif font.

Simplify

A blue hexagon with a subtle gradient, containing the word "Innovate" in a white, sans-serif font.

Innovate

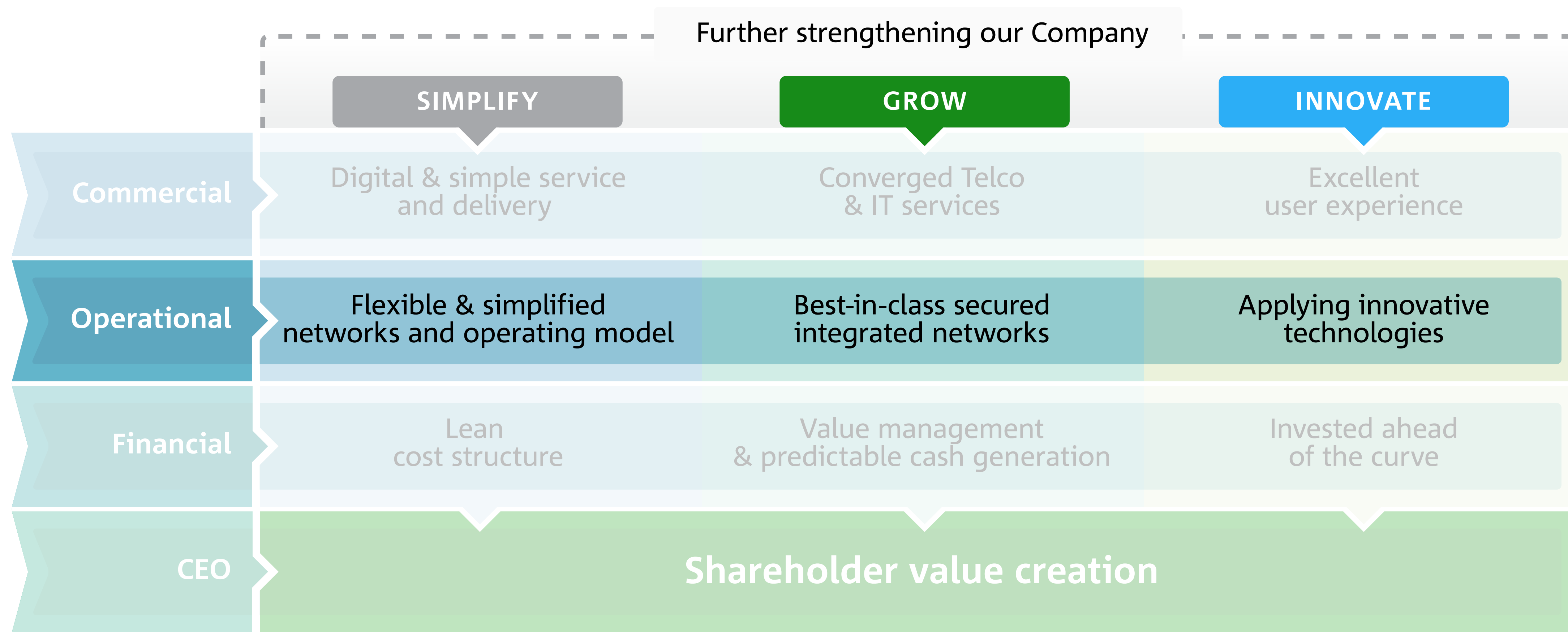
A green hexagon with a subtle gradient, containing the word "Grow" in a white, sans-serif font.

Grow



Strategy - operations

Enabling best-in-class customer experience



Traffic growth accelerating

KPN's Interactive and OTT services driving exponential traffic growth

CUSTOMER BEHAVIOR CHANGING

Non-linear video traffic growing rapidly driven by unique KPN and OTT services

KPN Interactive services



KPN Play



TV Everywhere



Start-over TV



Live TV Pausing

OTT services

NETFLIX

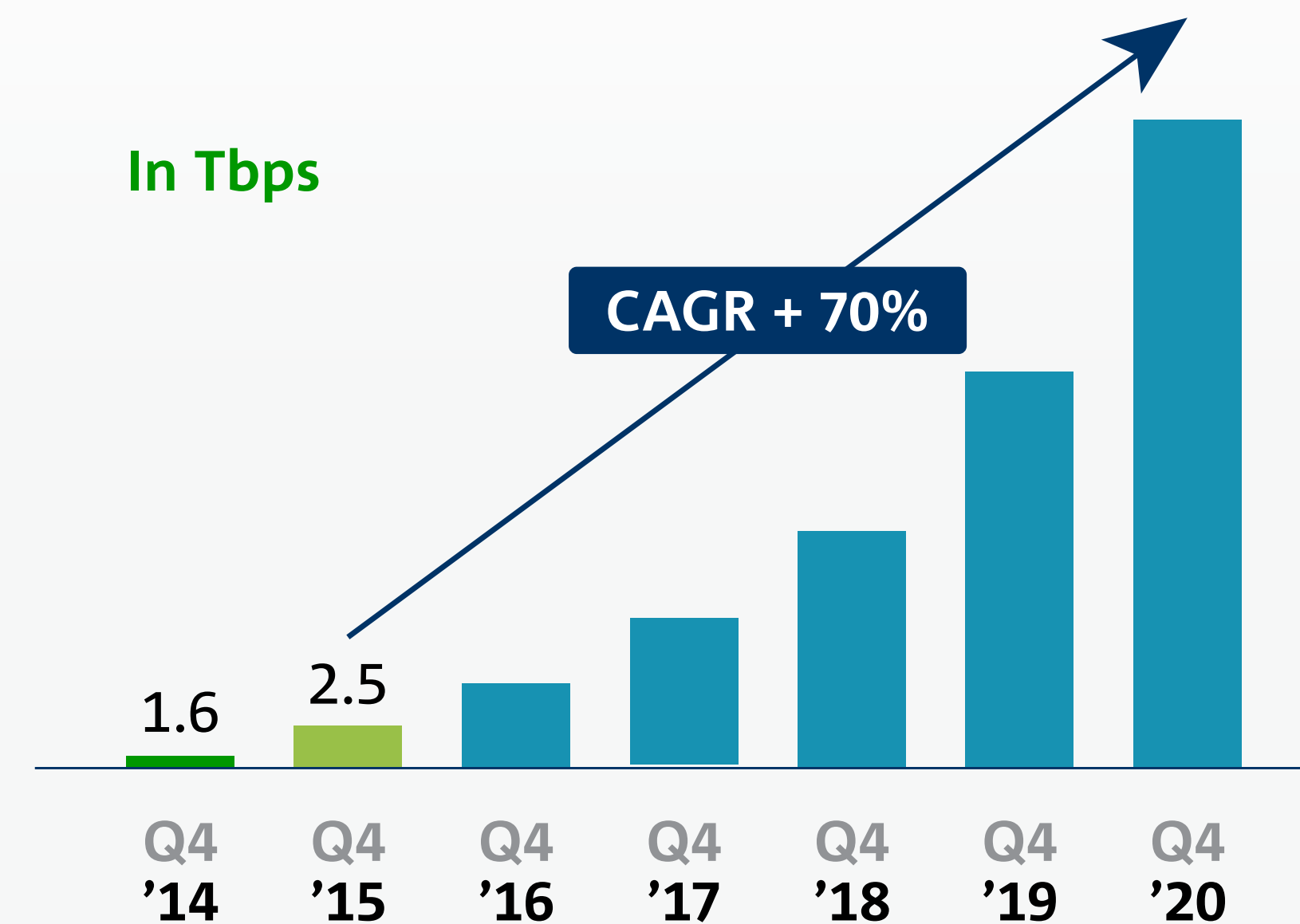
HBO

You Tube

DATA USAGE ACCELERATING

Total data traffic forecast¹
(KPN fixed & mobile network)

In Tbps



Key priorities for the coming years

1 Simplify operating model to improve customer experience and operational effectiveness

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

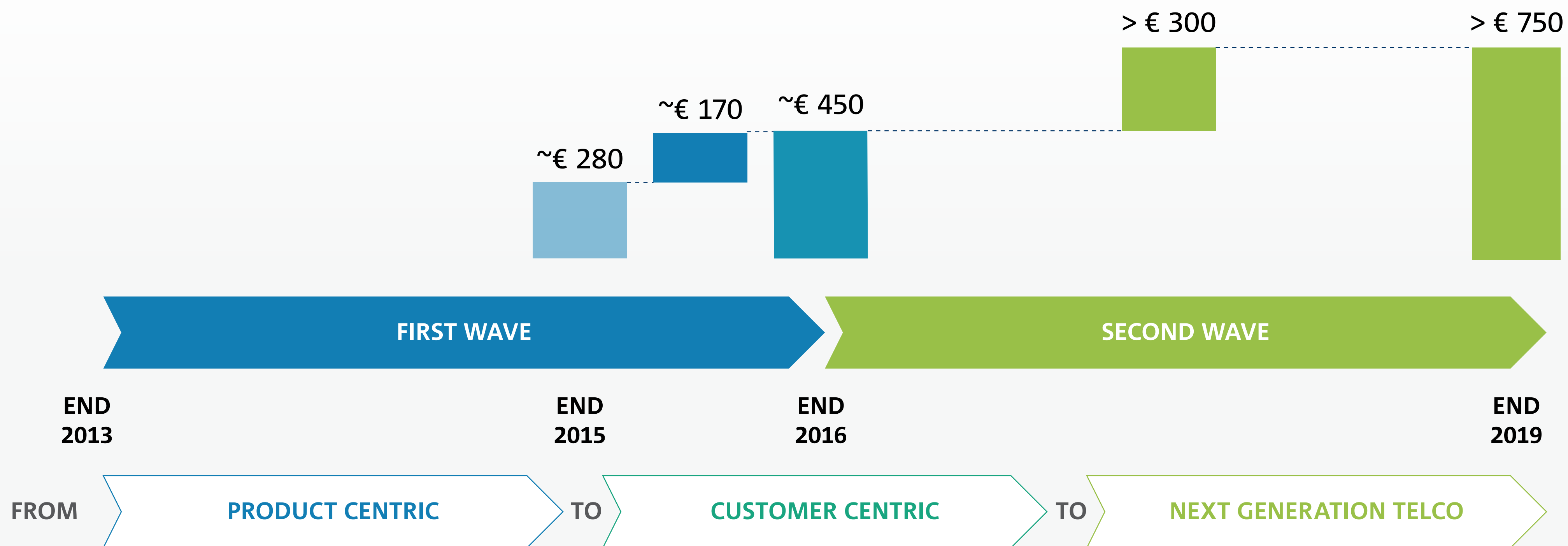
3 Finalize build of flexible and simplified integrated network

Ensuring best-in-class customer experience

Simplifying our operating model

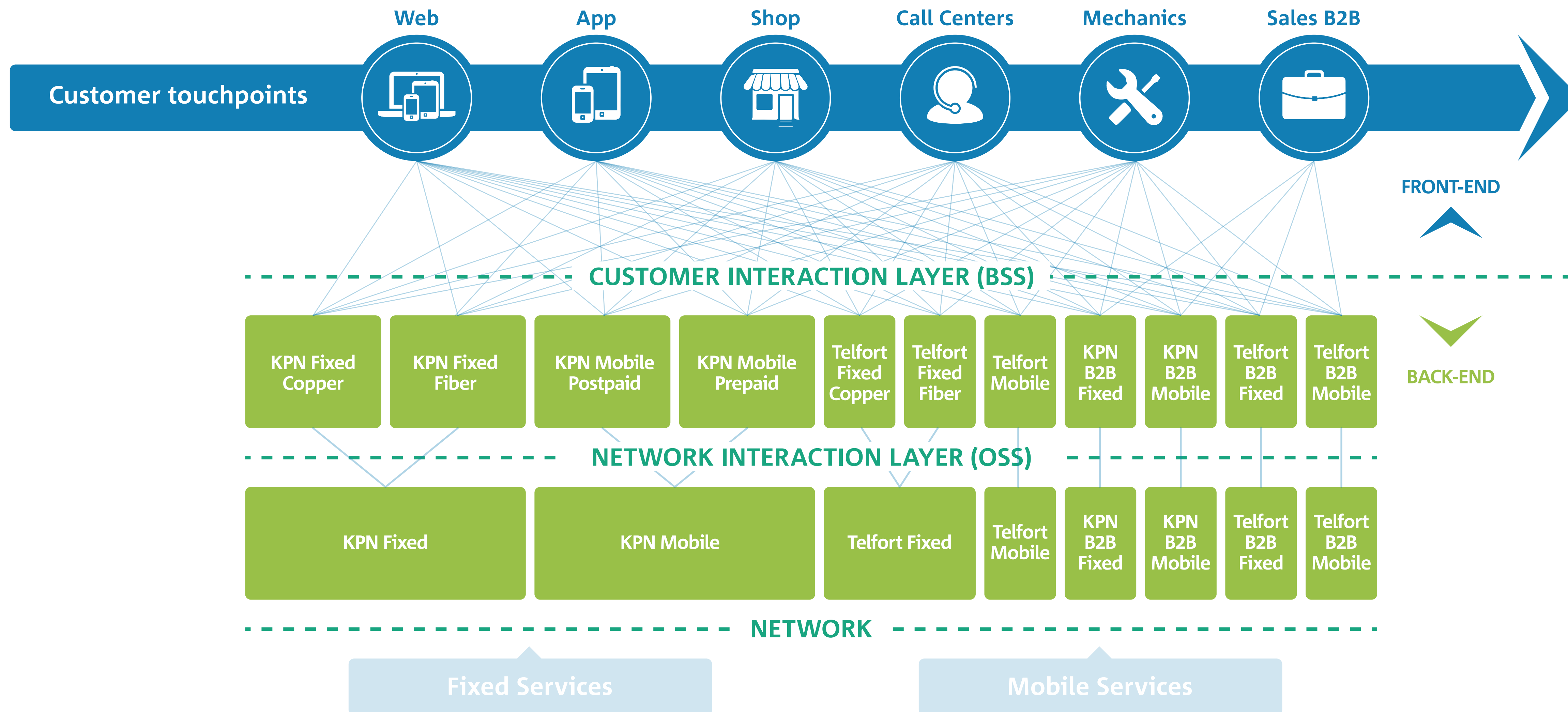
Second wave of Simplification program to deliver significant savings

SIMPLIFICATION PROGRAM RUN-RATE OPEX AND CAPEX SAVINGS (in m)



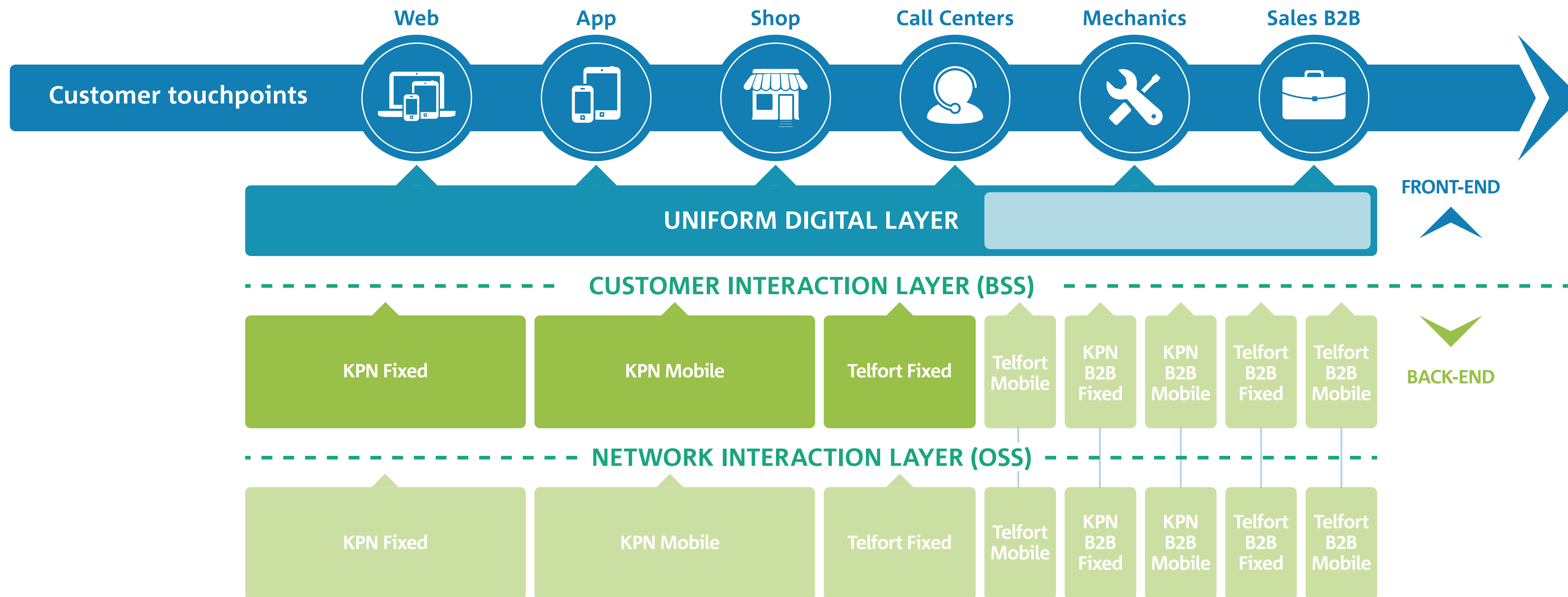
Gradual approach to simplify operating model

Our starting point back in 2013



Gradual approach to simplify operating model (cont'd)

2014-2016: Improving customer experience & enabling simplification



Gradual approach to simplify operating model (cont'd)

2014-2016: What does this mean for the customer and KPN

Uniform Digital Layer

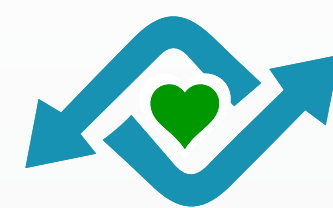
KPN Fixed

KPN Mobile

Telfort Fixed



ENABLE IMPROVED CUSTOMER EXPERIENCE



Removing customer complexity

Single ID, omnichannel customer experience



Reducing lead time order intake

80% reduction in handling time for activation KPN Compleet (from 25 minutes to 5 minutes)



RATIONALIZE IT CUSTOMER INTERACTION LAYER



Savings¹

(e.g. ~€ 80m for KPN Consumer Fixed and Mobile IT rationalization)



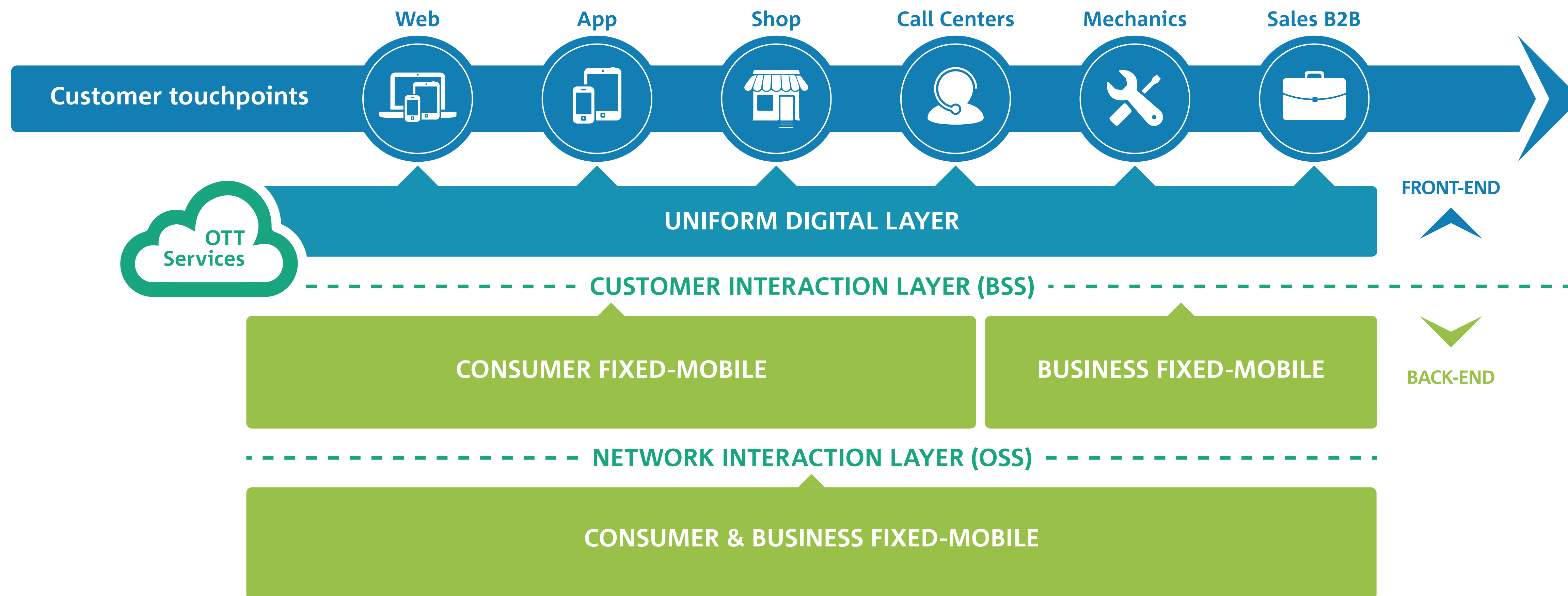
Faster time-to-market

(e.g. implementing minor change to mobile proposition reduced from 6 weeks to 3 days)

¹ All savings are run-rate opex and Capex savings

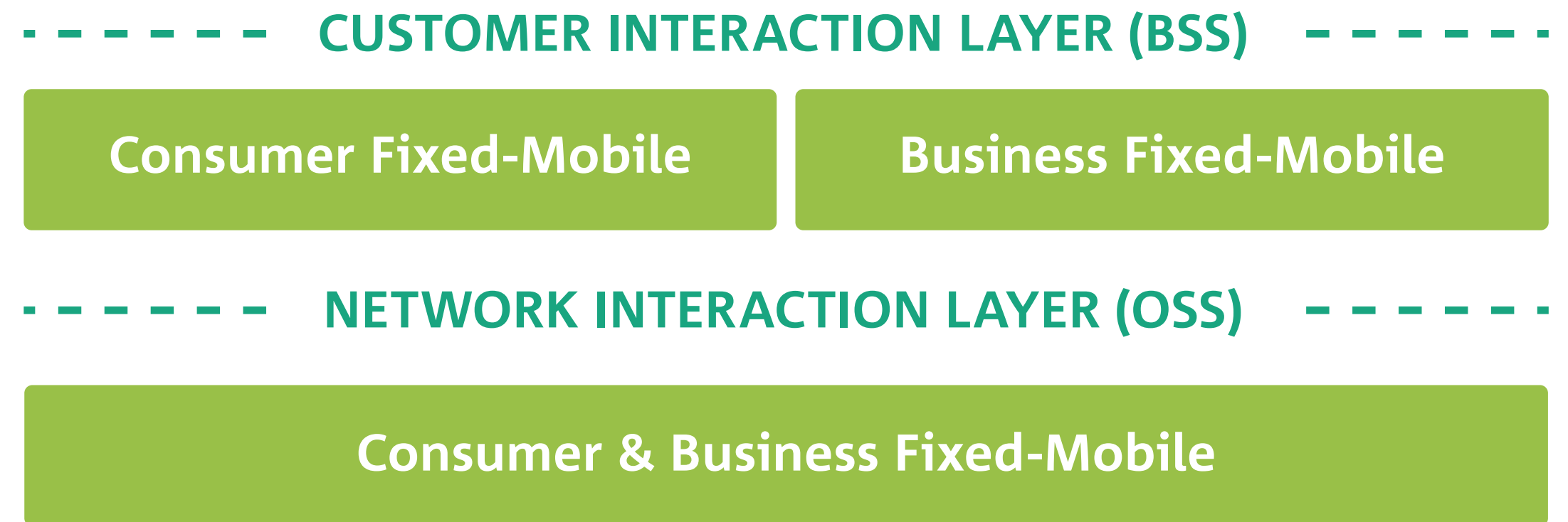
Gradual approach to simplify operating model (cont'd)

2017-2019: Evolving into next generation Telco

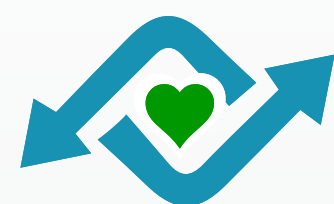


Gradual approach to simplify operating model (cont'd)

2017-2019: What does this mean for the customer and KPN



ENABLE IMPROVED CUSTOMER EXPERIENCE



Real-time data driven service

Pro-active service interaction and personalized offers



Simple and open source interface partnering with OTT

RATIONALIZE IT CUSTOMER AND NETWORK INTERACTION LAYER



Savings¹

(e.g. ~€ 30m savings for consolidation of network interaction layer)



Faster time-to-market

Delivery times improving from weeks to days

¹ All savings are run-rate opex and Capex savings

Key priorities for the coming years

1

Simplify operating model to improve customer experience and operational effectiveness

2

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

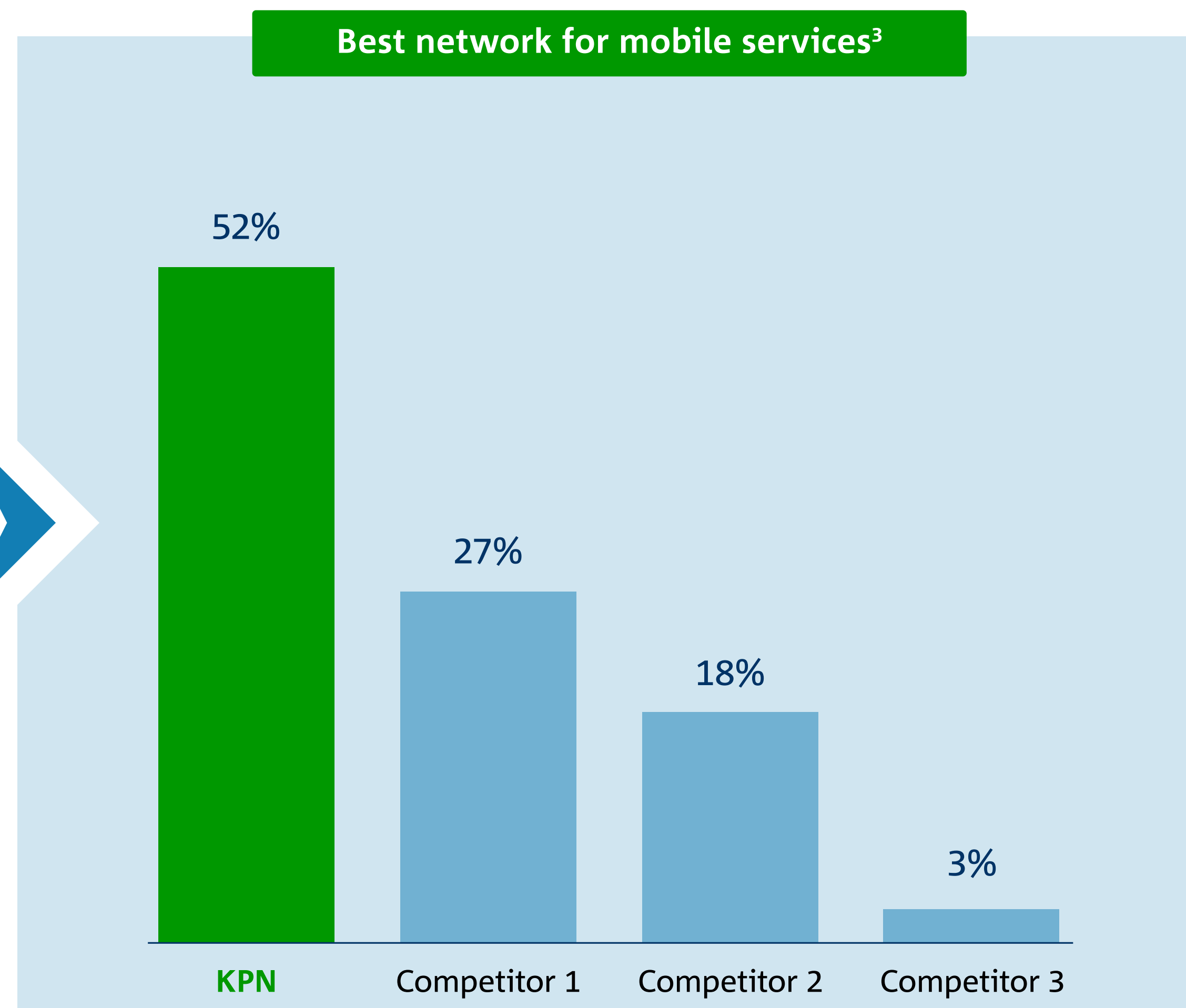
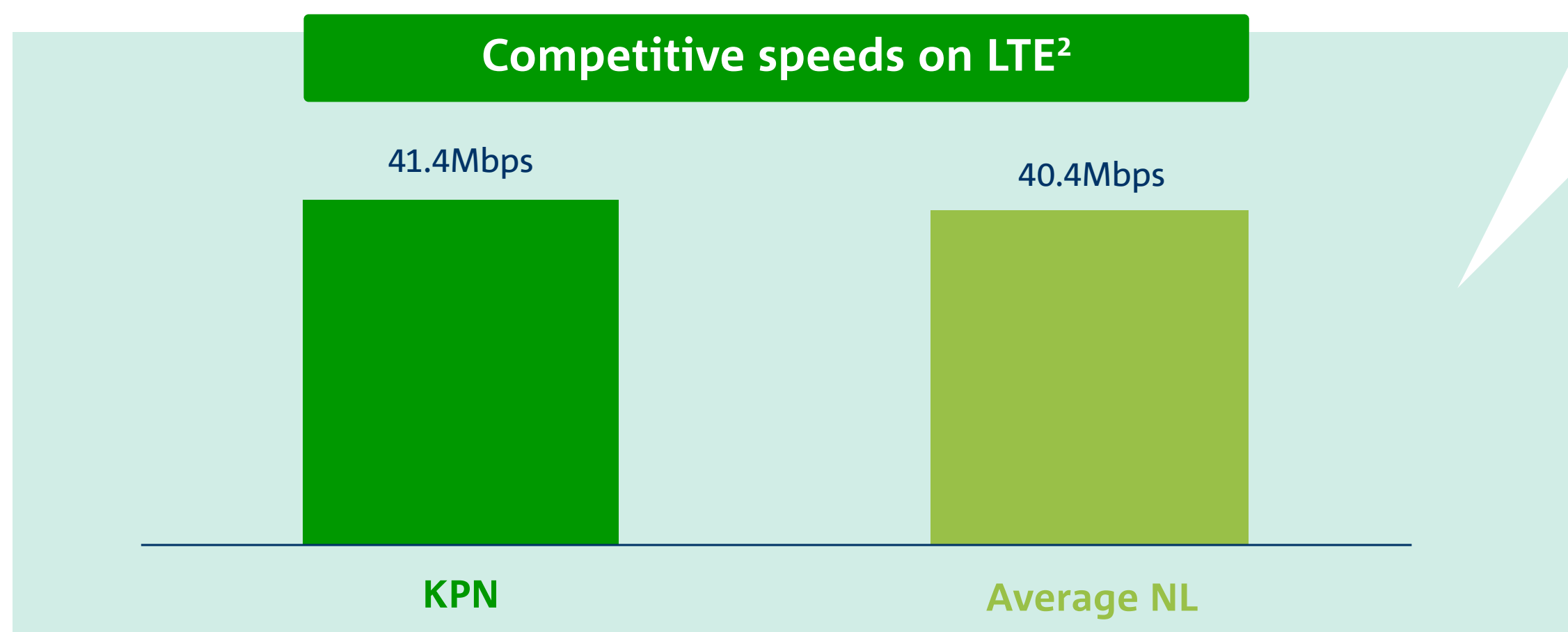
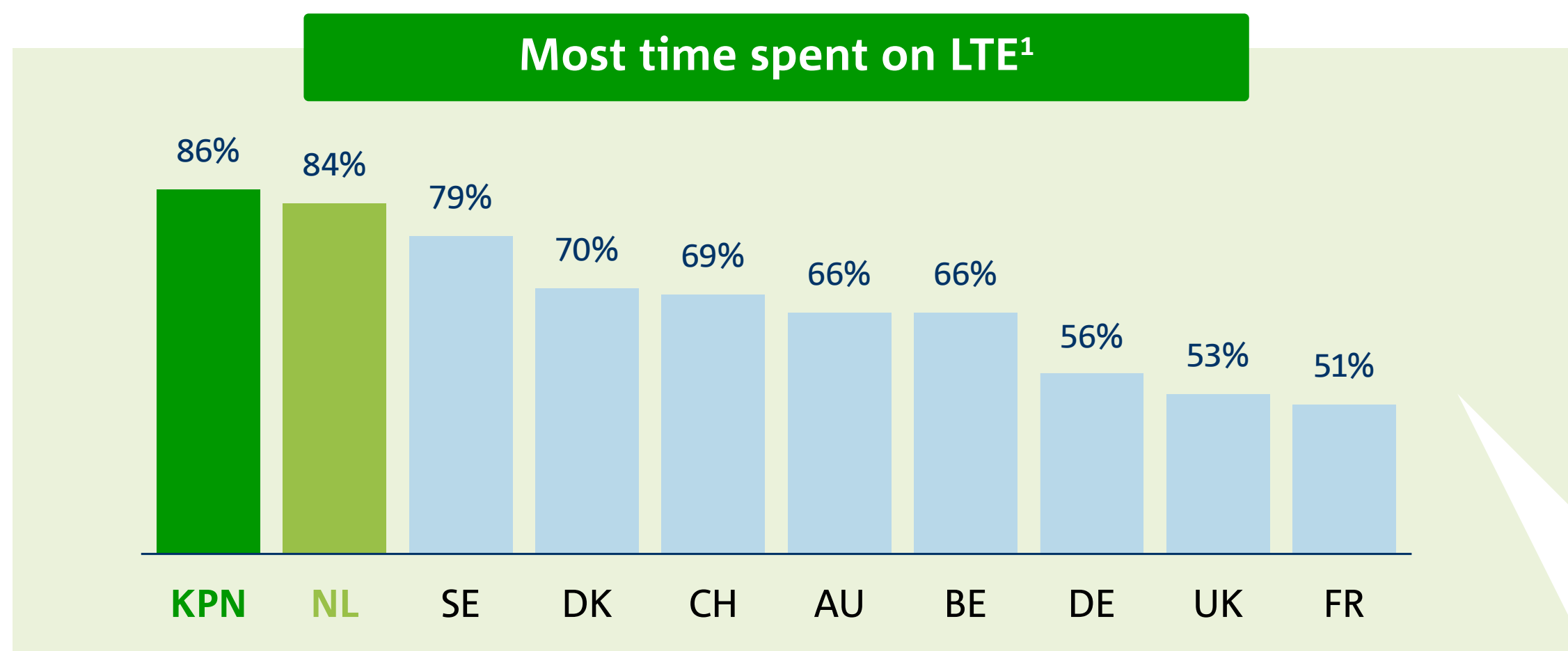
3

Finalize build of flexible and simplified integrated network

Ensuring best-in-class customer experience

Best mobile access provider

Investment-led strategy enabling superior customer experience

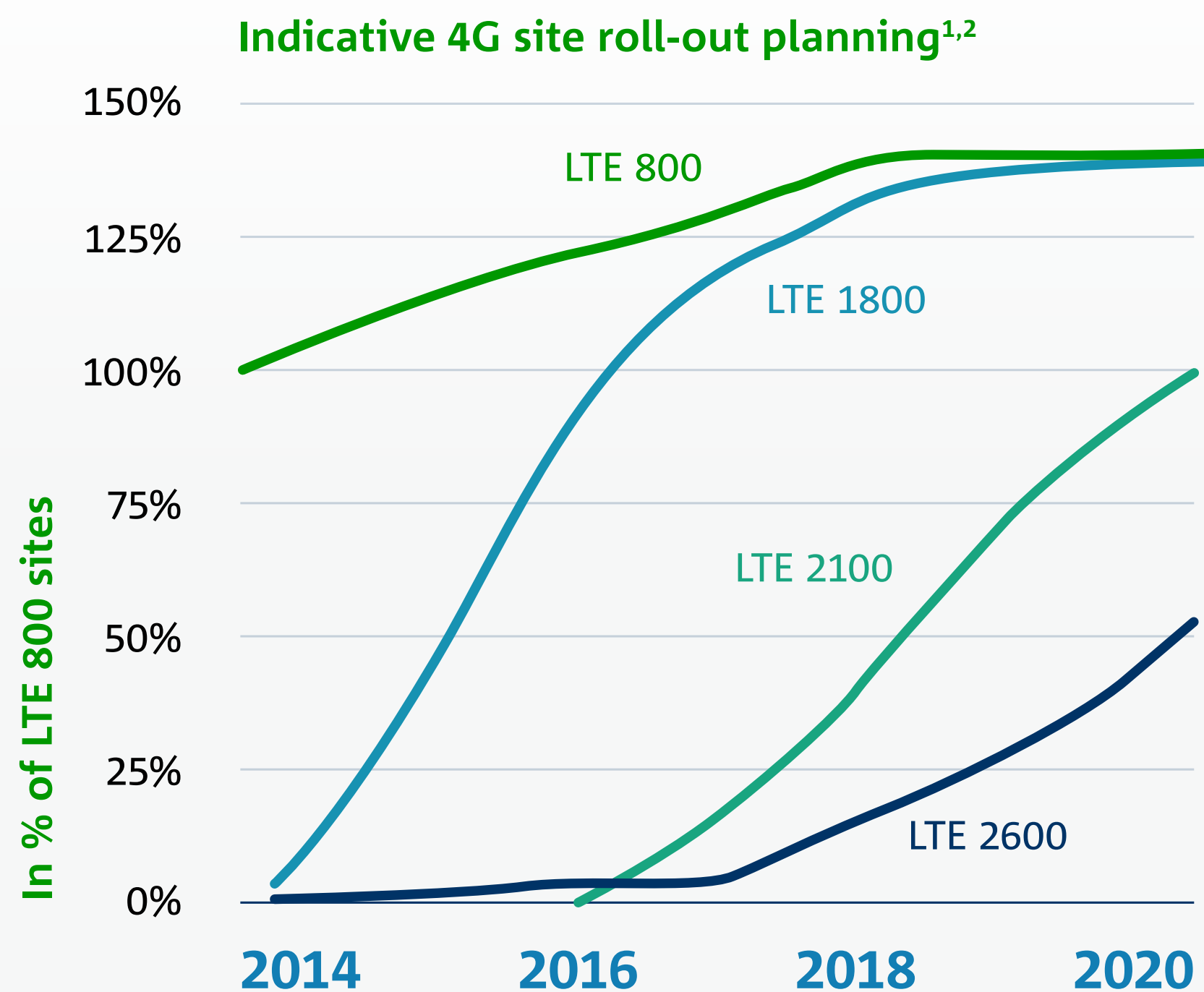


¹ OpenSignal; The state of LTE (December 2015)
² Ookla (December 2015)
³ Independent market survey (Q4 2015)

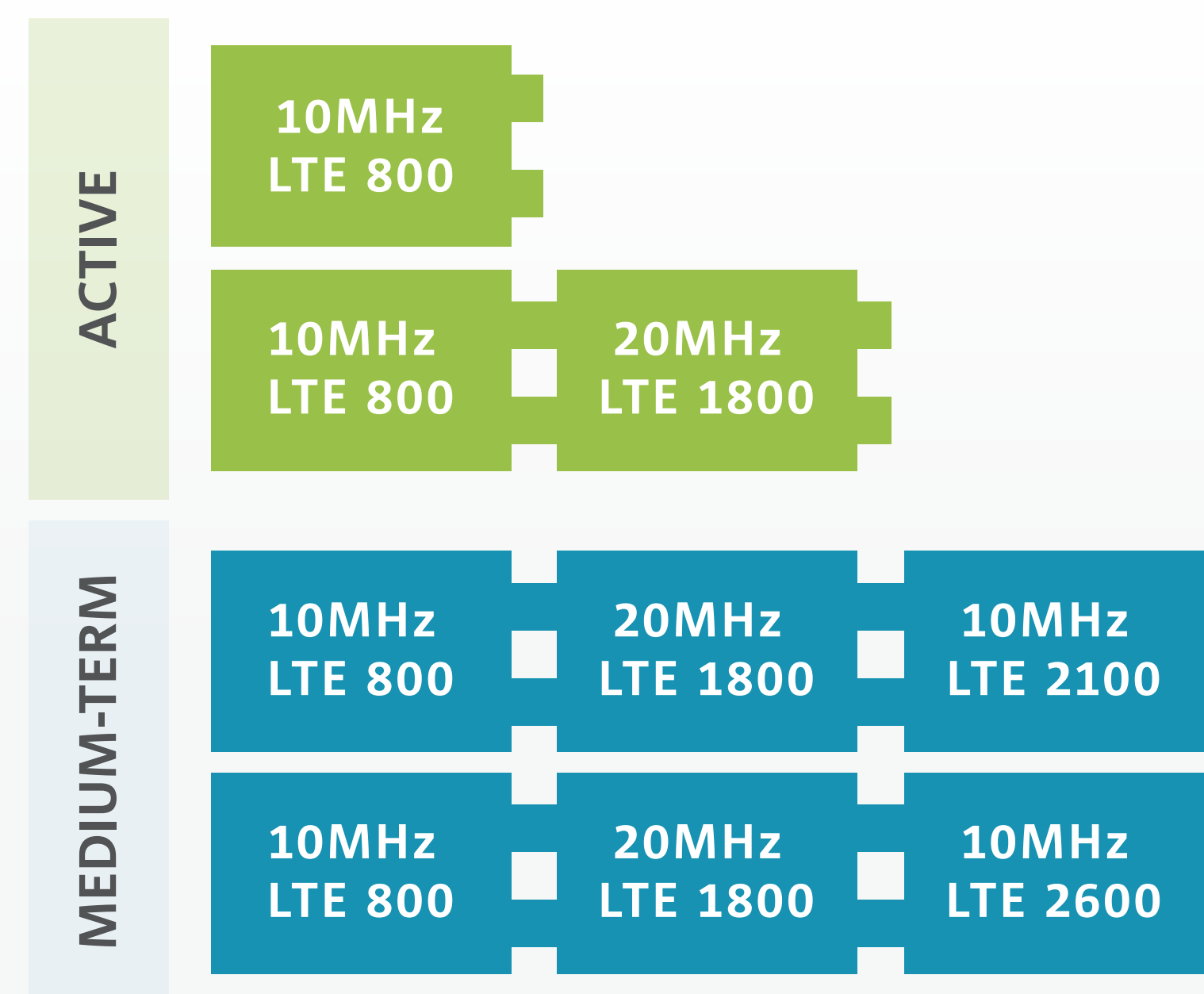
Staying ahead of demand for mobile data

Fully utilizing spectrum position for excellent customer experience

4G CAPACITY ROLL-OUT AHEAD OF DATA GROWTH



UTILIZING FULL SPECTRUM TO DEPLOY CARRIER AGGREGATION



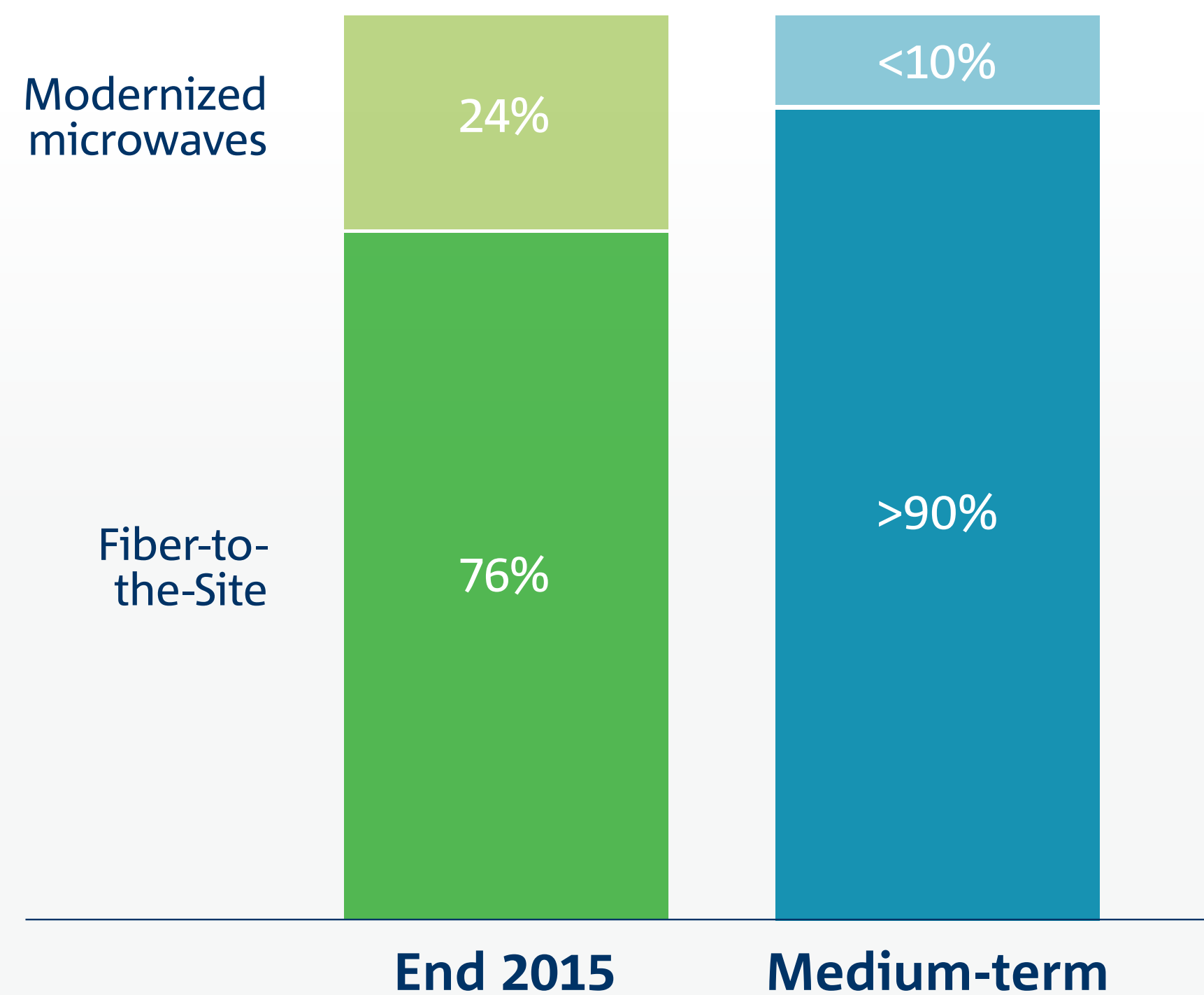
Increasing capacity and enabling download speeds up to 400Mbps

¹ Rebased to LTE 800 sites end 2014
² Excluding small cells

Staying ahead of demand for mobile data (cont'd)

Integrating fixed and mobile access

FUTURE-PROOF BACKHAUL CONNECTION



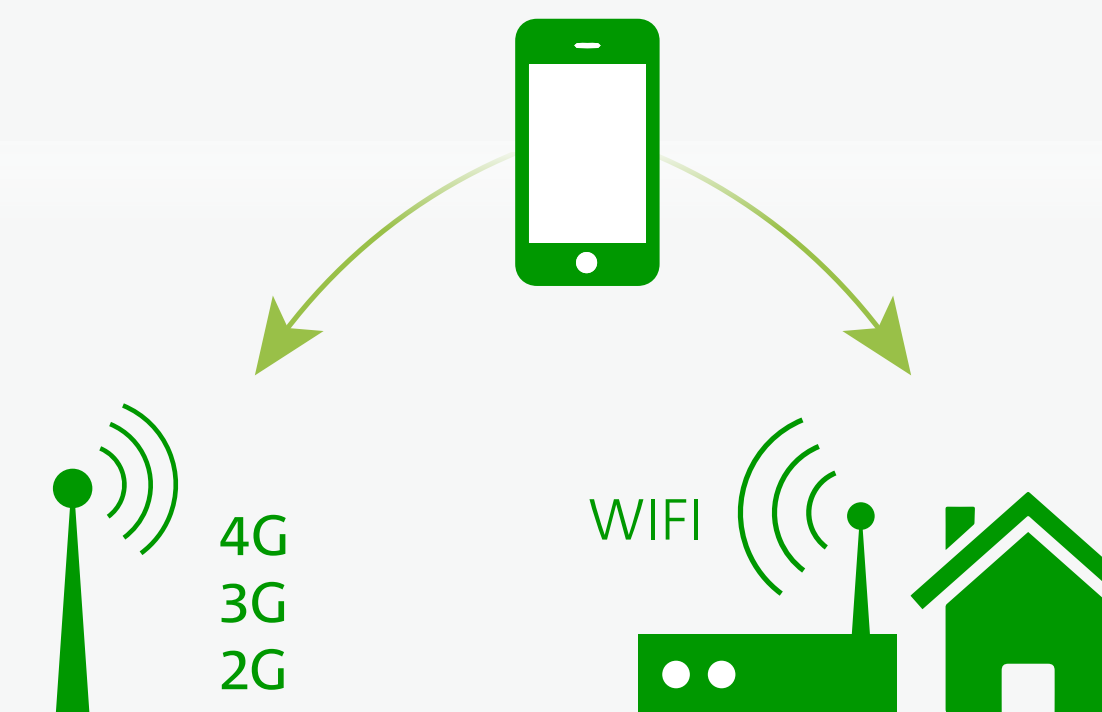
LEVERAGING FIXED NETWORK INVESTMENTS

Small cells

- ◆ Densifying mobile network
- ◆ High fiber penetration providing backhaul connection small cells



Automated WiFi access (2017)



On top of technology developments

Continued innovation in Consumer and Business

IMPROVING THE QUALITY OF COMMUNICATION

Customer automatically calling with best available technology

Using normal call button



INTRODUCING

2G/3G

VoLTE
(2016)

VoWiFi
(2017)

- ◆ Better quality of service
- ◆ Shorter call set-up times

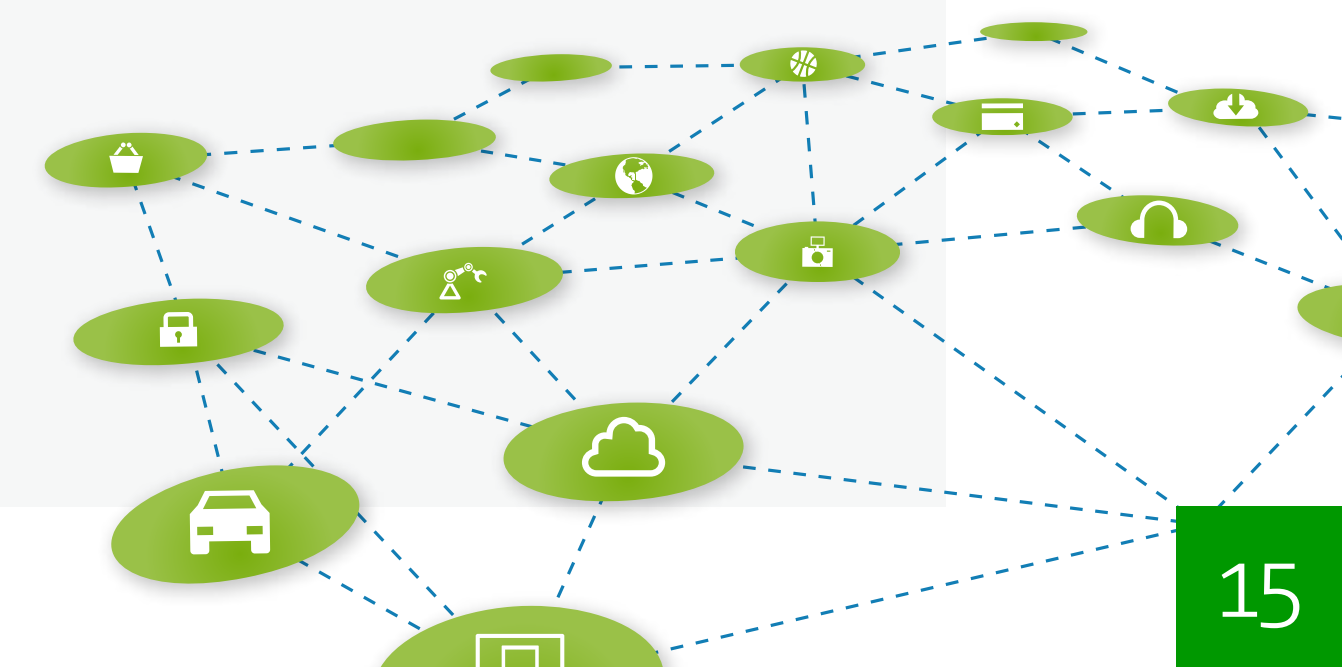
OPTIMIZING RETURNS FROM THE INTERNET OF THINGS

21bn connected M2M/IoT devices in 2020¹

~3bn

Low power, long Range connections to be serviced by LoRa network

- € Low device costs
- 📶 Low bandwidth
- 🔋 Battery efficient
- 📍 Long range



On top of technology developments (cont'd)

Anticipating fifth generation cellular technology



EVOLUTION OF 5G DRIVEN BY HYPER CONNECTIVITY NEEDS



KPN ALREADY PREPARING FOR 5G

New areas of business...

- ◆ eHealth services
- ◆ Car to Car communication
- ◆ High Speed Trains (500km/h)
- ◆ Virtual reality

...need advanced networking characteristics

- ◆ >50Mbps everywhere
- ◆ Peak throughputs of 10Gbps
- ◆ Ultra low latency (1-10 ms)
- ◆ Broadband in dense areas

Decentralized Content Delivery Network

Launch of LoRa

Implementation of small cells

High Fiber-to-the-Site penetration



iBasis: Innovative leader in global carrier industry

Making the transformation of the industry work

CHANGING INDUSTRY DYNAMICS



- ◆ IP transformation
 - Declining voice volumes
 - Increasing data usage
- ◆ New generation of digital services emerging, e.g.
 - Internet of Things
 - eHealth
- ◆ Creating multitude of new standards and infrastructures

iBASIS TO FACILITATE TRANSFORMATION

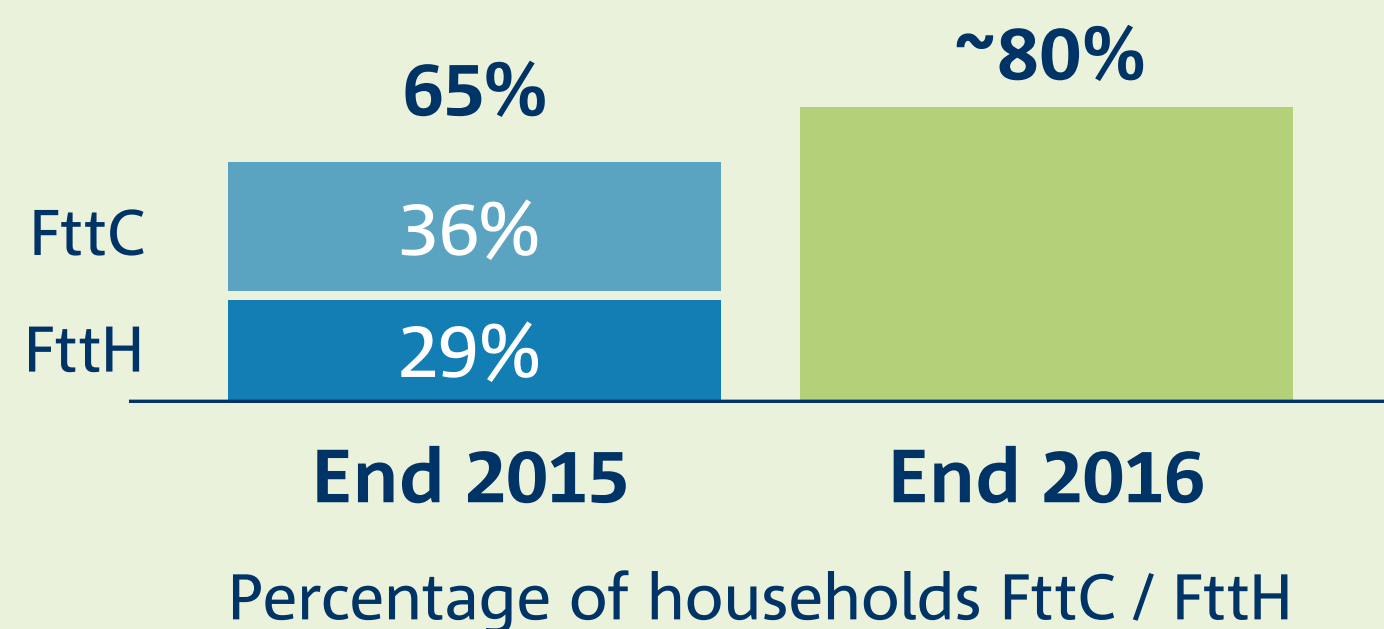


- ◆ Leveraging global top 3 position in IPX connectivity
 - Providing inter-operability to achieve seamless, high quality user experience
- ◆ Combining proven capabilities with innovation
 - First to facilitate VoLTE roaming call
- ◆ Leading provider of analytics-based services

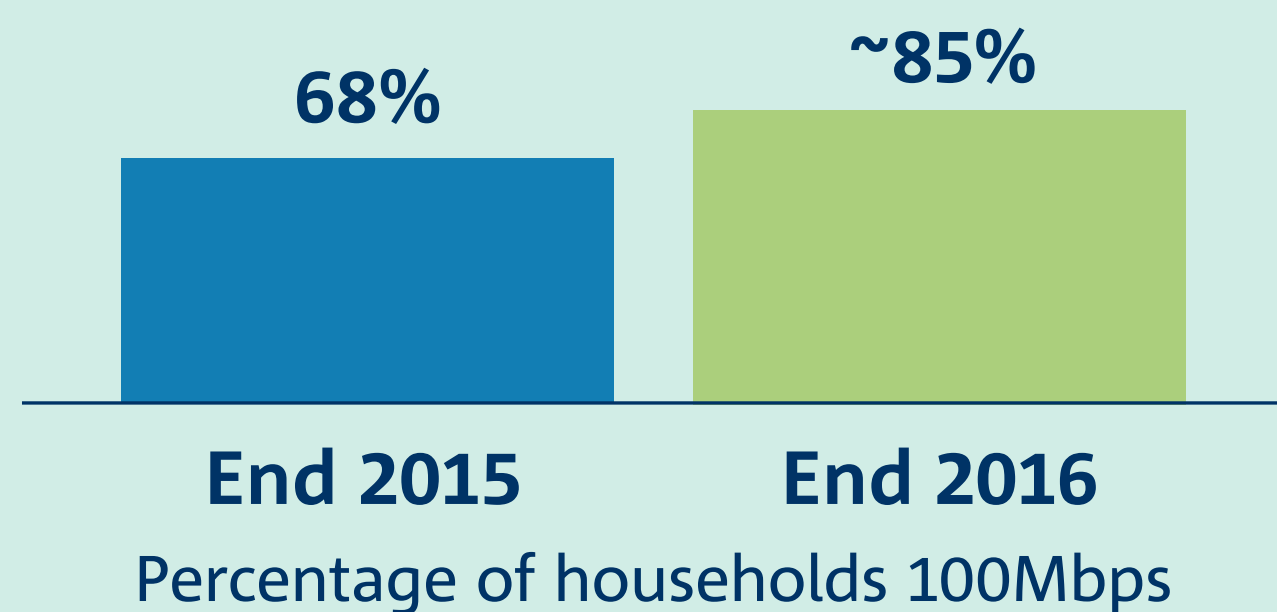
Best fixed access provider

Investment-led strategy enabling superior customer experience

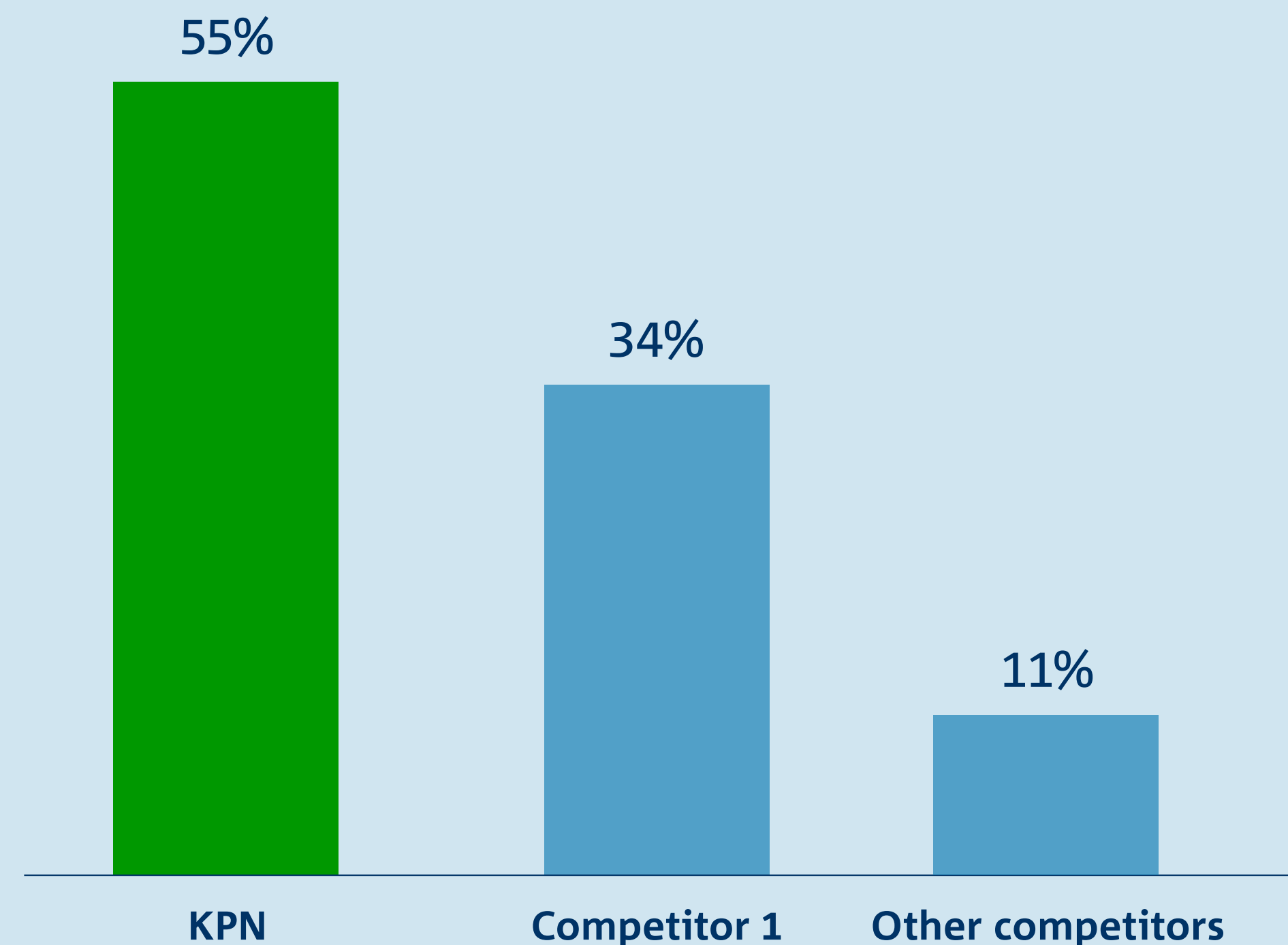
Rising FttC / FttH penetration



Driving coverage 100Mbps



Best fixed network quality according to customers¹



¹ Independent market survey (Q4 2015)

Staying ahead of demand for fixed data

Flexible to increase bandwidth if demand changes

TODAY, 100Mbps IS SIGNIFICANTLY AHEAD OF DEMAND

ILLUSTRATIVE

4-person household



High usage

~50Mbps

~20Mbps for 2 HD TV's



~8Mbps for online gaming



~20Mbps for 2 HD video downloads

Future high usage

~100Mbps

~40Mbps for 2 4K TV's



~16Mbps for online gaming

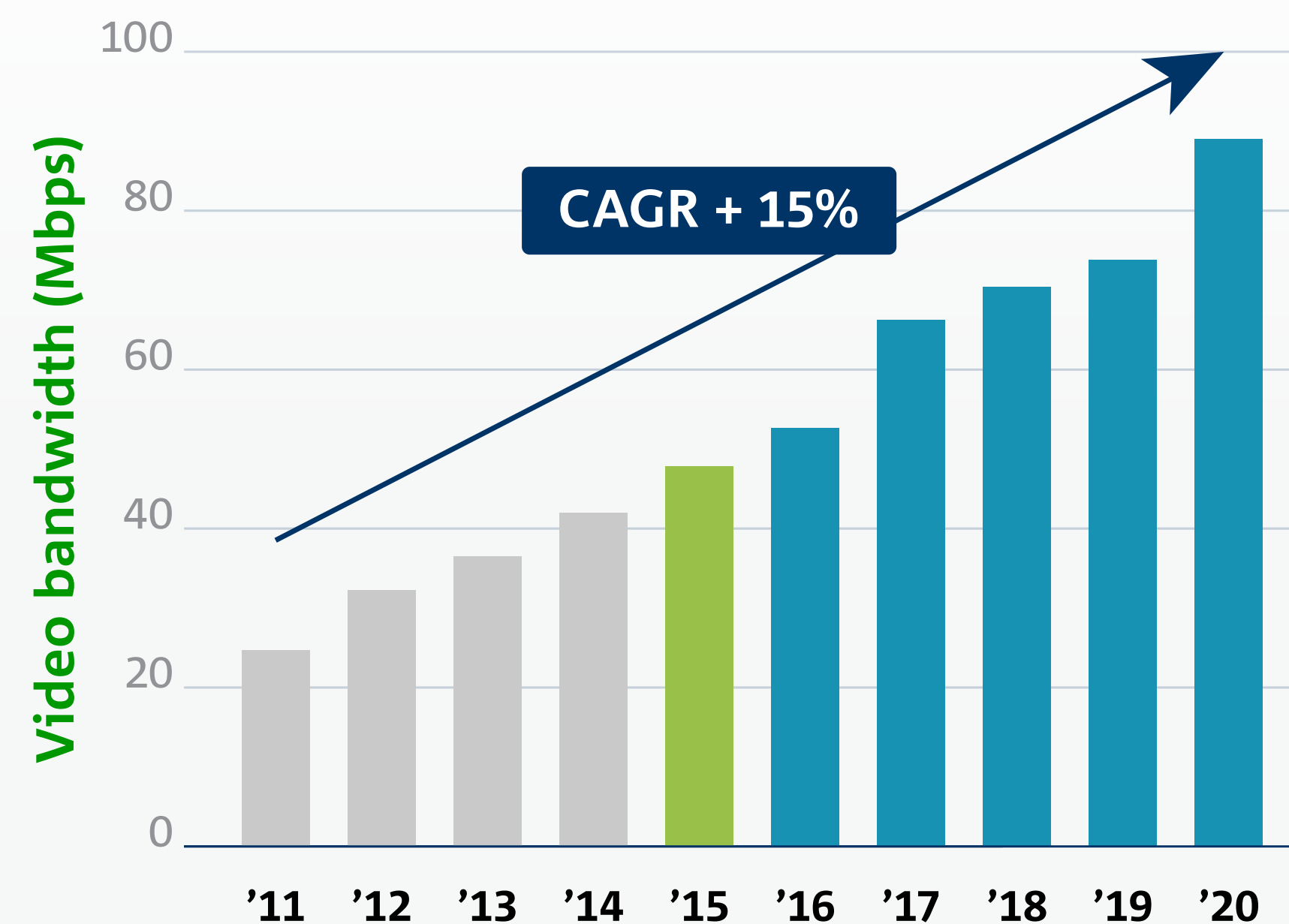


~40Mbps for 2 4K video downloads



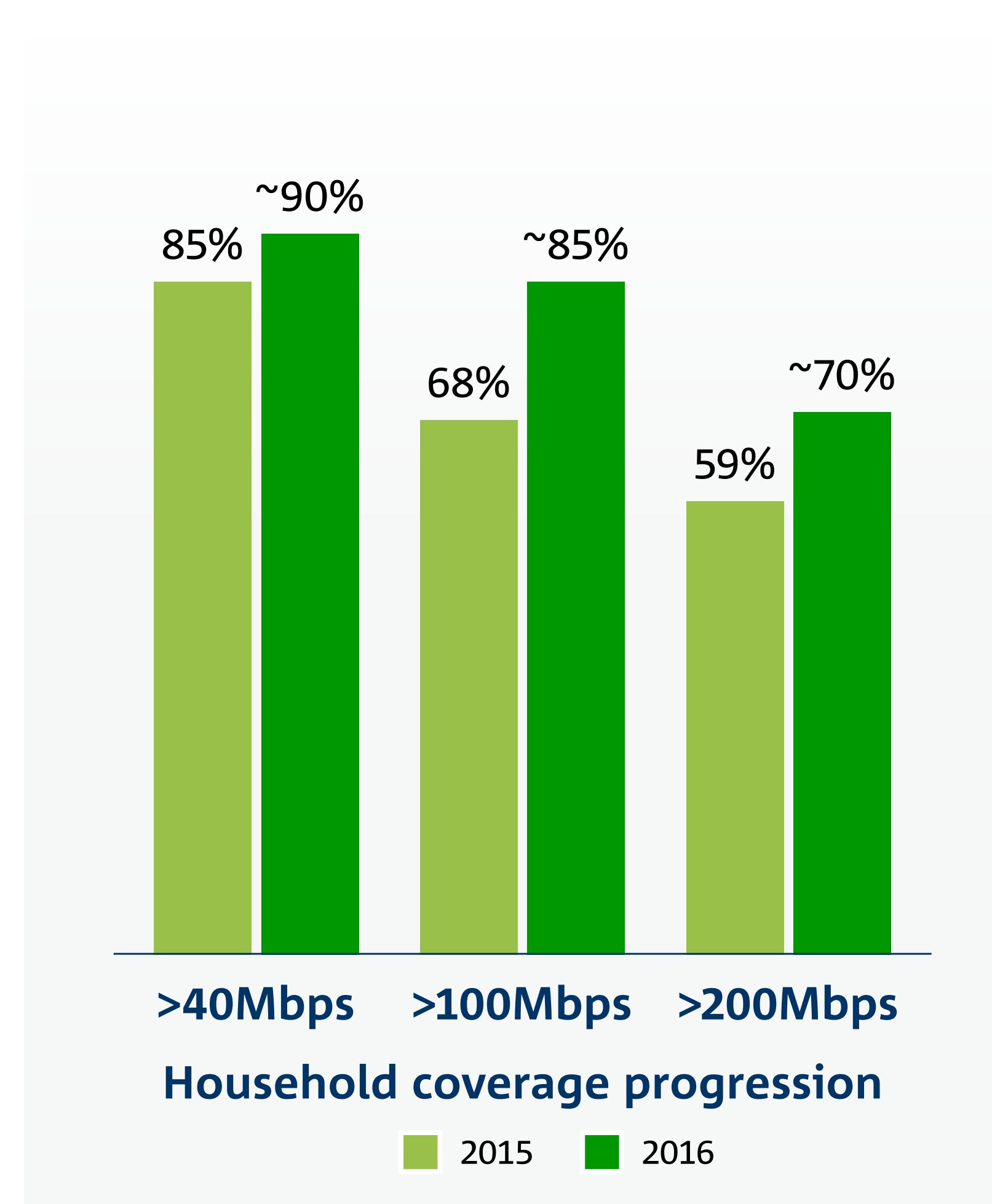
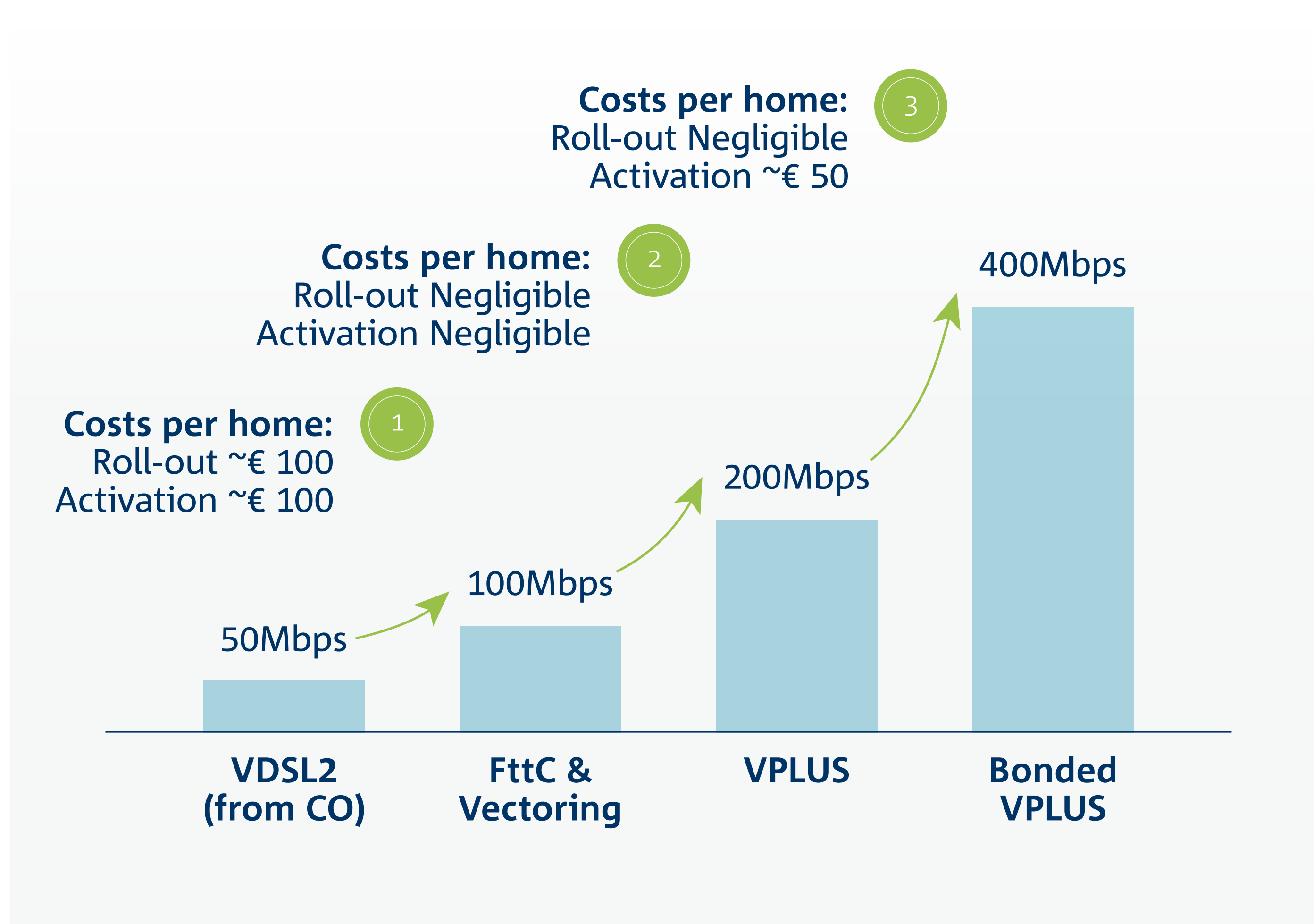
READY AND FLEXIBLE IF DEMAND CHANGES

Household video demand not expected to reach 100Mbps for a while¹



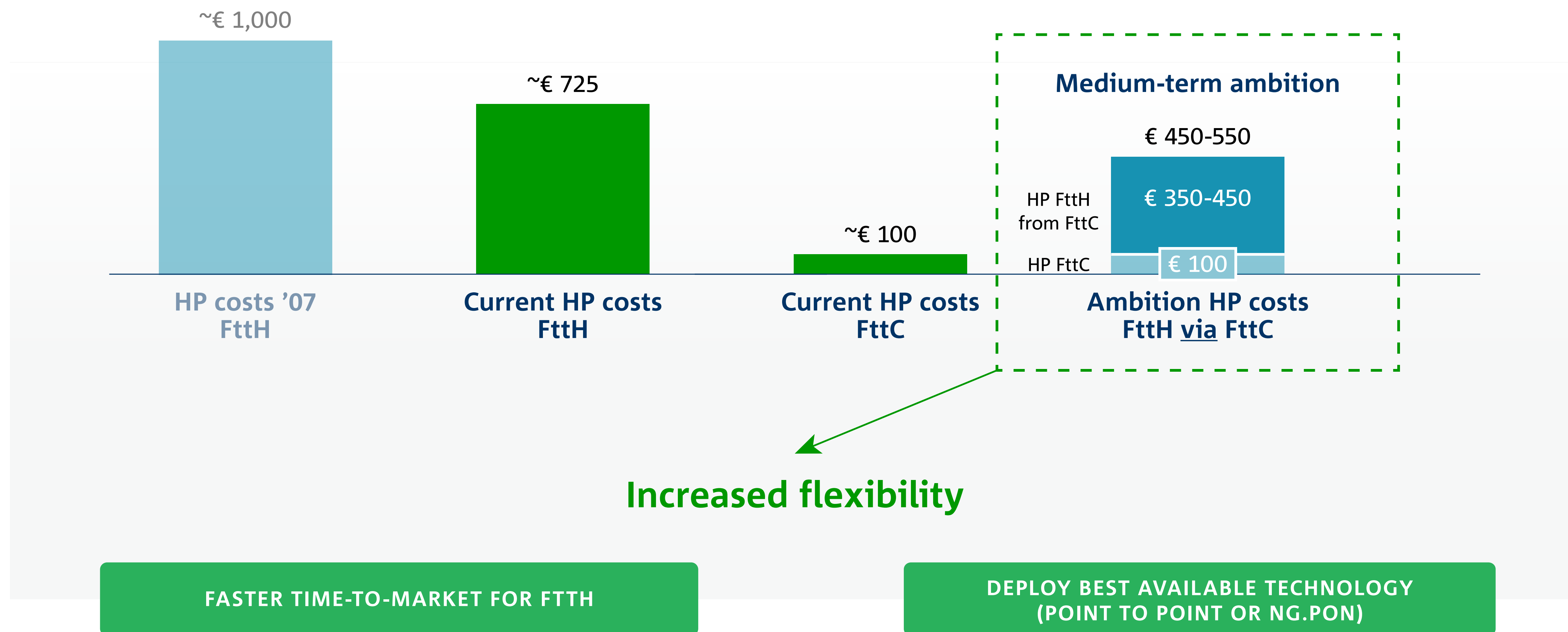
Ready to upgrade if demand changes

Cost and time efficient upgrades with FttC investments largely completed in 2016



Ready to upgrade if demand changes (cont'd)

FttC offers great perspective to roll-out FttH if needed



Key priorities for the coming years

1 Simplify operating model to improve customer experience and operational effectiveness

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

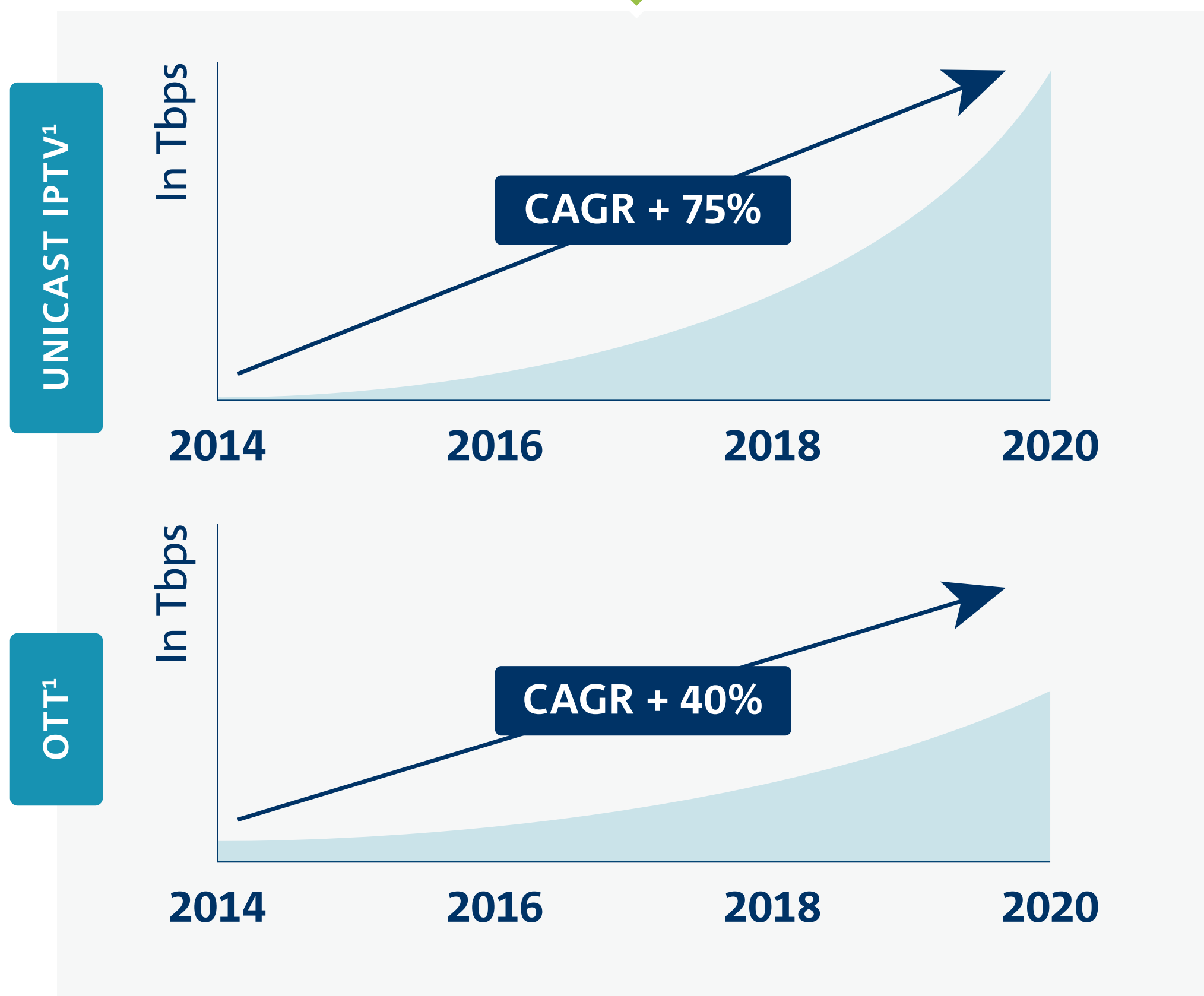
3 Finalize build of flexible and simplified integrated network

Ensuring best-in-class customer experience

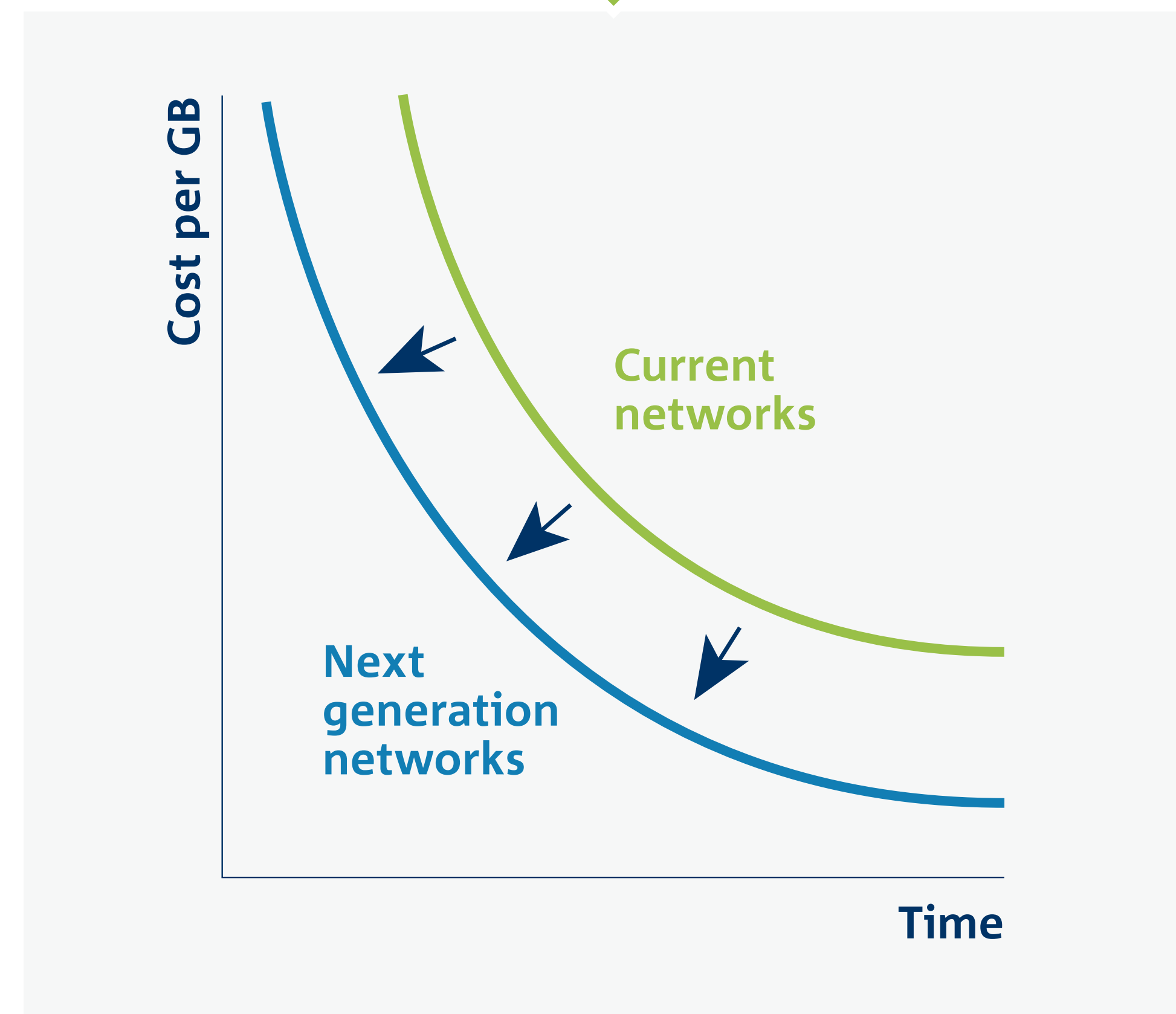
Importance of investing in the core network

Facilitating data growth, while retaining profitability

CHANGING CUSTOMER BEHAVIOR



REQUIRES STEP CHANGE IN COST PER GB



Simple, flexible integrated networks & operations

KPN Capital Markets Day › March 7, 2016

Tom Poelhekken
EVP Network & IT Operations

A graphic consisting of three overlapping hexagons. The top hexagon is white and contains the word 'Simplify'. The bottom-left hexagon is blue and contains the word 'Innovate'. The bottom-right hexagon is green and contains the word 'Grow'.

Simplify

Innovate

Grow



Build flexible and simplified integrated network

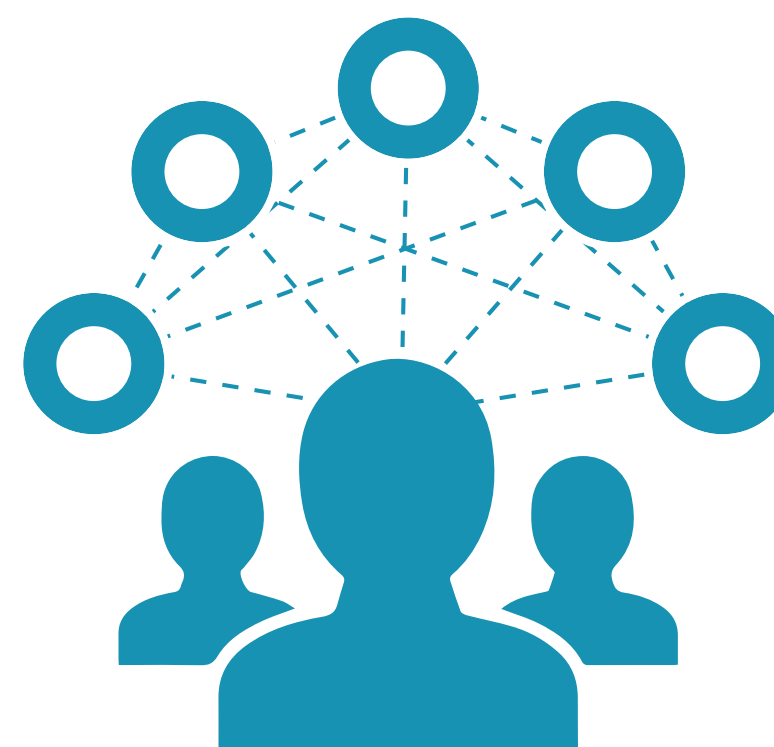
Three steps to achieve objective



1 Rationalize

Simplify and reduce spend

Started 2010
Expected completion 2019



2 Decentralize

Content closer to customer

Started 2015
Expected completion 2017



3 Virtualize

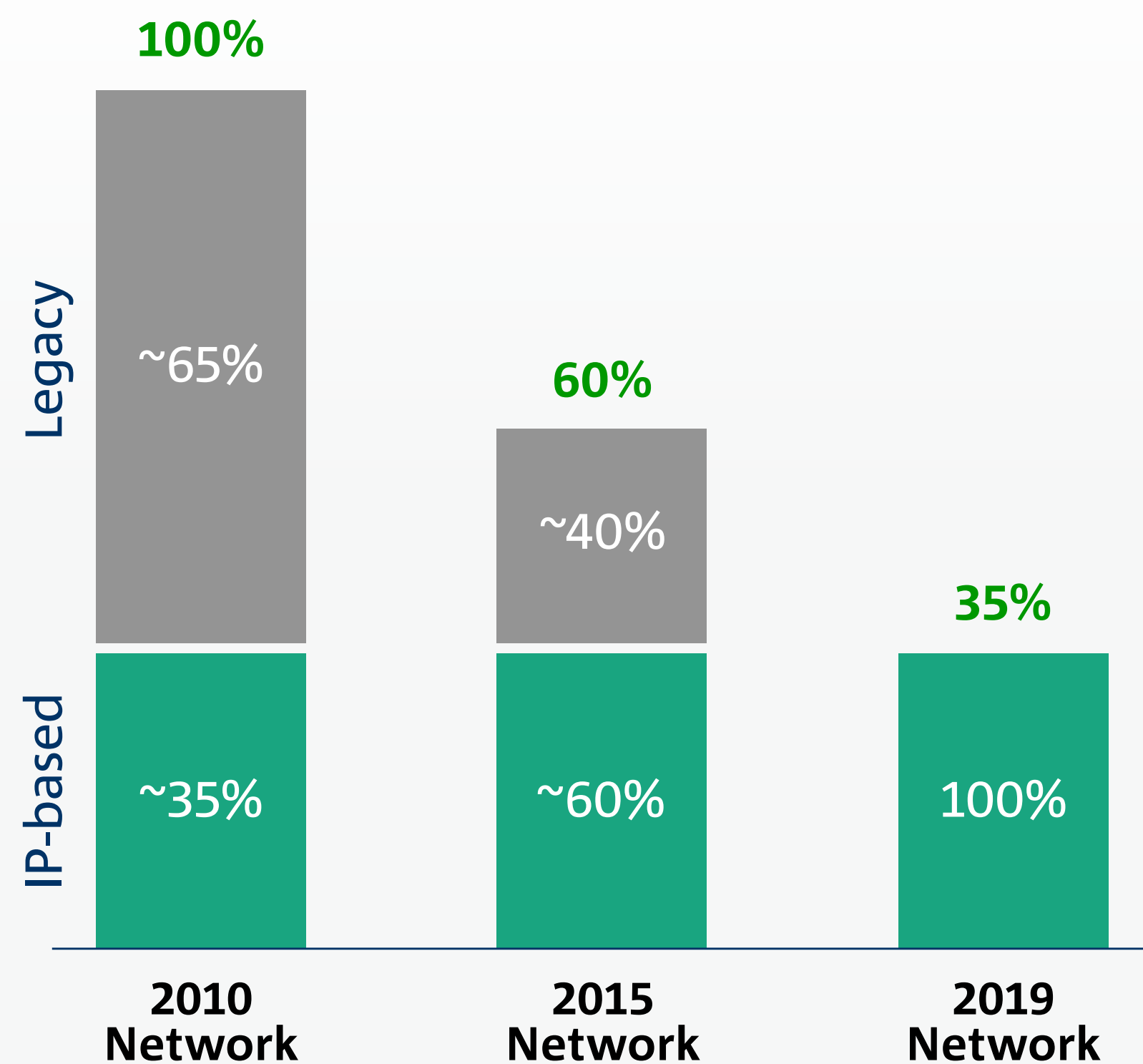
Increase network efficiency & effectiveness

Scope mainly
2017 and onwards

Network rationalization to prepare for virtualization

Reducing complexity and associated costs to enable flexibility

IP TRANSFORMATION



RATIONALIZING & MODERNIZING LEGACY¹

-200GWh + **~€ 35m**
 Reduced energy consumption² Run-rate opex savings³

RATIONALIZING & CONSOLIDATING IP-CORE

- ♦ Integrating fixed and mobile backbones
 - ♦ Moving towards single IP core
- ~€ 25m**
Run-rate opex savings³

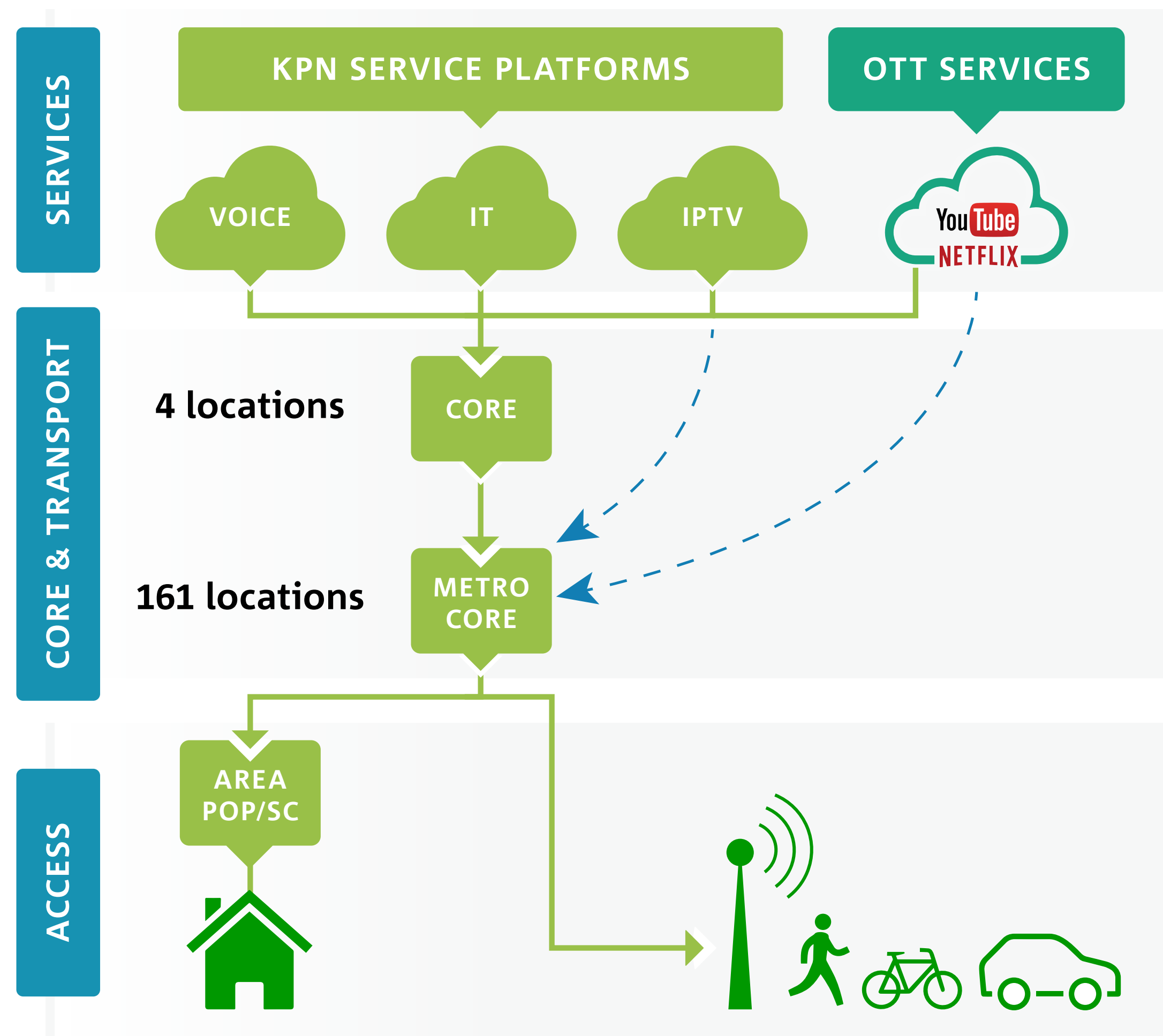
ENABLING ACCESS INDEPENDENT SERVICES



¹ Subject to regulatory approval
² Reduced energy consumption FY 2015 vs. FY 2010 level
³ Run-rate opex savings FY 2019 level vs. FY 2014 level

Decentralize, bringing content closer to customer

Higher network efficiency and improved customer experience



HIGHER NETWORK EFFICIENCY

- ◆ Content Delivery Network (CDN) on 161 Metro Core locations
- ◆ Virtual entry point for bandwidth intensive services, like IPTV, YouTube and Netflix
- ◆ Caching of content improves network efficiency by offloading core and transport network
- ◆ Expected completion 2017

IMPROVING CUSTOMER EXPERIENCE

- ◆ Customer behavior is changing from linear TV to Video on Demand
- ◆ Providing high quality video and faster responsiveness
- ◆ Preparing for low latency services in 5G

Virtualization, a revolution for the industry

Two driving technologies: NfV and SDN

NETWORK FUNCTION VIRTUALIZATION

How network functions are implemented

Hardware becomes cloud



From video recorder to
cloud streaming

SOFTWARE DEFINED NETWORKS

In control of traffic flows

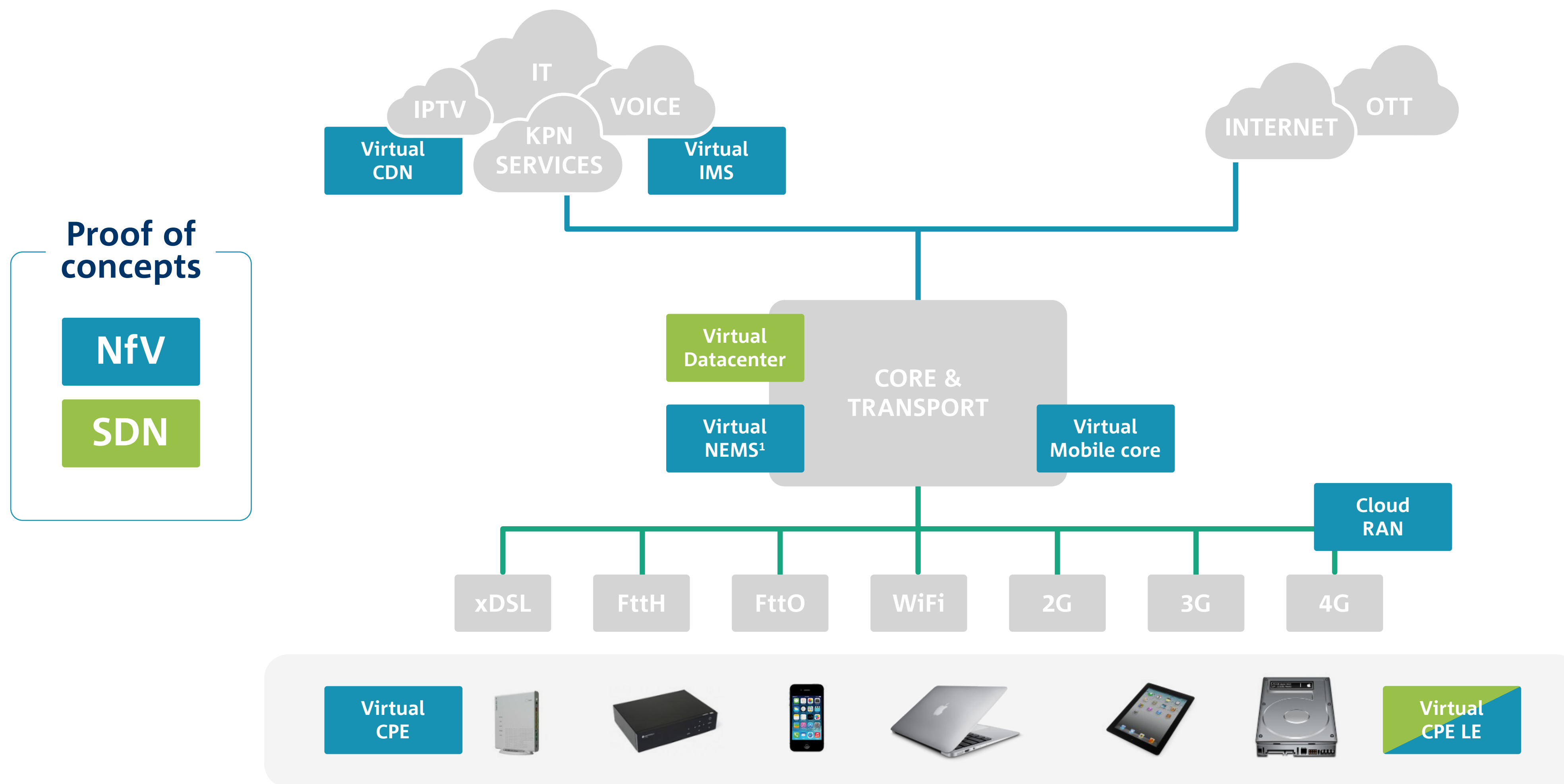
Automatically selecting smartest route



From routing based on maps to
automatic routing with GPS system

Preparing for virtualization in parts of the network

Proof of concepts within all levels



Proof of concepts

Nfv

SDN

¹ Network Elements Management System; part of maintenance infrastructure

Virtualization, benefits for customer & operator



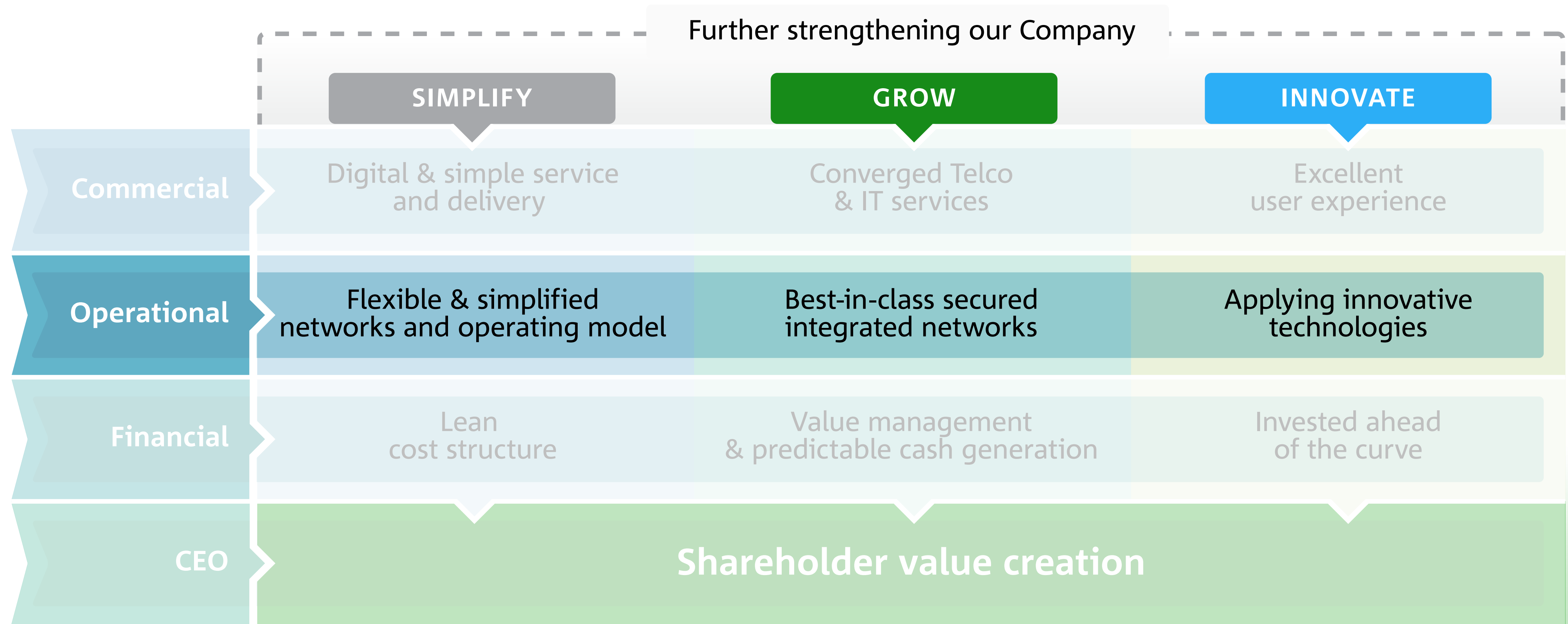
BENEFITS FOR THE CUSTOMER

- On demand provisioning new services**
- Real-time fulfillment capacity demands**
- Try-before-you-buy**
- Longer lifecycle of CPE**



BENEFITS FOR THE OPERATOR

- More efficient use of capacity**
- Increased network scalability**
- Automated provisioning**
- Lower opex and Capex**



Value management and cost focus driving predictable cash generation

KPN Capital Markets Day › March 7, 2016

Jan Kees de Jager
CFO

A white hexagonal shape containing the word 'Simplify' in a black sans-serif font. It is part of a larger graphic consisting of three interlocking hexagons: a white one at the top, a blue one at the bottom left, and a green one at the bottom right. The background of the slide is a blurred image of a hand pointing at a tablet displaying business charts and graphs.

Simplify

A blue hexagonal shape containing the word 'Innovate' in a white sans-serif font. It is part of a larger graphic consisting of three interlocking hexagons: a white one at the top, a blue one at the bottom left, and a green one at the bottom right. The background of the slide is a blurred image of a hand pointing at a tablet displaying business charts and graphs.

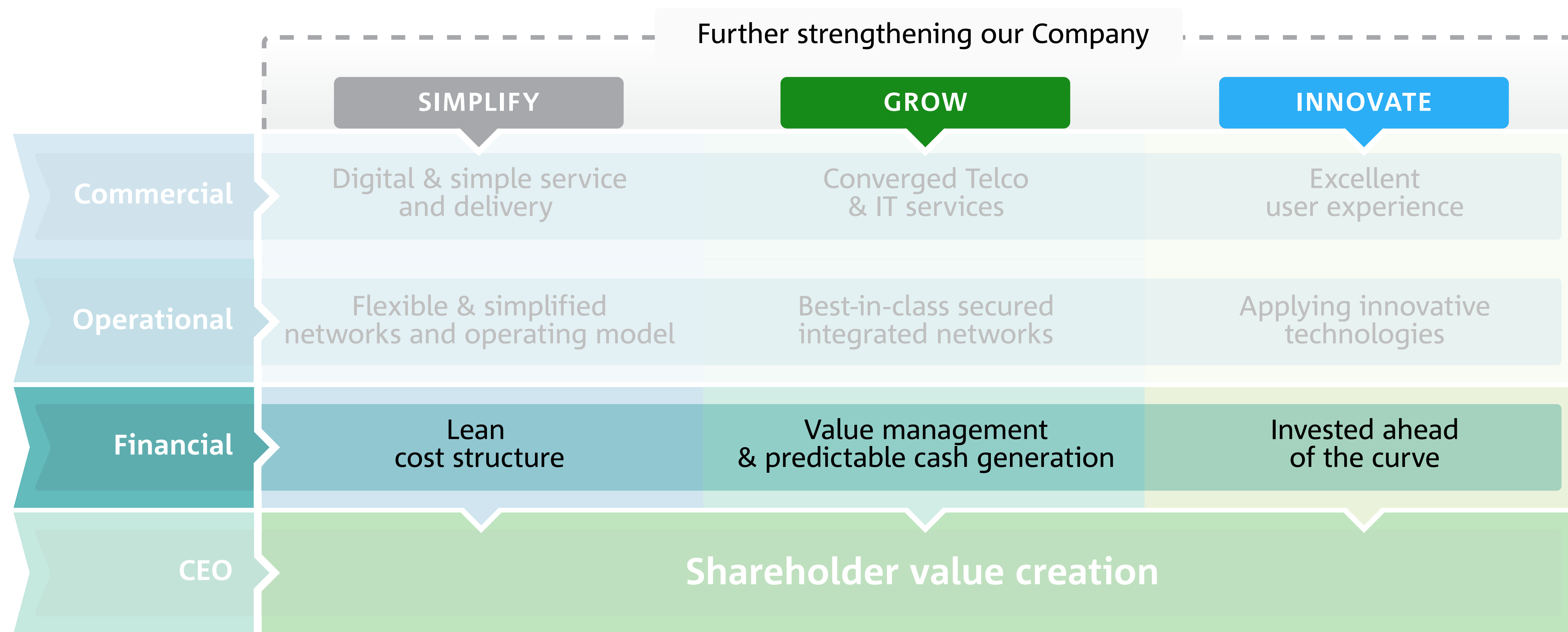
Innovate

A green hexagonal shape containing the word 'Grow' in a white sans-serif font. It is part of a larger graphic consisting of three interlocking hexagons: a white one at the top, a blue one at the bottom left, and a green one at the bottom right. The background of the slide is a blurred image of a hand pointing at a tablet displaying business charts and graphs.

Grow

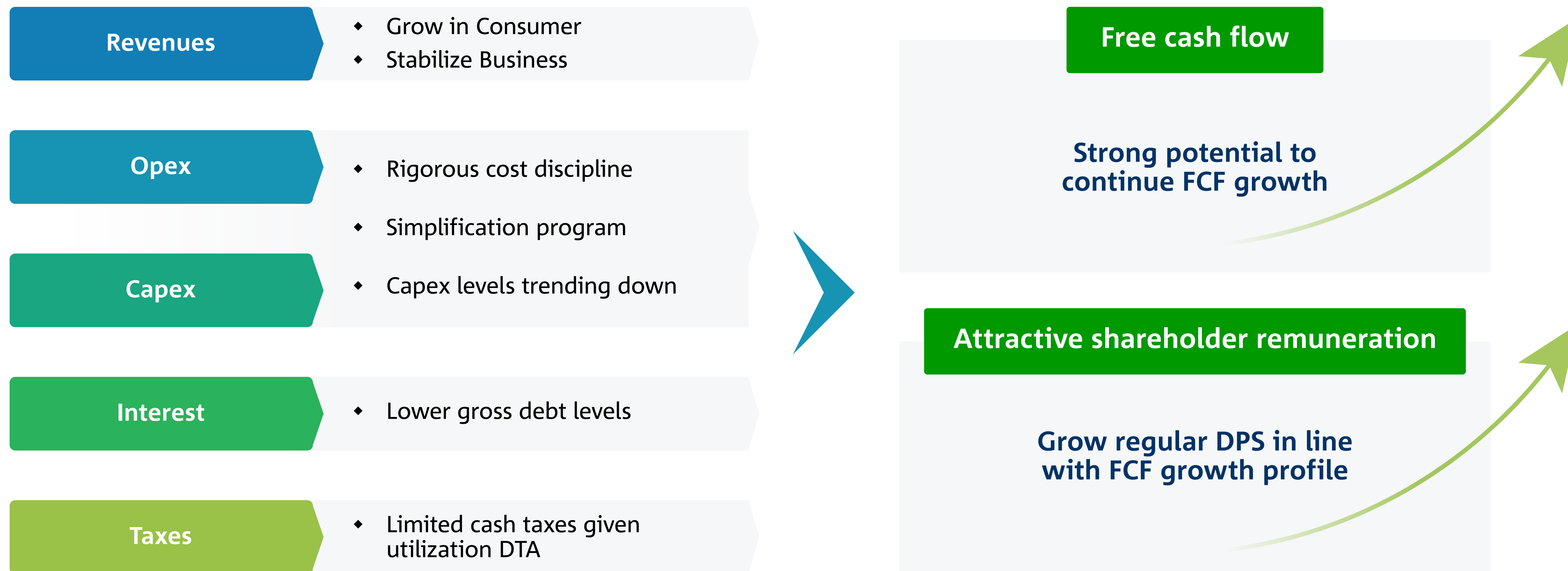
Strategy - Financial

Finance as navigator for business decisions



Key financial priorities for coming years

Predictable cash generation the basis for attractive shareholder returns



Improving revenue profile

Optimizing customer lifetime value

REVENUES

- ◆ Increase revenues in Consumer by growing RGUs per household
 - Increase fixed-mobile penetration
 - Upsell, cross-sell and deep-sell of services

- ◆ Stabilize revenues in Business
 - Consolidate leading positions in Telco services
 - Increase addressable market by growing in IT and new services

DIRECT COSTS

- ◆ SAC/SRC decisions based on value management
- ◆ Marketing tailored to high value segment

EXAMPLE



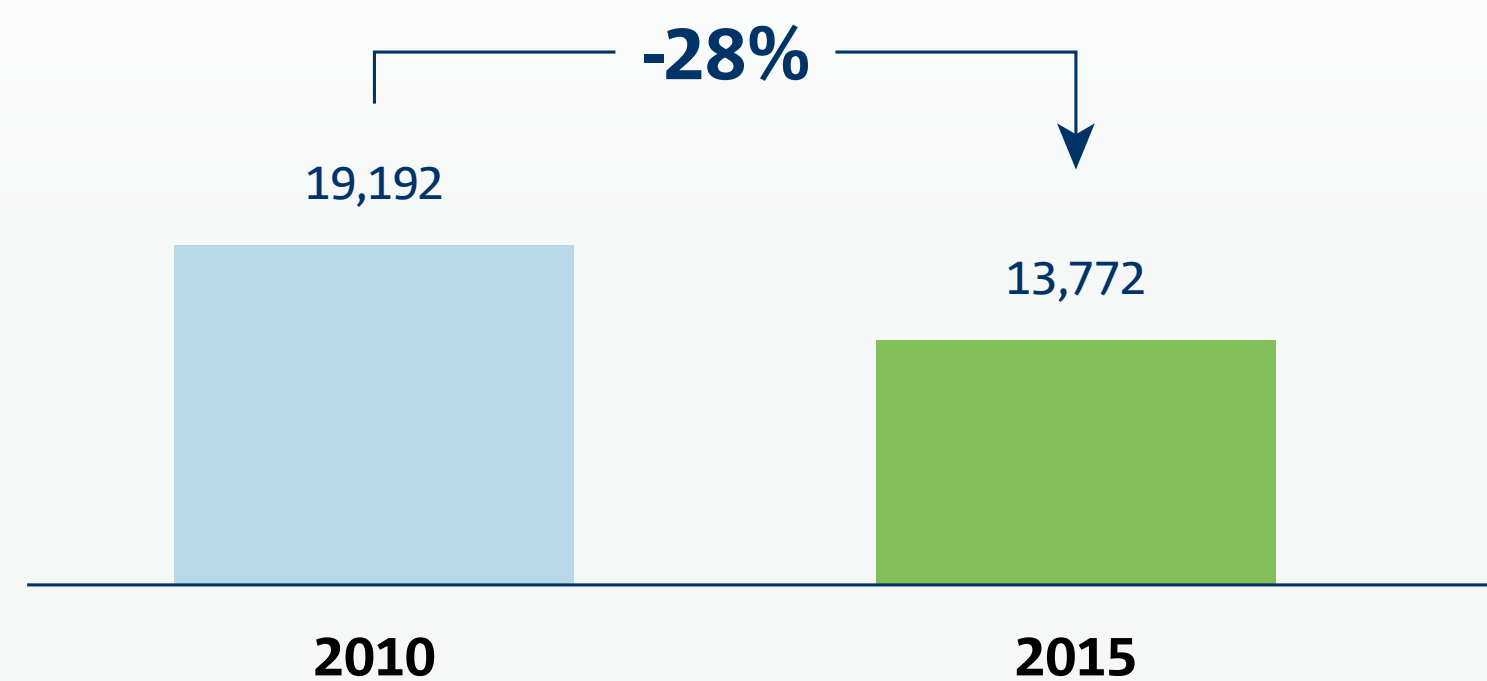
Customer Lifetime Value



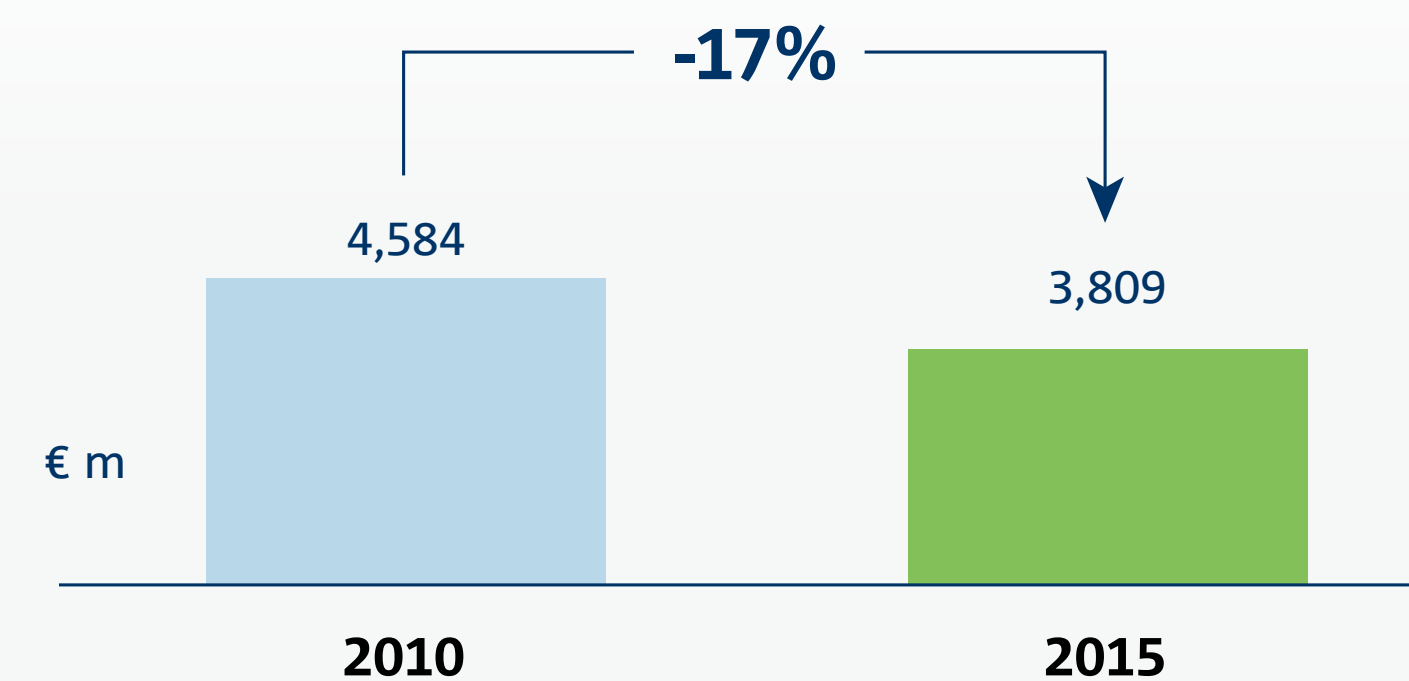
Strong cost reduction track record

Execution of cost programs driving structurally lower spend levels

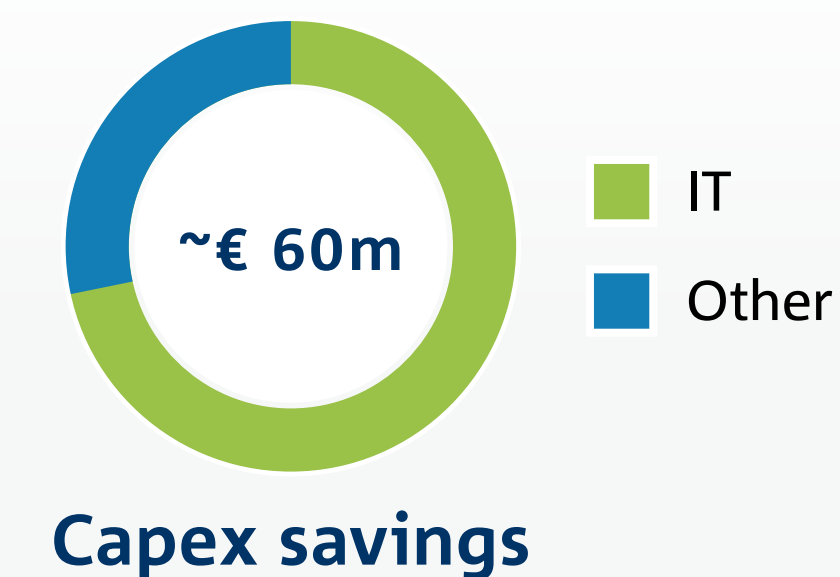
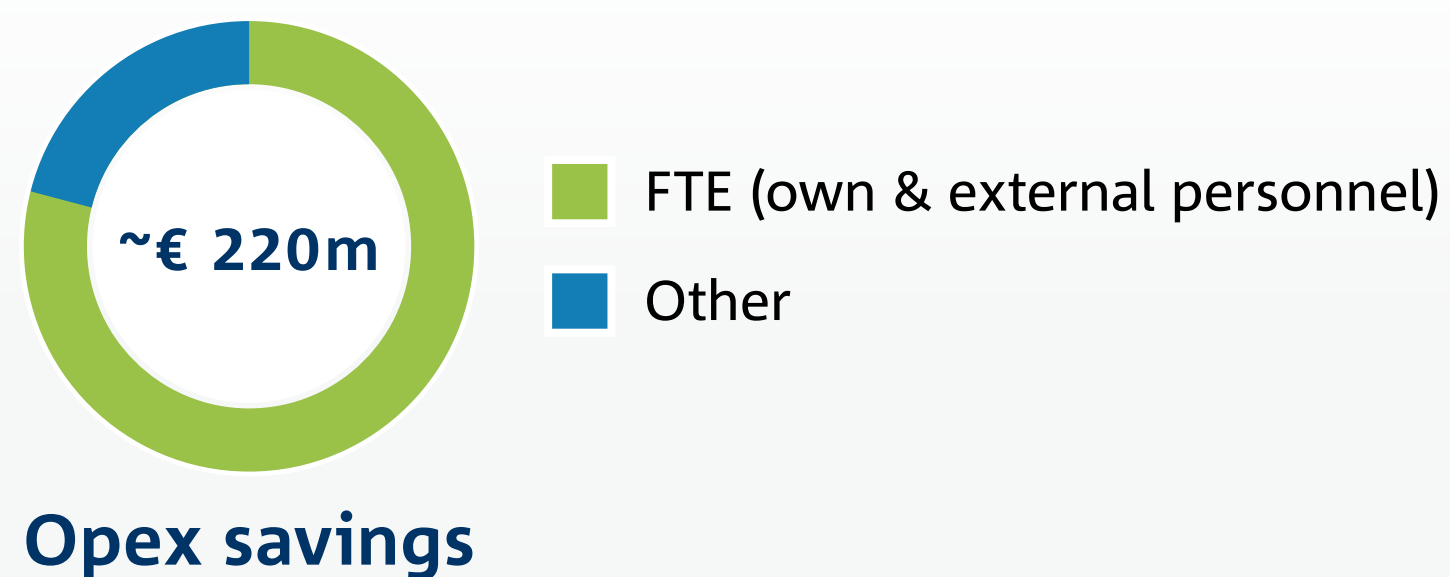
FTEs IN THE NETHERLANDS



OPEX (EXCL. D&A) THE NETHERLANDS



Simplification program well on track¹

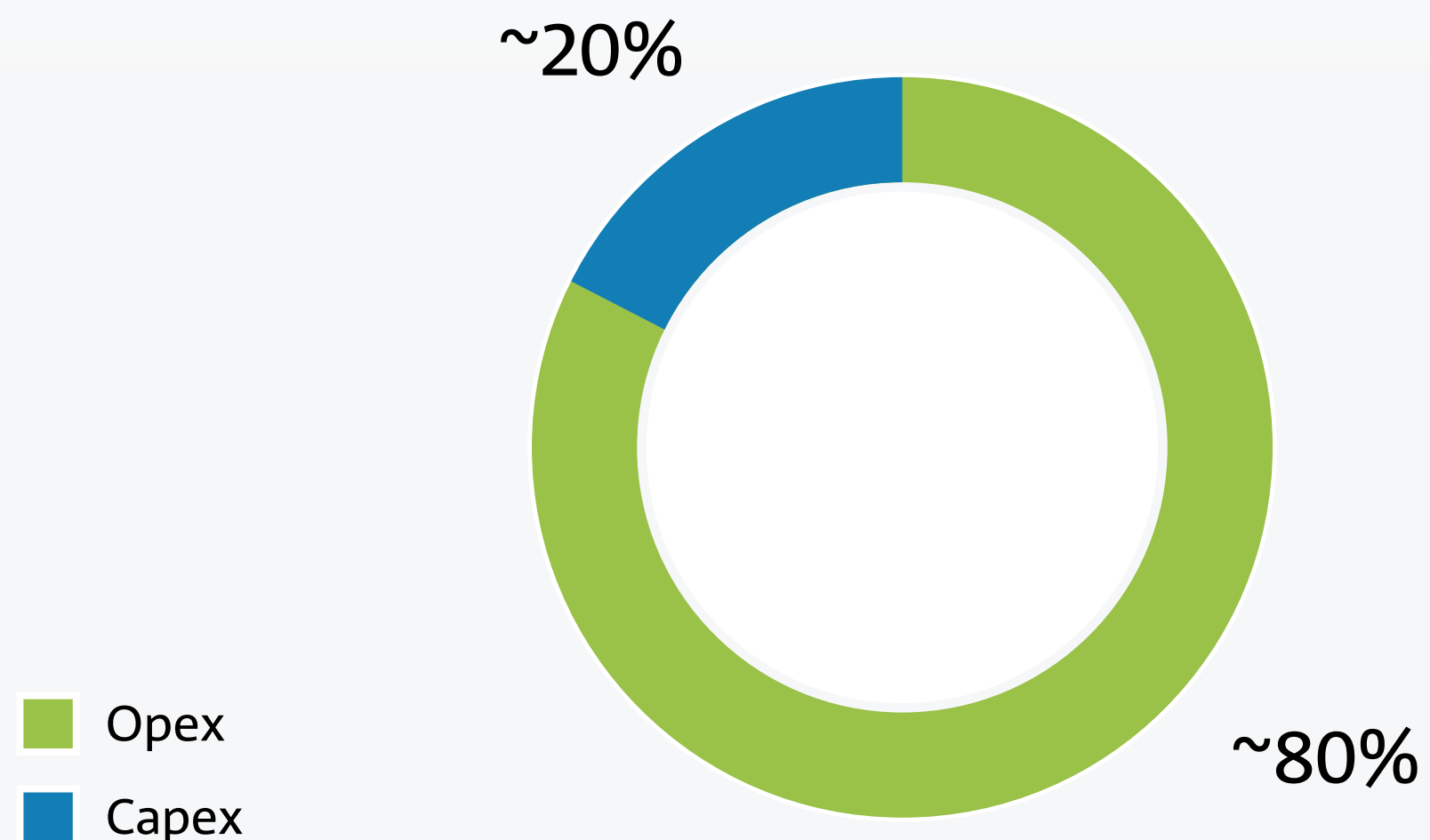


Programs in place to reduce costs further

Simplification and continued rigorous cost discipline

SIMPLIFICATION PROGRAM

- ◆ Targeting ~€ 450m by end of 2016¹
- ◆ Targeting > € 750m by end of 2019¹



RIGOROUS COST DISCIPLINE

- ◆ Spend benchmarking
- ◆ Strict cost discipline approach
 - Proactive procurement management
 - Optimize IT / TI spend
 - Reduction management layers
- ◆ Zero-based budgeting
 - Spend boards on cost categories
- ◆ ESSA program (Eliminate – Simplify – Standardize – Automate)
 - Reduce costs finance organization by 30% in 2018
 - Efficient and more accurate planning and control cycle

Increasing cost visibility for The Netherlands

From segment to functional focus; NetCo as a cost center

REPORTING CHANGES PER Q1 2016

- ◆ Eliminating internal revenues:
 - Network, Operations & IT (former NetCo) as a cost center
 - Improved transparency in segment disclosure
- ◆ Consumer Residential and Consumer Mobile integrated into Consumer segment
- ◆ Corporate Center transferred from Other activities to The Netherlands
- ◆ Increasing cost visibility by moving to new functional split in operating expenses

MOVING TO FUNCTIONAL OPEX SPLIT

CURRENT OPEX SPLIT

Employee benefits	€ 975m
Cost of materials	€ 679m
Work contracted out and other expenses	€ 1,801m
Own work capitalized	€ -87m
Other operating expenses	€ 441m

Total NL opex (excl. D&A) € 3,809m

NEW FUNCTIONAL

OPEX SPLIT

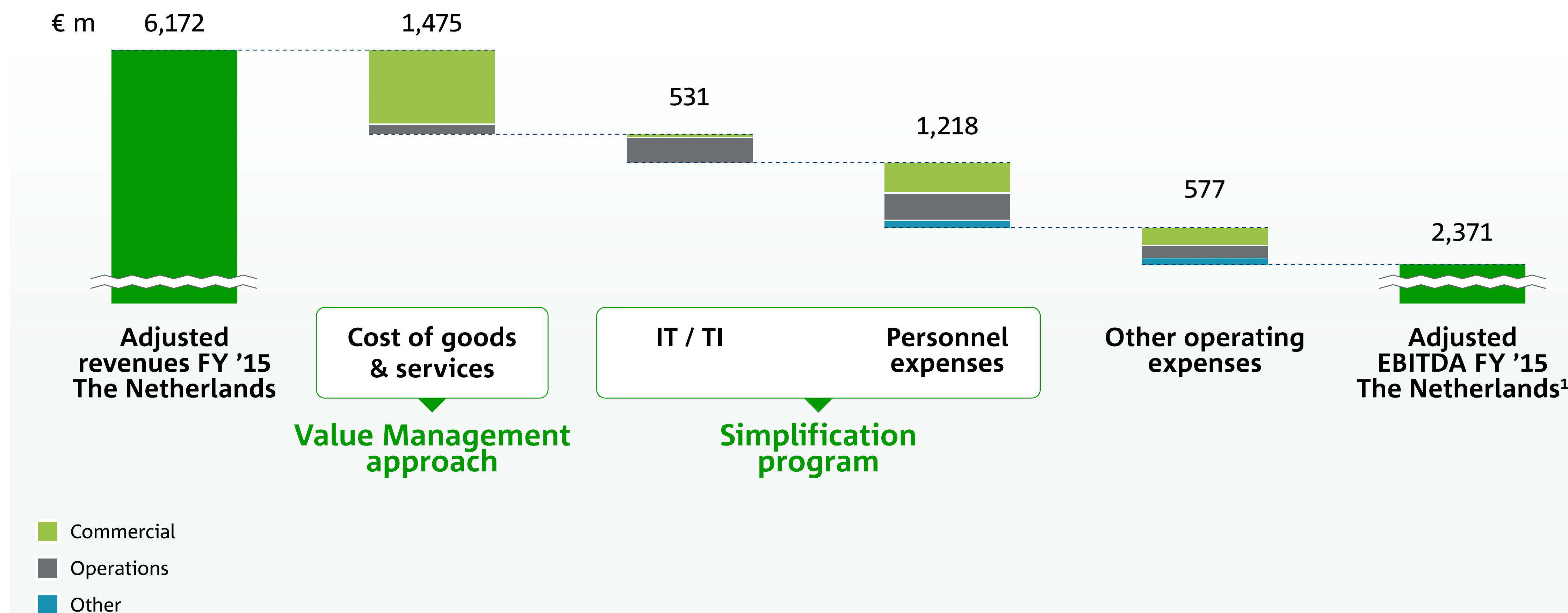
Costs of goods & services	€ 1,475m
IT / TI	€ 531m
Personnel expenses	€ 1,208m
Other operating expenses	€ 647m

Total NL opex (excl. D&A)¹ € 3,861m

¹ Higher total opex in new split due to among others Corporate Center transferred to The Netherlands

Increasing cost visibility for The Netherlands (cont'd)

COGS mainly in Commercial; IT/TI mainly in Operations

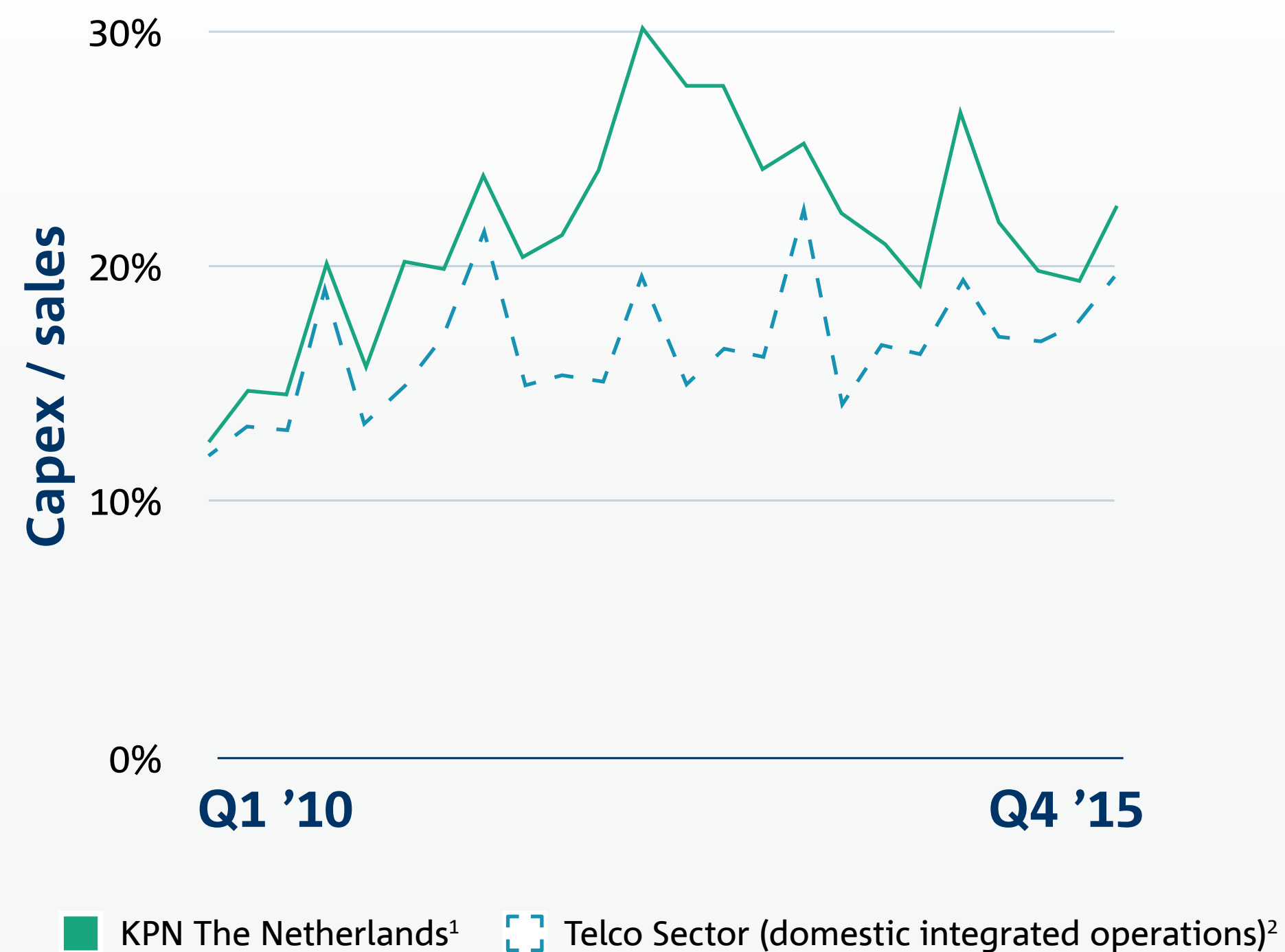


¹ Higher total opex in new split due to among others Corporate Center transferred to The Netherlands

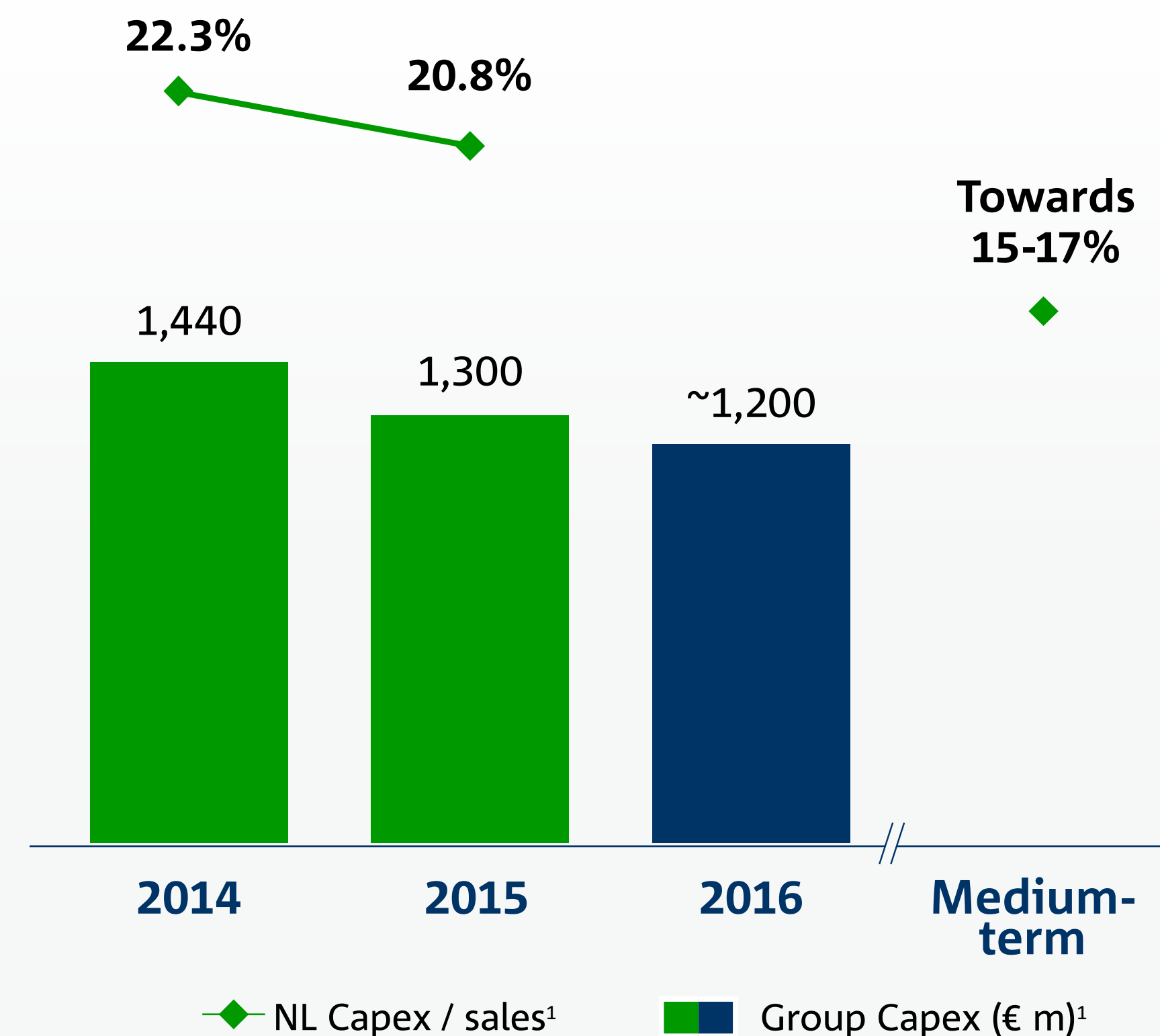
Ahead of the Capex curve

KPN built strong fundamentals in past years

KPN INVESTED AHEAD OF THE CURVE



REDUCING CAPEX



¹ Capex adjusted to include Reggefiber Capex before consolidation
² Euro Telco sector based on company reports, management estimates

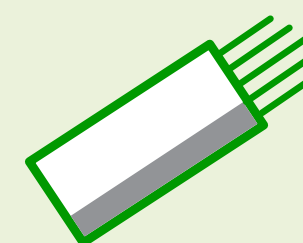
Continue to build capacity at less Capex

Benefit from early investments in best-in-class networks and IT

INVESTMENT PROGRAMS 2016

Targets end-2016

FttC / FttH



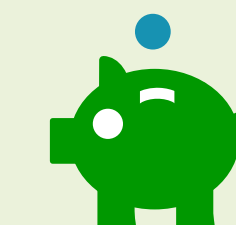
~80% FttC / FttH penetration

Carrier aggregation



800/1800MHz carrier aggregation

Simplification program



~€ 450m savings¹

FUTURE INVESTMENT PROGRAMS IN PLACE

More capacity for less

VPlus

Limited roll-out costs

- ◆ Excellent backbone
- ◆ High FttC penetration

Carrier aggregation

Virtualization

- ◆ Deep FttS penetration
- ◆ Centralized upgrades, less site visits

Simplification

IT processes & networks

- ◆ Operational effectiveness
- ◆ Rationalize IT & networks

Finalizing balance sheet transformation

Solid financial profile and attractive shareholder remuneration

SOLID FINANCIAL PROFILE

Comfortable with current credit profile

MOODY'S
INVESTORS SERVICE

Baa3 / Stable

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

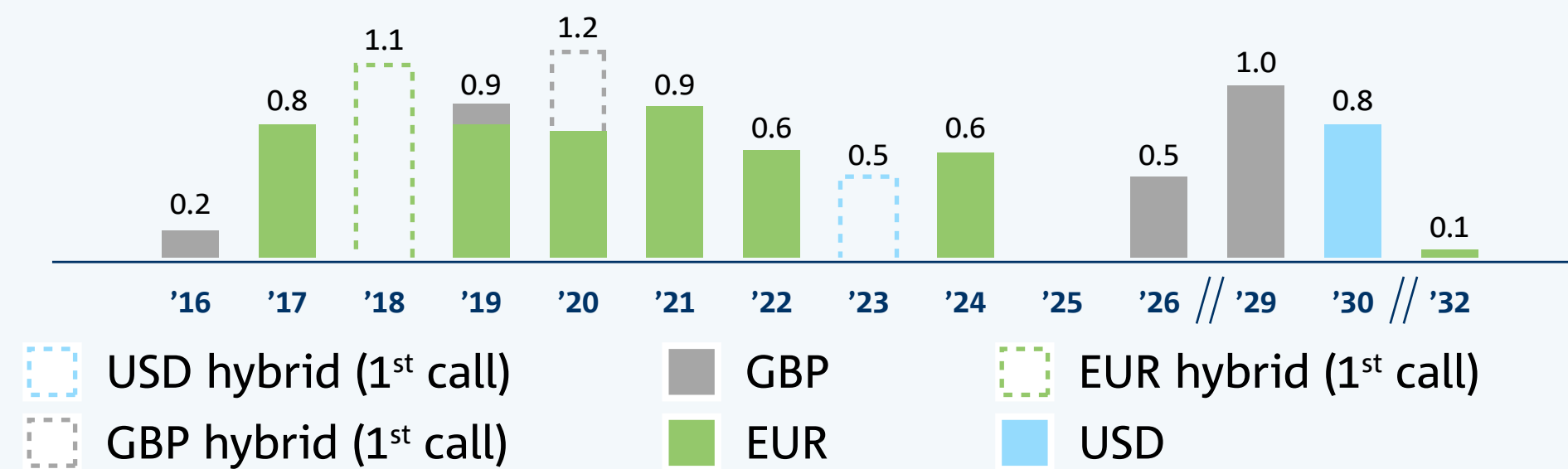
BBB- / Stable

FitchRatings

BBB- / Positive

- ◆ Committed to investment grade credit profile

Smooth bond redemption profile



PROGRESSIVE SHAREHOLDER REMUNERATION

- ◆ Free cash flow growth forms basis for KPN's progressive shareholder remuneration policy
- ◆ Sustainable regular DPS growth in line with free cash flow growth profile

EXCESS CASH POLICY

- ◆ Excess cash could be utilized for
 - Operational / financial flexibility
 - (Small) in-country M&A
 - Shareholder remuneration
- ◆ Intention to distribute large part of excess cash to KPN shareholders

Disciplined portfolio management approach

Focus on fit with KPN strategy and shareholder value creation

PRAGMATIC AND STRATEGIC M&A APPROACH

- ◆ Right asset at the right price
- ◆ Focus on scale and capabilities
- ◆ Small (in-country) M&A



July 2015

- Acquired Internetservices
- Strengthened cloud position



February 2016

- Sale of BASE Company
- Attractive cash consideration (€ 1,325m)

KPN VENTURES TO PROMOTE OUTSIDE-IN INNOVATION

€ 35m Venture Fund established in 2015

VALUE FOR KPN

- ◆ Support existing business
- ◆ Detect and connect outside-in innovations
- ◆ Accelerate growth connected ventures
- ◆ Establish ecosystem

FOCUS AREAS

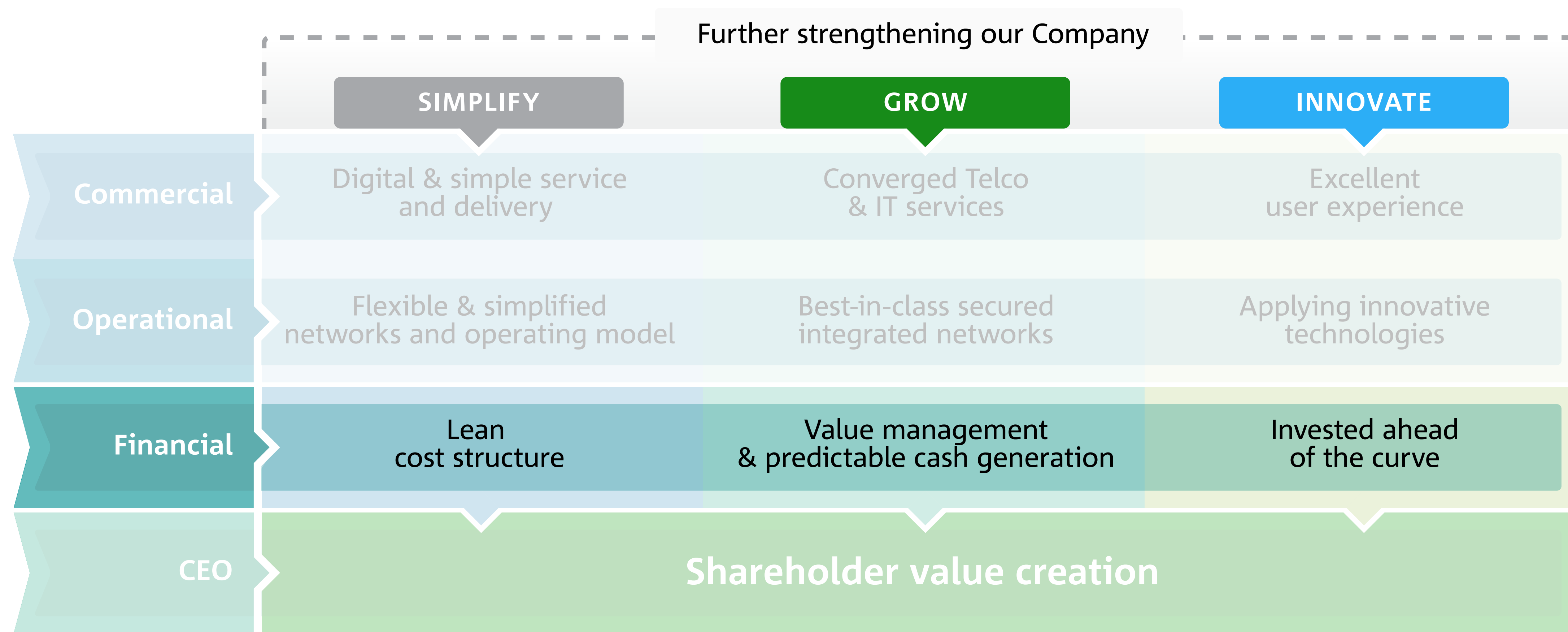
- ◆ Internet of Things, eSecurity, Cloud, eHealth, Connected Home

INVESTMENTS

- ◆ Direct investments
- ◆ Indirect investments in funds
- ◆ Jasper Technologies (2.8% stake) & Actility (~5% stake)



Strategy - Financial



Raising the bar

KPN Capital Markets Day › March 7, 2016

Eelco Blok
CEO

A light grey hexagonal shape containing the word 'Simplify' in a dark grey sans-serif font.

Simplify

A blue hexagonal shape containing the word 'Innovate' in a white sans-serif font.

Innovate

A green hexagonal shape containing the word 'Grow' in a white sans-serif font.

Grow



Key priorities for the coming years

Accelerate up- and cross-sell in bundles

Grow in TV and IT services

Finalize Business transformation

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

Finalize build of flexible and simplified integrated network and operating model

Finalize balance sheet transformation

Grow dividend and distribute large part of excess cash to shareholders

Simplify

Grow

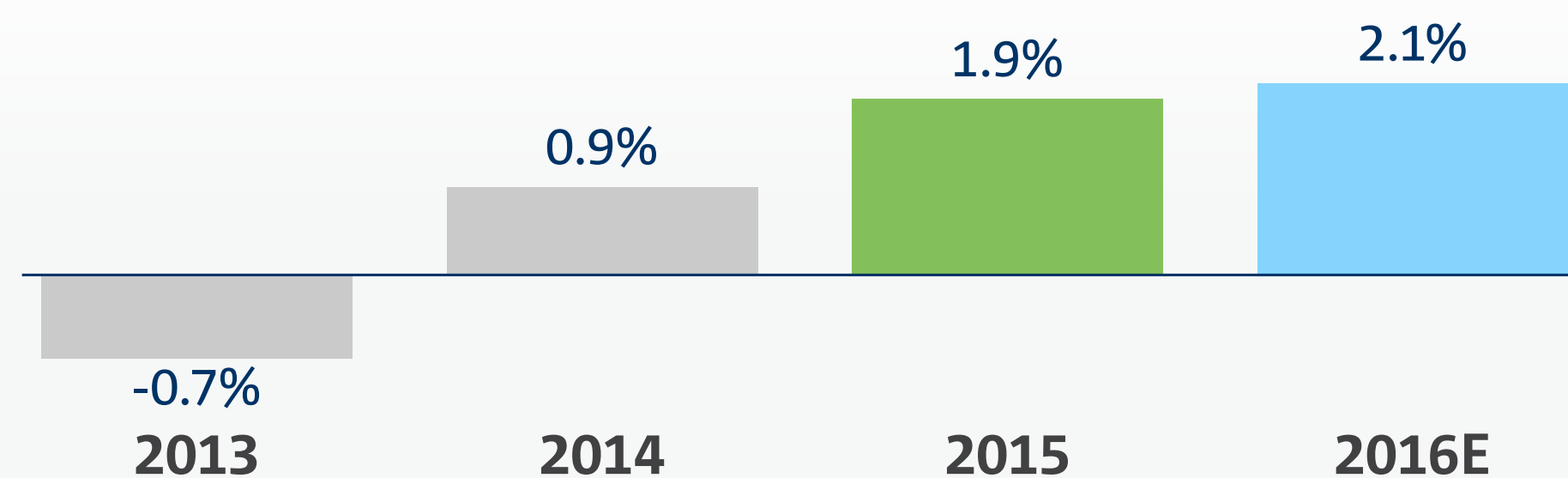
Innovate

External environment reassuring

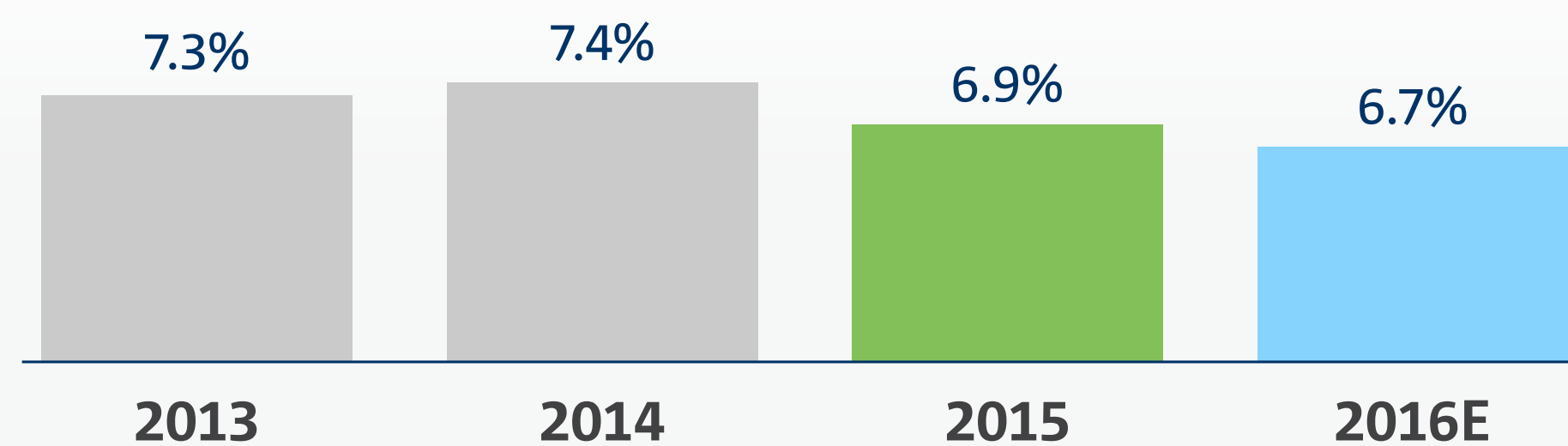
Macro-economy stabilizing with improving competitive position

IMPROVING MACRO-ECONOMY

GDP growth NL¹



Unemployment NL¹



COMPETITIVE ECONOMIC POSITION²

	'15-'16	vs. '14-'15
Germany	4	+1
The Netherlands	5	+3
United Kingdom	10	-1
Denmark	12	+1
Belgium	19	-1

External environment reassuring (cont'd)

Ideal test market to introduce new technologies ahead of the curve

Location of #1 and #6 internet exchange worldwide¹

AMS-IX

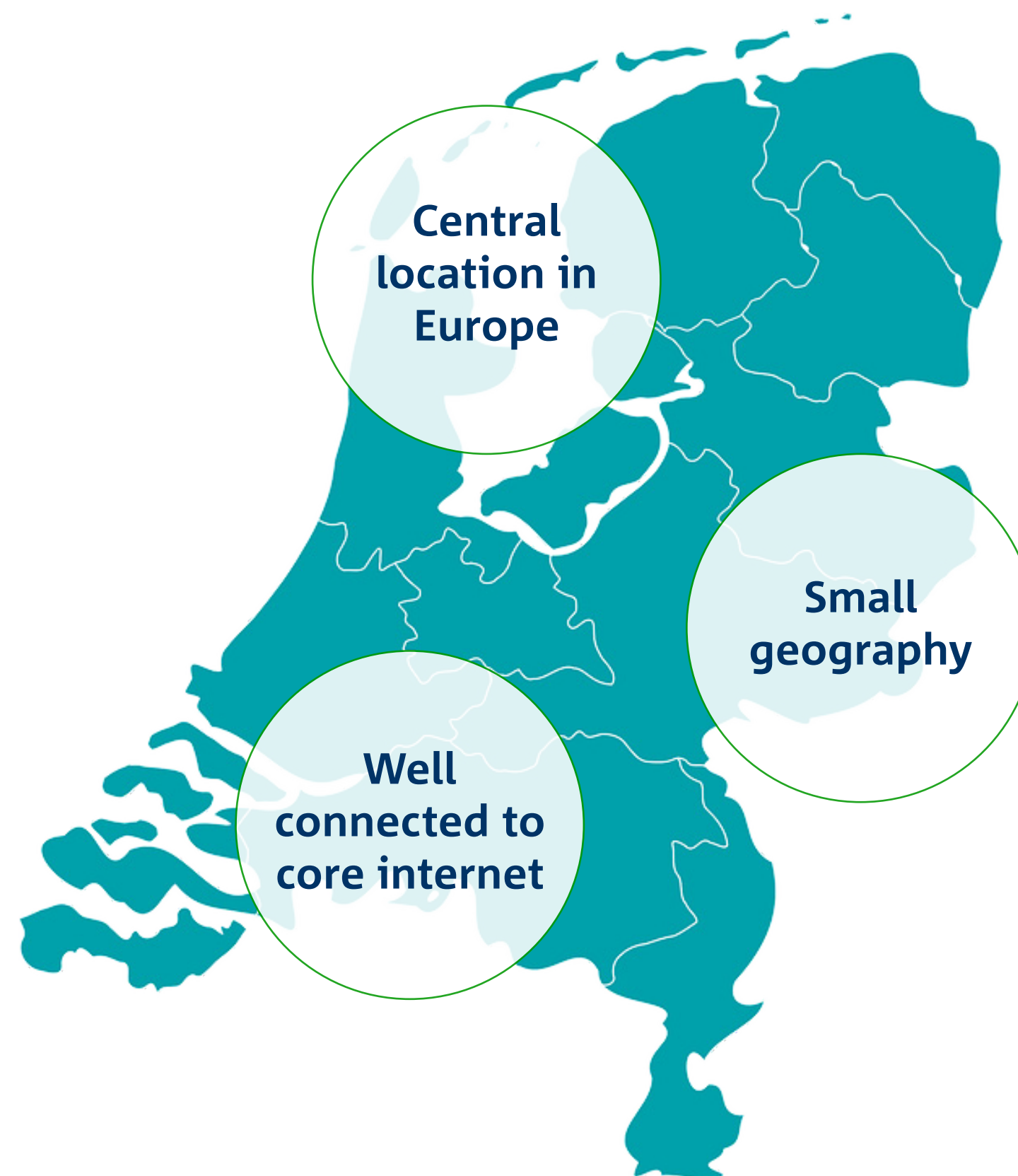
#1

Internet exchange worldwide

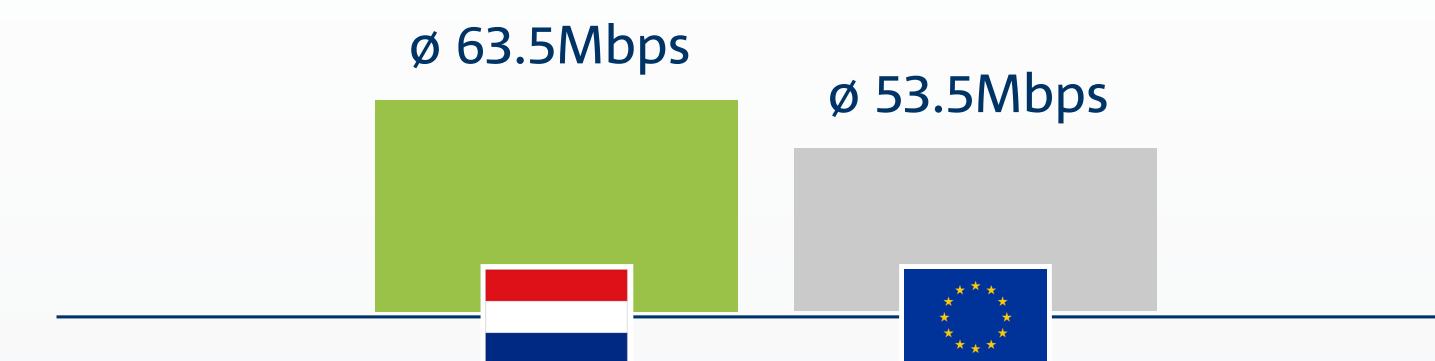
NL-IX

#6

Hosting world's top technology & internet companies¹

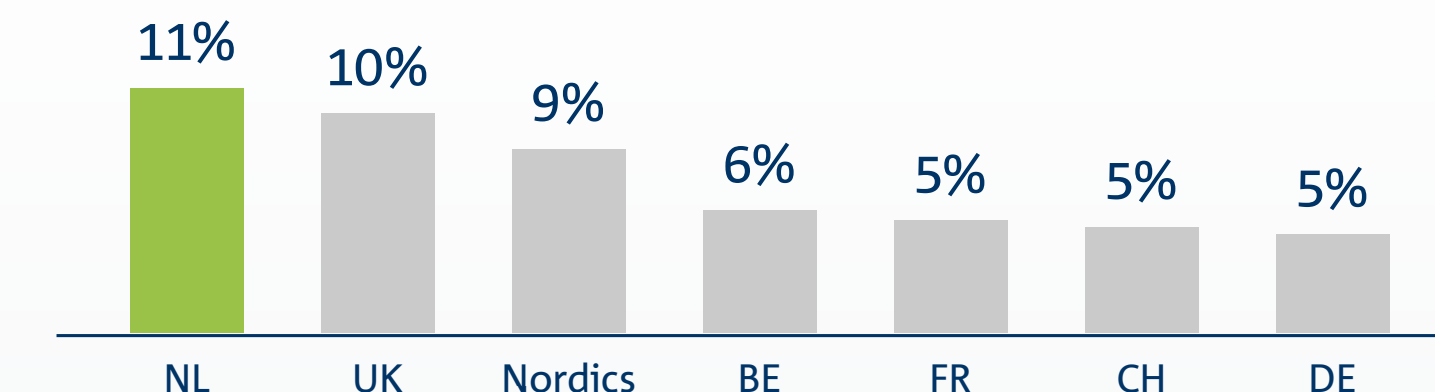


High quality digital infrastructure



Average peak broadband speeds²

Country of early adopters



NETFLIX

Penetration Netflix subscribers³

¹ Deloitte; Digital Infrastructure in The Netherlands

² Akamai; State of the Internet (Q3 2015)

³ Management estimate; penetration NL, UK and Nordics rebased to time lapsed since launch BE, FR, CH and DE

External environment reassuring (cont'd)

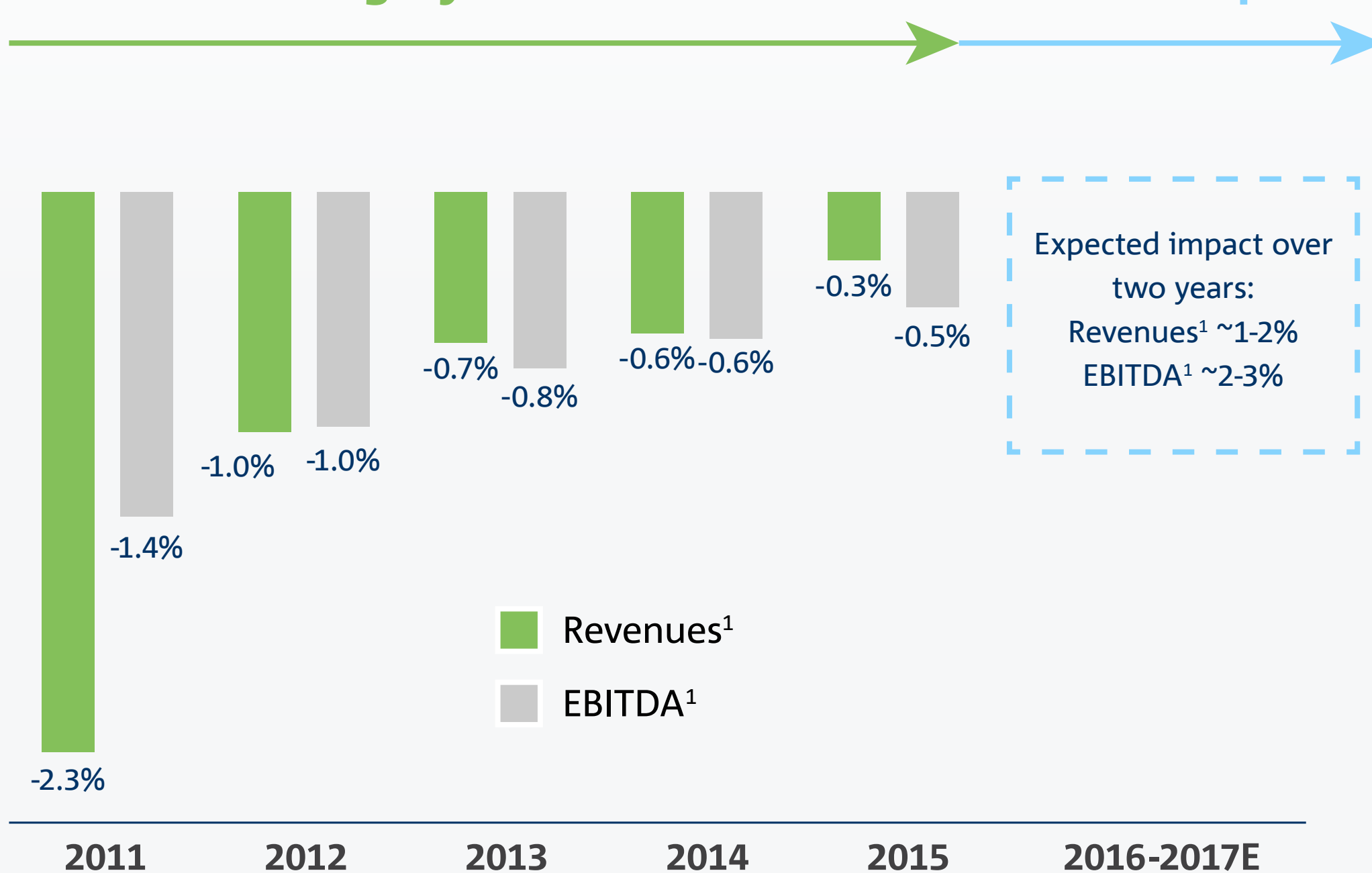
Regulatory impact easing

WIRELESS REGULATORY IMPACT
LARGELY ABSORBED

VOLUNTARY OPEN ACCESS REDUCES
NEED FOR FIXED LINE REGULATION

MTA & roaming glide path
largely absorbed

Roam-like-home
last step



- ♦ Virtual Unbundled Local Access ('VULA') agreements with wholesale parties

- Long-term certainty (7 years)
- Commercially agreed tariffs
- Upgrades of copper network
- Supports innovation and rationalization
- Co-investment
- Improved customer experience

External environment reassuring (cont'd)

Changing dynamics drive emergence of digital life



Streaming



Social



Mobility



Internet of Things

Customer behavior changing

DIGITAL LIFE EMERGING

Key enabling technologies



Cloud



4G & 5G



Fiber































Vectoring



Virtualization

External environment reassuring (cont'd)

KPN strongly positioned as only integrated service provider

					
Fixed network	FttC, FttH	Coax	Wholesale KPN	N/A	Wholesale KPN
Broadband market share ¹	41%	43%	N/A	N/A	4%
TV product perception ²			N/A	N/A	
TV market share ¹	29%	52%	N/A	N/A	2%
Mobile network	2G, 3G, 4G	MVNO	2G, 3G, 4G	2G, 3G, 4G	4G + MVNO
Mobile network quality ³					
Mobile market share ⁴	44%	N/A	35%	21%	N/A
Fixed-mobile convergence					
Business market presence	SME, LE, Corporate	SME	SME, LE, Corporate	SME, LE	SME, LE
Business market capabilities					
Trusted brand					

¹ Telecompaper
² Independent market survey (Consumentenbond; Q3 2015)
³ Independent market survey (Q4 2015)
⁴ Total Dutch (Consumer and Business) mobile service revenue market share

Strong fundamentals to deliver shareholder value

Ahead of the curve in Europe

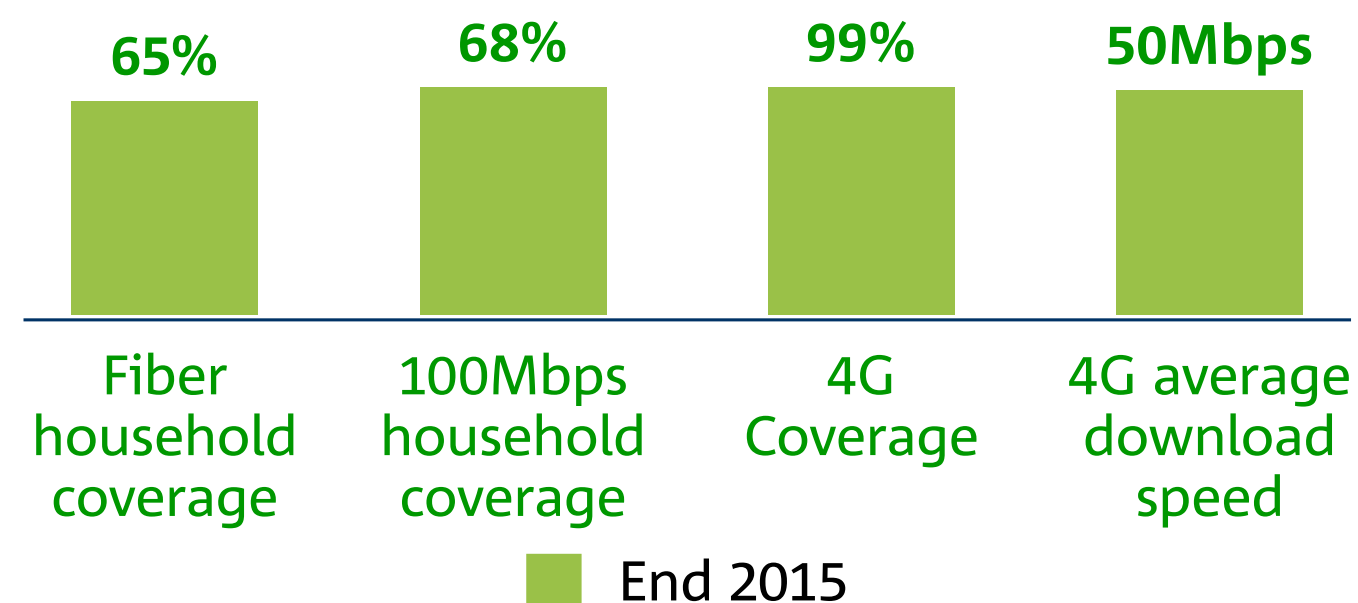
LEADING INNOVATIVE & DIFFERENTIATING CONVERGED SERVICES

Strong growth of services



BEST-IN-CLASS INTEGRATED NETWORKS & ICT INFRASTRUCTURE

Advanced fixed & mobile network



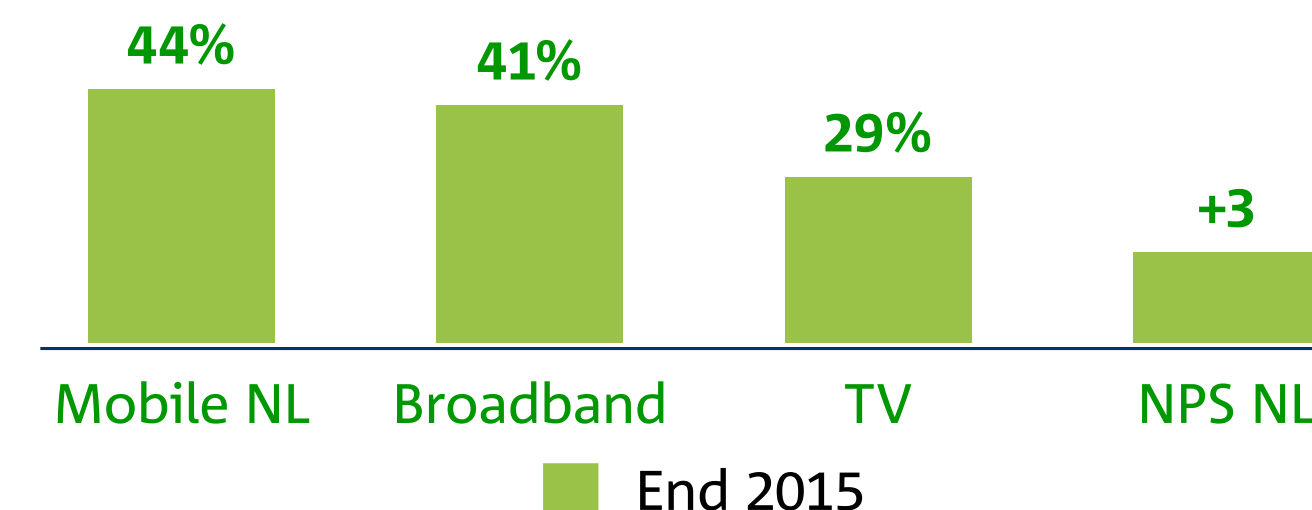
Simplify

Innovate

Grow

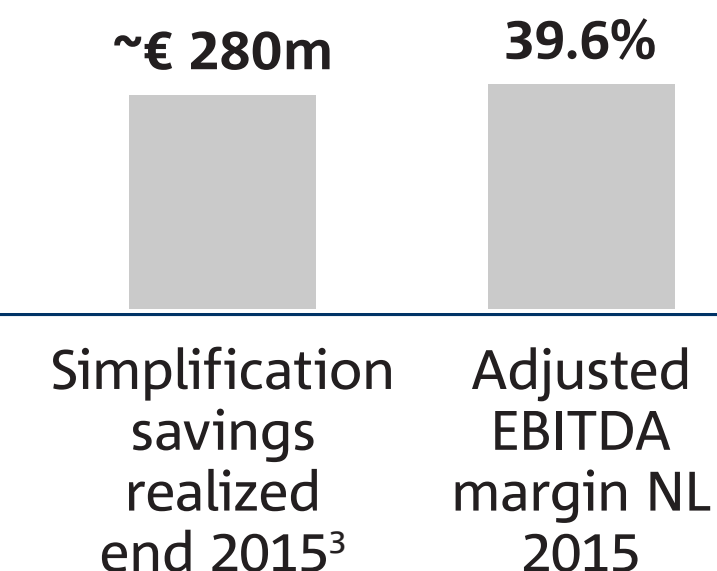
STRONG MARKET POSITIONS & BEST SERVICE PROVIDER

Solid market shares and leading NPS level



LEAN OPERATING MODEL DRIVING STRUCTURALLY LOWER COST BASE

Continuous focus on efficiency



¹ Retail postpaid subscribers in fixed-mobile bundles
² Retail and Business
³ Run-rate Capex and opex savings target vs. FY 2013 level

Transforming into Business ICT service provider

- 1 Realize growth by strengthening and deepening customer relations
- 2 Clear market segmentation with a targeted sales approach
- 3 Strengthen portfolio & distribution via partnerships
- 4 Rationalize & simplify products and services to create standardized building blocks
- 5 Operational excellence to improve customer experience
- 6 De-risk revenue profile

Improve profitability and stabilize revenues

Consumer strategy centered around household

1

Increase penetration of fixed-mobile bundles

2

Reduce churn by increasing loyalty and customer satisfaction

3

Accelerate up- and cross-sell in bundles

4

Grow in TV via cloud-based IPTV platform

5

Benefit from growing mobile data usage

6

Further improve excellent customer experience

Grow revenues, increase loyalty and reduce cost to serve

Expanding superior network position

1 Simplify operating model to improve customer experience and operational effectiveness

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

3 Finalize build of flexible and simplified integrated network

Ensuring best-in-class customer experience

Synergy realization through partnerships

Teaming up to offer unique customer experience

Content



Technology



New business



Commercial



Leading example of responsible service provider

Assuming our role in society

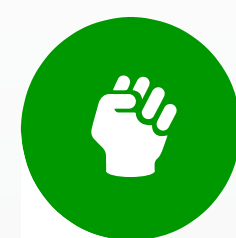
SUCCESSFUL CORPORATE SOCIAL RESPONSIBLE STRATEGY

18%
vs. 2010



Energy
reduced

77%
vs. 63% end 2013



Engaged
employees

73%¹
vs. 69% end 2013



Secure
connectivity

Recognition



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



CORE PRINCIPLES EMBEDDED IN MANAGEMENT INCENTIVE PLANS

Short-term targets

Financial (Revenue, EBITDA, FCF)

Non-Financial (NPS, churn, customer bases)

REWARD: CASH

Long-term targets

Financial (TSR vs. peer group, EPS, FCF)

Non-Financial (Energy reduction, reputation)

REWARD: CONDITIONAL SHARES

Growing free cash flow to drive shareholder value

Developing towards highly cash generative company

Strong free cash flow potential

1 Grow revenues in Consumer, stabilize in Business

2 Rigorous focus on driving down costs

3 Capex levels trending down

4 Lower interest payments going forward

5 Limited cash taxes in The Netherlands

Solid financial position

- ◆ Committed to investment grade credit profile
- ◆ 15.5% Telefónica Deutschland stake provides additional financial flexibility

Commitment to growing shareholder returns

- ◆ Free cash flow growth to drive growing shareholder remuneration
- ◆ Intention to distribute large part of excess cash to KPN shareholders

Outlook 2016

EBITDA

Adjusted EBITDA in line with 2015

Capex

Capex ~€ 1.2bn

Free cash flow

Free cash flow (excl. TEFD dividend) > € 650m

Dividend

Dividend per share of € 0.10 in respect of 2016
Capital repayment per share of € 0.28 in 2016

Excess cash

Potential additional shareholder remuneration via 15.5% stake
in Telefónica Deutschland

Medium-term ambitions

Ambition for coming three to five years

Revenues

Consumer growing
Business stabilizing

EBITDA

Adjusted EBITDA margin The Netherlands \geq 3%-points increase vs. 2015

Capex

Capex The Netherlands trending down towards 15-17% of sales

Dividend

Growing in line with free cash flow growth profile

Excess cash

Potential additional shareholder remuneration via 15.5% stake in Telefónica Deutschland

Key priorities for the coming years

Accelerate up- and cross-sell in bundles

Grow in TV and IT services

Finalize Business transformation

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

Finalize build of flexible and simplified integrated network and operating model

Finalize balance sheet transformation

Grow dividend and distribute large part of excess cash to shareholders

Simplify

Grow

Innovate

Safe harbor

Non-GAAP measures and management estimates

This financial report contains a number of non-GAAP figures, such as EBITDA and Free Cash Flow ('FCF'). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP 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. 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 2015.