

Fourth Quarter and Annual Results 2014

4 February 2015



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 and impairments of PP&E and amortization and 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 operating activities plus proceeds from real estate, minus capital expenditures (Capex), being expenditures on PP&E and software and excluding tax recapture regarding E-Plus. 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. Underlying service revenues are derived from service revenues adjusted for the impact of MTA and roaming (regulation) 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 www.kpn.com/ir

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 2013.

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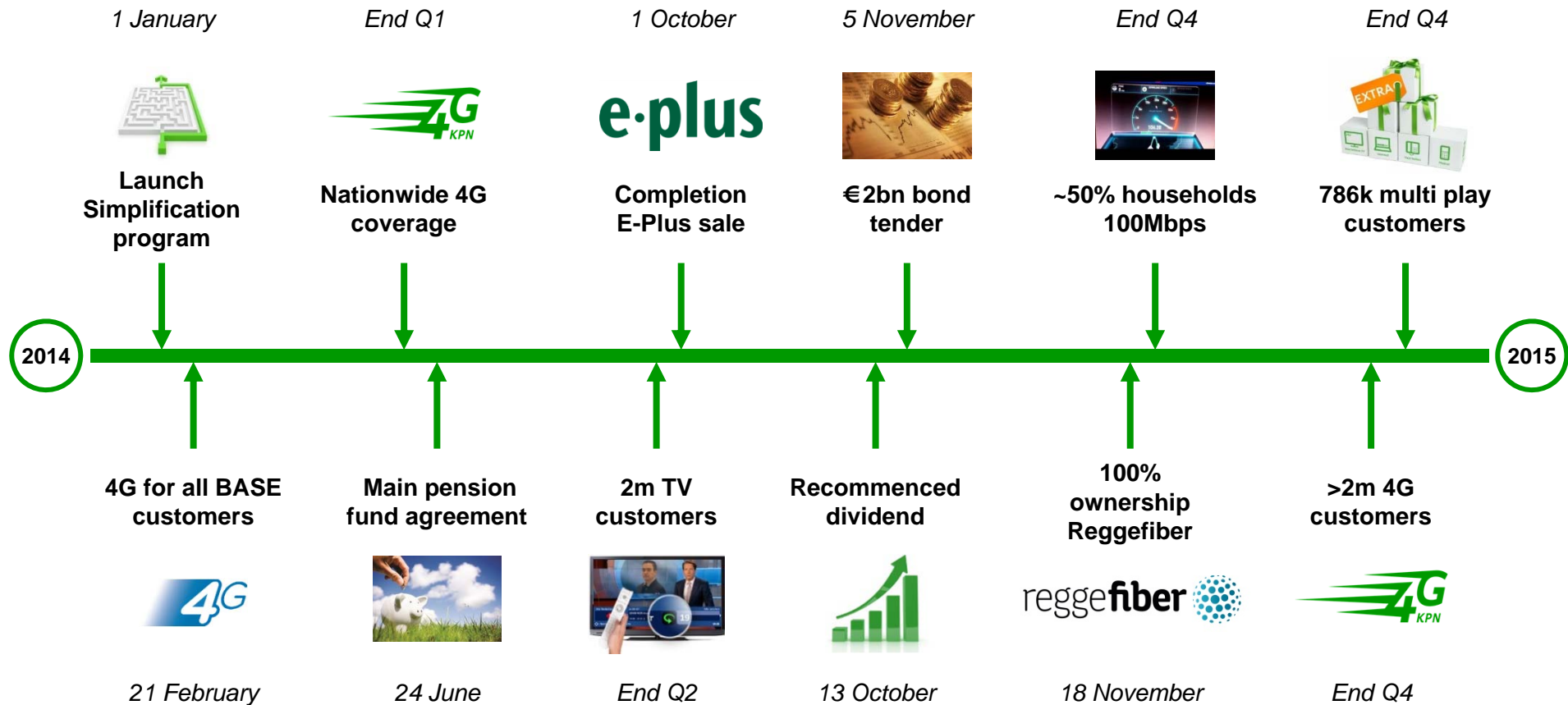
1	Chairman's review	Eelco Blok
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Executive summary

- Good strategic progress in transformational year
- Strong customer base growth and all-time high customer satisfaction in The Netherlands
- Strong increase 4G coverage in Belgium
- Simplification program ahead of plan
- Financial performance stabilizing
- Significant increase financial flexibility

2014 in review

Good strategic progress in transformational year



Priorities 2015 and beyond

Continue building on strong fundamentals

Strong customer focus



- Growth converged customer base
- Expand differentiating services (TV Everywhere, Cloud)
- Continued increase customer satisfaction

Strengthen capacity best-in-class networks



- ~85% households access to 100Mbps end-2016
- Increase capacity 4G network

Continue to simplify and rationalize



- Simplify processes
- Rationalize networks & IT
- Implement new management structure

Outlook 2015

- Adjusted EBITDA stabilized by end-2015
- Capex < € 1.4bn
- Growing free cash flow (excl. TEFD dividend)¹
- Additional cash flow via potential dividend from 20.5% stake in Telefónica Deutschland

¹ Free cash flow outlook defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding potential Telefónica Deutschland dividend. The one-off pension payment, cash out related to reduced supplier payment terms and other large non-recurring items are excluded from the 2014 free cash flow to define the base for the 2015 outlook

Shareholder remuneration

Dividend payments recommenced

- Intended DPS of € 0.07 in respect of 2014
 - € 0.05 final dividend expected in April 2015¹
- Intended DPS of € 0.08 in respect of 2015
- Growing DPS expected in respect of 2016

Excess cash

- 20.5% stake Telefónica Deutschland treated as financial investment
 - Cash upside via dividend payments
 - Exposure to > € 5bn synergy potential
- Excess cash could be utilized for
 - Operational / financial flexibility
 - (Small) in-country M&A
 - Shareholder remuneration

¹ Subject to AGM approval

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Group results Q4 '14 (continuing operations)

€ m (continuing operations)	Q4 '14	Q3 '14	Q4 '13	y-on-y %
Revenues	2,105	1,978	2,061	2.1%
Adjusted revenues¹	2,068	1,978	2,068	flat
Opex (excl. D&A)	1,414	1,345	1,480	-4.5%
EBITDA ²	691	633	581	19%
Adjusted EBITDA³	669	650	690	-3.0%
– Depreciation ⁴	324	294	328	-1.2%
– Amortization ⁴	149	146	155	-3.9%
Operating expenses	1,887	1,785	1,963	-3.9%
Operating profit	218	193	98	>100%
Financial income/expense	-328	-255	-243	35%
Share of profit of associates	-2	-3	-	n.m.
Profit before taxes	-112	-65	-145	-23%
Taxes	75	-11	37	>100%
Profit after taxes	-37	-76	-108	-66%

- Adjusted revenues flat y-on-y
 - Amended for tax settlement benefit (€ 44m) down 2.1% y-on-y (Q3 '14: -4.9% y-on-y)
 - Ongoing decline business market size partly offset by positive impact base growth
- Opex (excl. D&A) decreased 4.5% y-on-y
 - Provisions KPNQwest and other legal claims (~€ 80m) negatively impacted opex Q4 '13
 - Lower personnel expenses offset by investments in customer base growth
- Adjusted EBITDA down 3.0% y-on-y
 - Amended for tax settlement benefit (€ 44m) and phasing out handset lease (~€ 8m) down 8.3% y-on-y (Q3 '14: -12% y-on-y)
- Higher financial expenses driven by bond tender premiums

1 Adjusted revenues are derived from revenues and other income and are adjusted for the impact of incidentals
 2 Defined as operating profit plus depreciation, amortization & impairments
 3 Adjusted EBITDA is derived from EBITDA and is adjusted for the impact of restructuring costs and incidentals
 4 Including impairments, if any

Group results FY '14 (continuing operations)

€ m (continuing operations)	FY '14	FY '13	%
Revenues	8,083	8,472	-4.6%
Adjusted revenues¹	8,024	8,442	-5.0%
Operating expenses (excl. D&A)	5,068	5,589	-9.3%
EBITDA ²	3,015	2,883	4.6%
Adjusted EBITDA³	2,573	3,022	-15%
- Depreciation ⁴	1,243	1,258	-1.2%
- Amortization ⁴	577	599	-3.7%
Operating expenses	6,888	7,446	-7.5%
Operating profit	1,195	1,026	16%
Financial income/expense	-903	-757	19%
Share of profit of associates	-6	-7	-14%
Profit before taxes	286	262	9.2%
Taxes	-47	31	<i>n.m.</i>
Profit after taxes	239	293	-18%

- Adjusted revenues down 5.0% y-on-y
 - Ongoing decline business market size partly offset by positive impact base growth
- Opex (excl. D&A) decreased 9.3% y-on-y
 - Supported by release of pension provisions (-8.5%) and lower personnel expenses
 - Negatively impacted by phasing out handset lease (+4.3%)
- Adjusted EBITDA down 15% y-on-y
 - Amended for phasing out handset lease (~€ 120m) down 11% y-on-y
- Reported EBITDA FY '14 supported by € 477m release of pension provisions (€ 382m net of tax)
- Higher financial expenses driven by bond tender premiums

1 Adjusted revenues are derived from revenues and other income and are adjusted for the impact of incidentals

2 Defined as operating profit plus depreciation, amortization & impairments

3 Adjusted EBITDA is derived from EBITDA and is adjusted for the impact of restructuring costs and incidentals

4 Including impairments, if any

Group cash flow Q4 '14 (continuing operations)

€ m (continuing operations)	Q4 '14	Q4 '13	%
EBITDA	691	581	19%
Interest paid/received	-120	-70	71%
Tax paid/received	65	-35	<i>n.m.</i>
Change in provisions ¹	-275	-35	>100%
Change in working capital ¹	-84	208	<i>n.m.</i>
Other movements	6	-	-
Net cash flow from operating activities	283	649	-56%
Capex²	482	411	17%
Proceeds from real estate	-	1	-100%
Tax recapture E-Plus	-	25	-100%
Free cash flow³	-199	264	<i>n.m.</i>
Coupon on perpetual hybrid	-	-	-

- Free cash flow € 463m lower y-on-y, mainly due to non-recurring items
 - € 292m less cash from change in working capital, mainly driven by reduced supplier payment terms (€ 242m)
 - € 240m less cash from change in provisions due to pension agreements
 - € 71m higher Capex
 - € 50m higher interest paid, mainly due to accrued interest related to bond tender
- Partly offset by
 - € 110m higher EBITDA
 - € 75m lower tax paid

1 Excluding changes in deferred taxes

2 Including property, plant & equipment and software

3 Defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture E-Plus

Group cash flow FY '14 (continuing operations)

€ m (continuing operations)	FY '14	FY '13	%
EBITDA	3,015	2,883	4.6%
Interest paid/received	-705	-654	7.8%
Tax paid/received	38	-253	<i>n.m.</i>
Change in provisions ¹	-887	-191	>100%
Change in working capital ¹	-224	162	<i>n.m.</i>
Other movements	5	-21	<i>n.m.</i>
Net cash flow from operating activities	1,242	1,926	-36%
Capex²	1,412	1,616	-13%
Proceeds from real estate	1	3	-67%
Tax recapture E-Plus	-	176	-100%
Free cash flow³	-169	489	<i>n.m.</i>
Coupon on perpetual hybrid	67	34	97%

- Free cash flow € 658m lower y-on-y, mainly due to non-recurring items
 - € 386m less cash from change in working capital, mainly driven by reduced supplier payment terms (€ 242m)
 - € 345m lower EBITDA, amended for pension provision releases (€ 477m)
 - € 235m payment pension agreements
 - € 51m higher interest paid, mainly due to accrued interest related to bond tender
- Partly offset by
 - € 204m lower Capex
 - € 115m lower tax paid
- Capex 13% lower y-on-y
 - Lower customer driven investments, incl. phasing out of handset lease
 - Simplification program

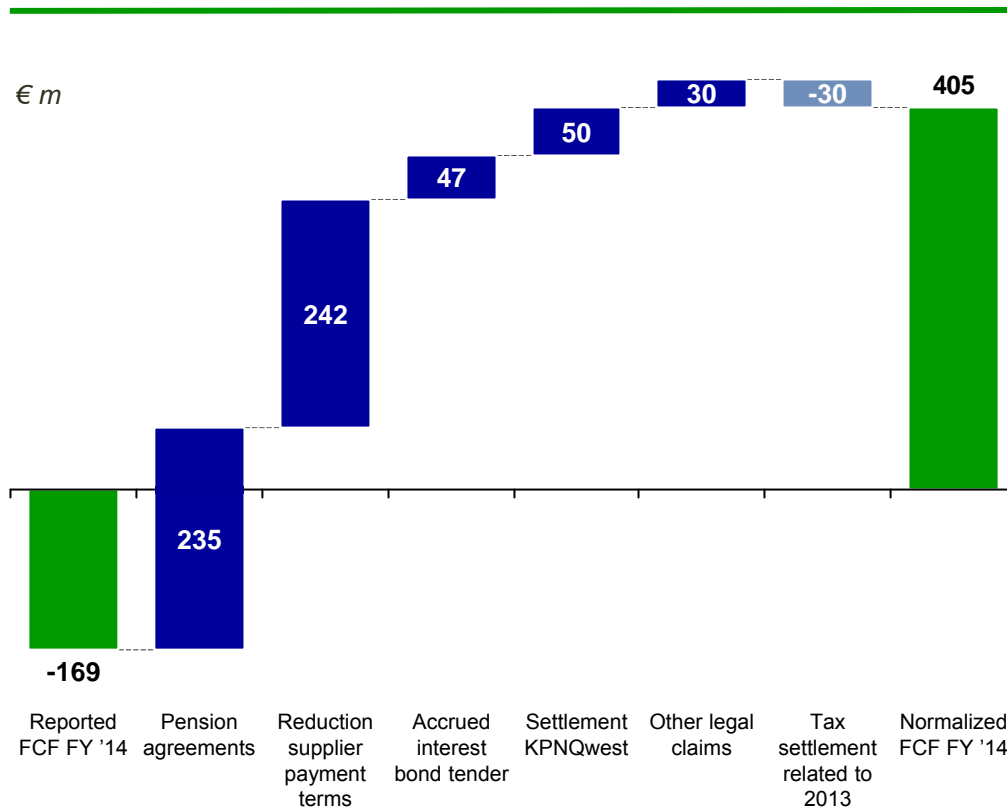
1 Excluding changes in deferred taxes

2 Including property, plant & equipment and software

3 Defined as cash flow from operating activities, plus proceeds from real estate, minus Capex and excluding tax recapture E-Plus

FY '14 Free cash flow (continuing operations)

FCF FY '14 impacted by non-recurring items



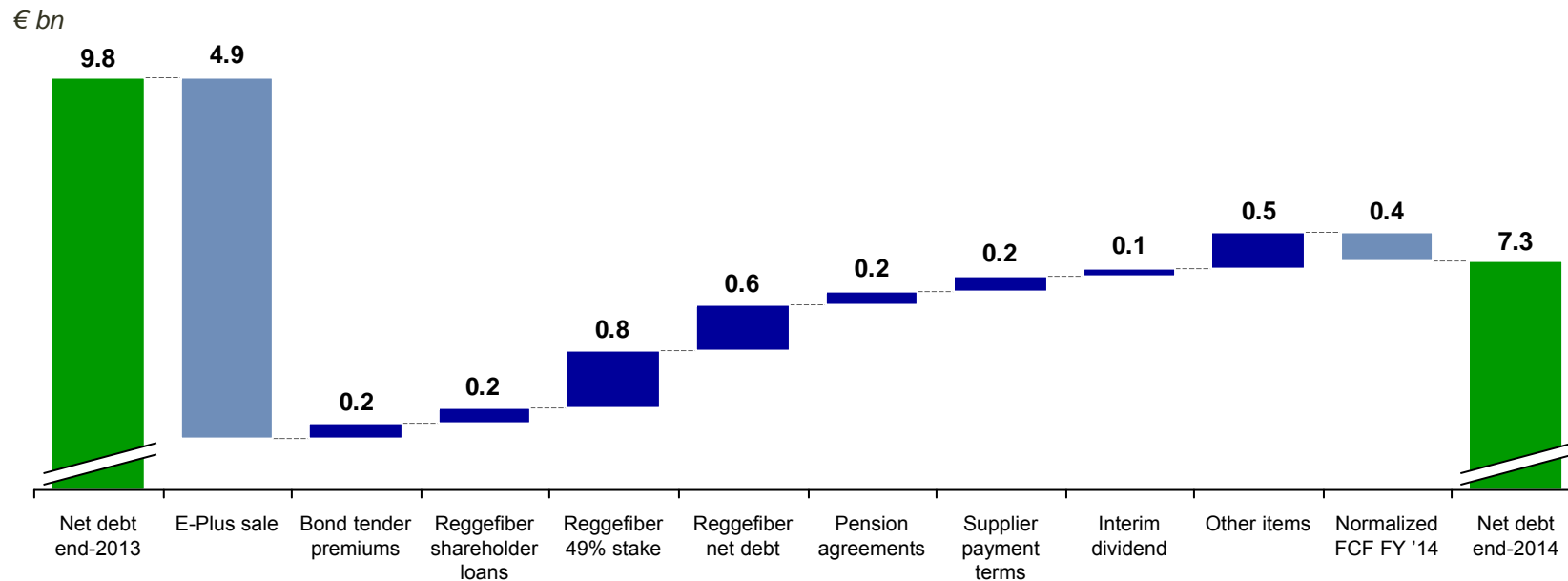
Cash flow potential

- FCF outlook based on normalized FCF FY '14
- Short-term free cash flow supported by lower interest payments
 - Partly offset by expected higher cash out related to FTE reductions in 2015
- Medium-term free cash flow potential
 - Improved financial performance
 - Further cost savings driven by Simplification program
 - Scope to further improve balance sheet efficiency

Group financial profile

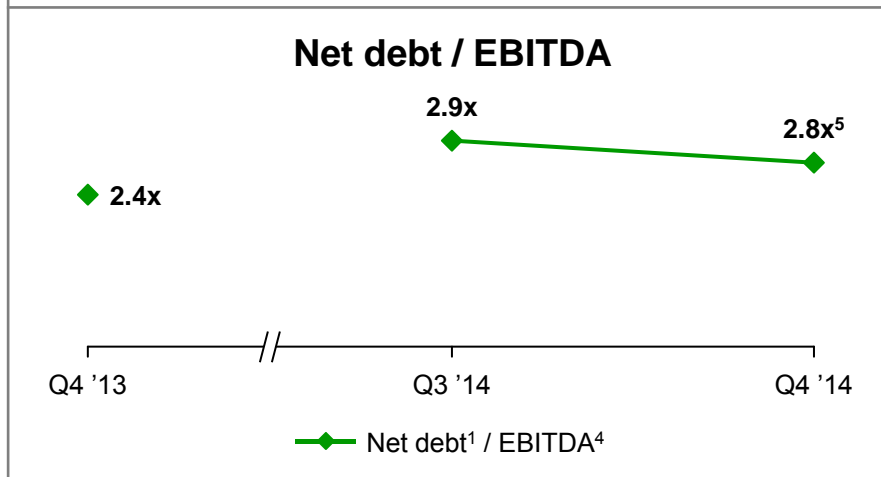
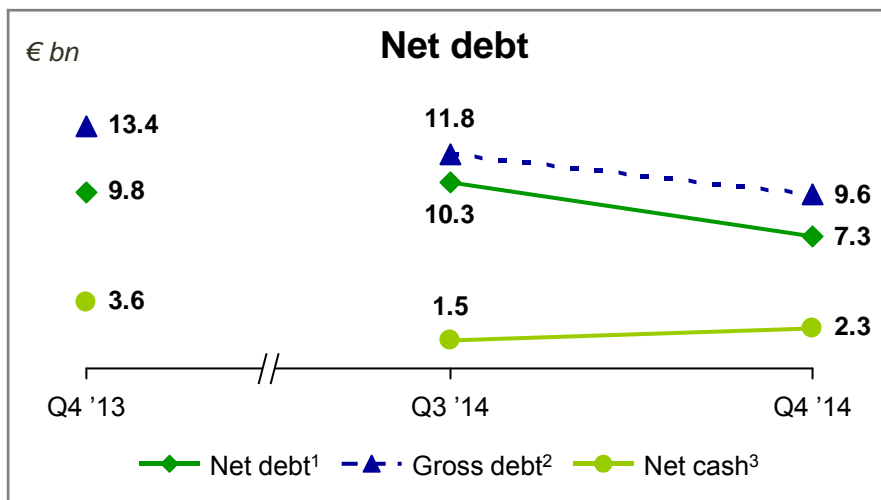
Significant steps taken to reduce liabilities

- 1 Net debt reduced by € 2.5bn and gross debt by € 3.8bn in 2014



- 2 Pension fund agreements removing € 712m pension liability for € 235m cash payment
- 3 Acquisition remaining 40% stake Reggefiber for € 610m removed future liability of € 647m

Group financial profile (cont'd)



- Net debt reduced by € 3.0bn in Q4 '14
- Still relatively high gross debt and cash position
- Pension fund agreements improving KPN's financial risk profile
- Net debt / EBITDA at 2.8x after E-Plus sale and Reggefiber consolidation
 - Lower net debt
 - Partly offset by lower 12 months rolling EBITDA
- Additional financial flexibility via 20.5% stake in Telefónica Deutschland

1 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

2 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 (restated for new definition per Q4 2013)

3 Including short-term investments

4 Based on 12 months rolling total excluding restructuring costs, incidentals and major changes in the composition of the Group (acquisitions and disposals)

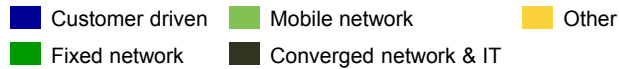
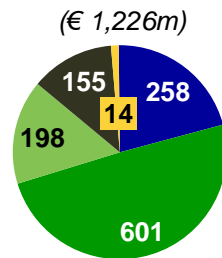
5 Reported leverage does not include benefit of 20.5% stake in Telefónica Deutschland

Capex review

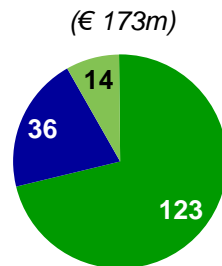
Capex at less elevated levels

Continued network investments in 2014

The Netherlands



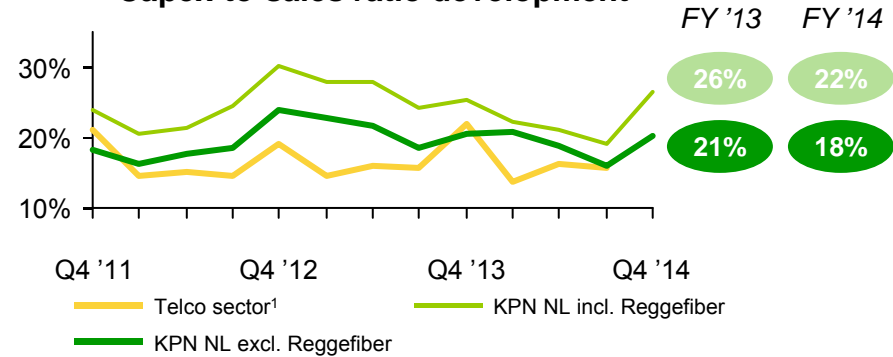
Belgium



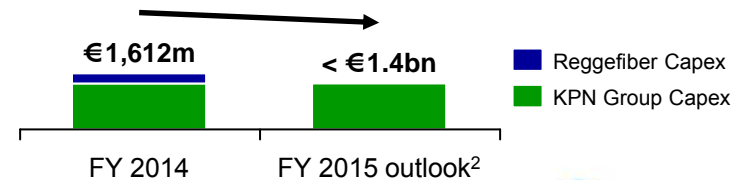
1 Euro Telco sector based on company reports, management estimates
 2 2015 outlook includes full year Reggefiber Capex

KPN frontrunner in Capex cycle

Capex-to-sales ratio development



- Capex-to-sales higher than sector
 - Leading FttH coverage and upgraded copper
 - Excellent 4G network
- Capex at less elevated levels in 2015, including Reggefiber



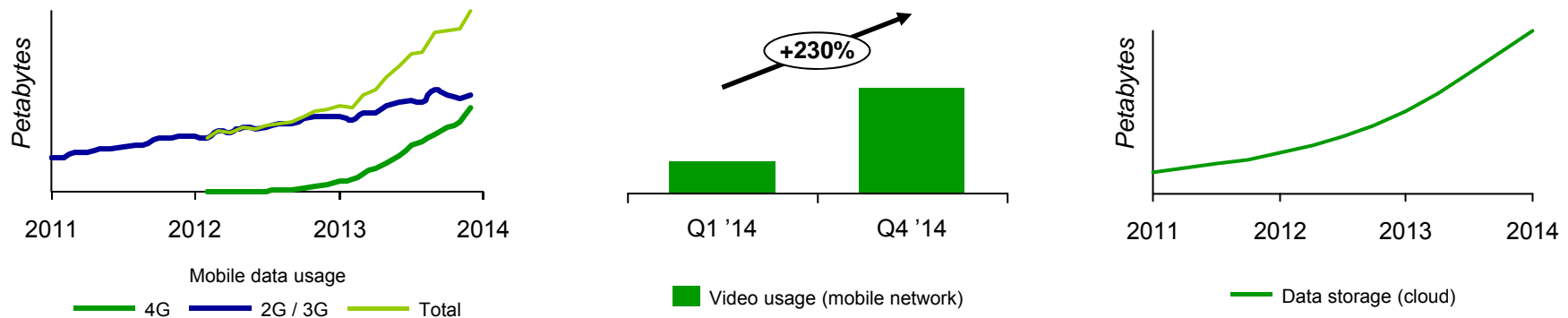
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The Netherlands

Uniquely positioned as the integrated access provider

Changing customer demand requires high quality networks and differentiating services



KPN owns best-in-class integrated networks



Nationwide coverage



Best-in-class upgraded copper



Leading FttH coverage

Clear priorities for 2015 and beyond

Strong customer focus via differentiating services

Capacity

Simplification



Strong customer focus

Unique position to offer differentiating services

Increasing converged customer base



TV Everywhere



- Cloud based interactivity enabling access to unique features

Cloud opportunity

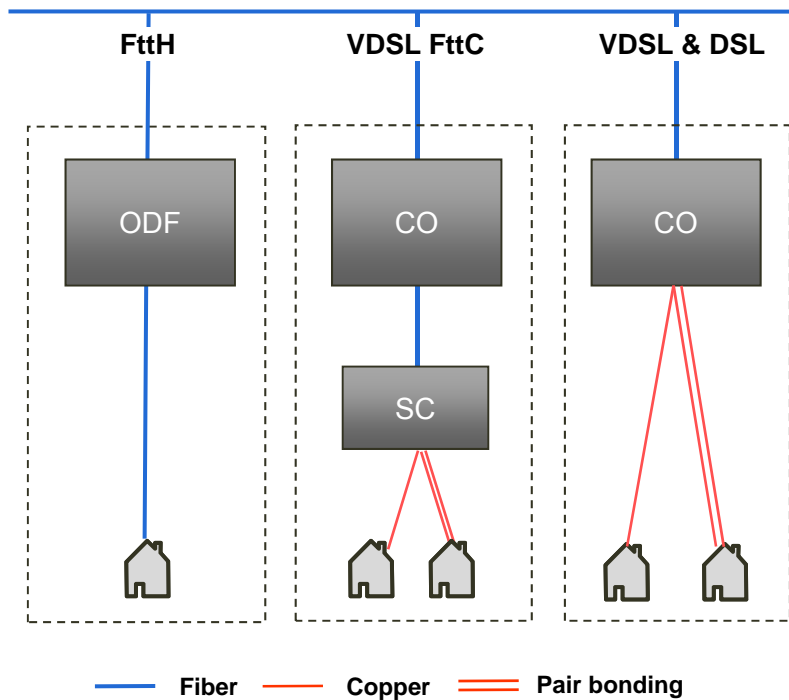


- Cloud services based on core Telco services generating new revenue streams

Capacity - fixed network

~85% households access to 100Mbps end-2016

FttC to increase significantly in 2015¹



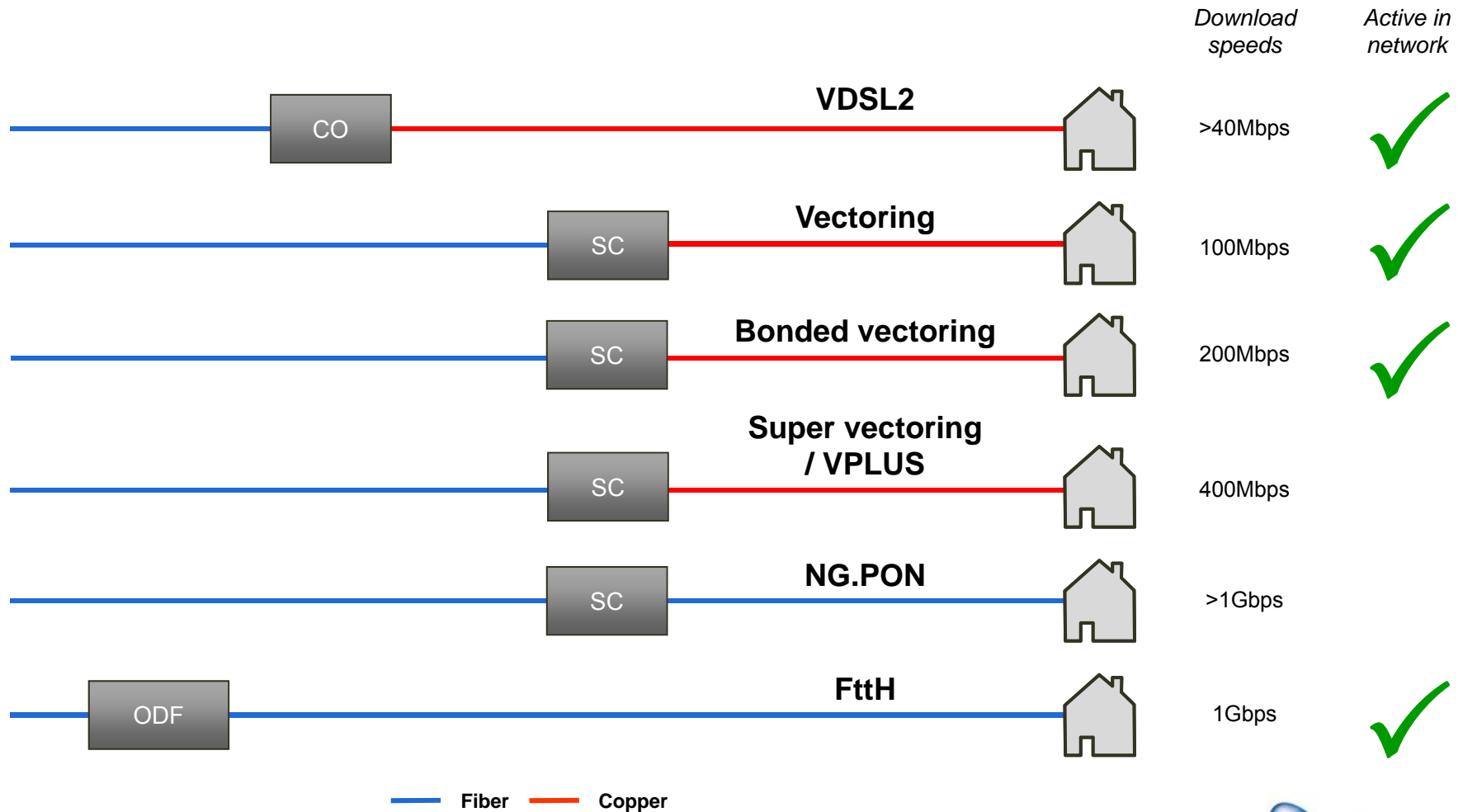
Download speed ahead of demand

Download speed ²	2014	2015	2016
>40Mbps	~75%	~85%	~90%
100Mbps	~50%	~70%	~85%
200Mbps	~27%	~55%	~70%
500Mbps	~27%	~30%	~33%

1 Abbreviations: CO: Central Office; SC: Street Cabinet; ODF: Optical Distribution Frame
 2 Percentage of households

Capacity - fixed network (cont'd)

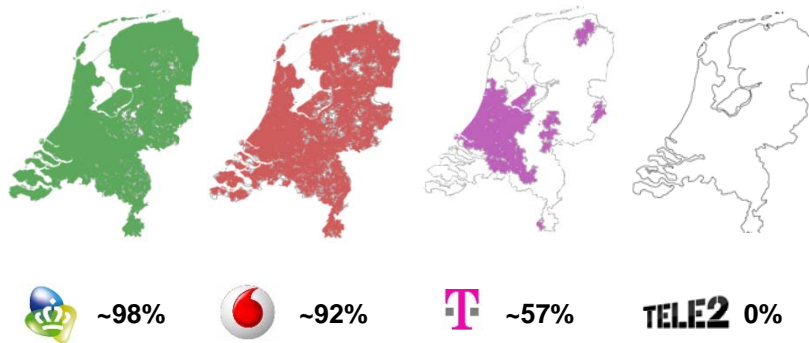
Technological developments driving higher future bandwidth



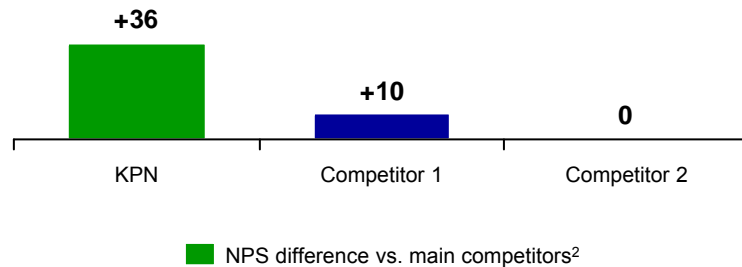
Capacity - mobile network

1800MHz and carrier aggregation to increase capacity

Leading 4G quality and coverage¹



NPS network satisfaction 2014



Mobile network priorities 2015 and beyond

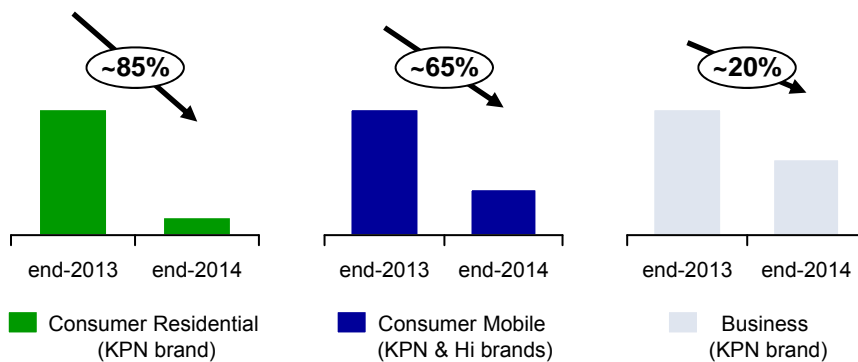
- Deploy 1800MHz and 2.6GHz to increase 4G capacity in high usage areas
- Carrier aggregation 800MHz / 1800MHz / 2.6GHz to further increase available speeds

1 Source: 4Gdekking.nl
2 NPS rebased to lowest score

Simplification

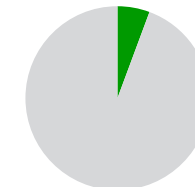
2014: good progress, portfolio rationalization & customer migration

Portfolio rationalization & customer migration



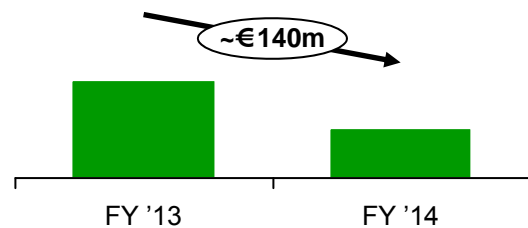
Leading to network & IT rationalization in 2015

- Enabling ~45% reduction hardware in technical buildings
- Leads to 50 GWh net energy reduction

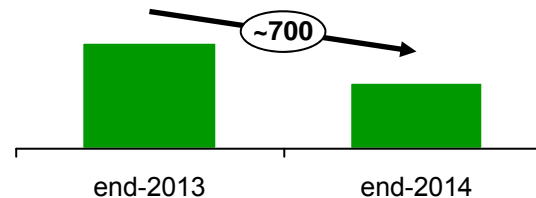


Energy savings 2015
Energy usage 2015

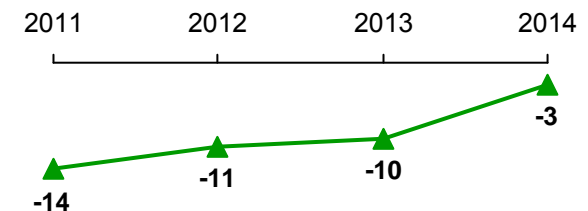
Results in 2014



Run-rate savings ahead of plan



FTE reductions on track



All-time high NPS KPN The Netherlands¹

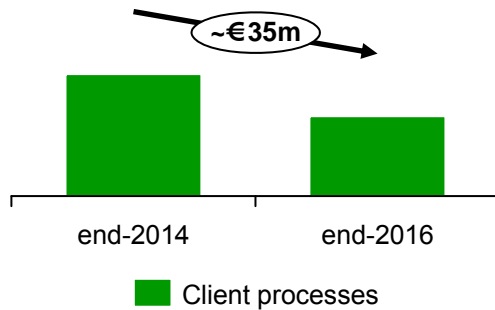
¹ NPS KPN The Netherlands is average NPS of three segments, calculated by KPN. Source of NPS for Consumer Residential (all brands), Consumer Mobile (all brands) and Business (KPN brand): TNS NIPO

Simplification (cont'd)

2015 and beyond: rationalize processes, networks and IT

Rationalization

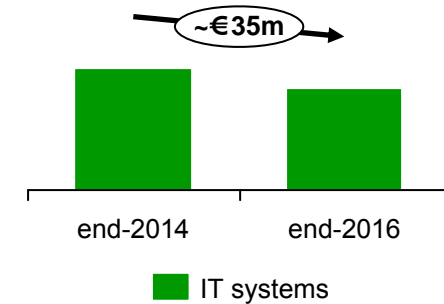
Redesign client processes driving efficiency



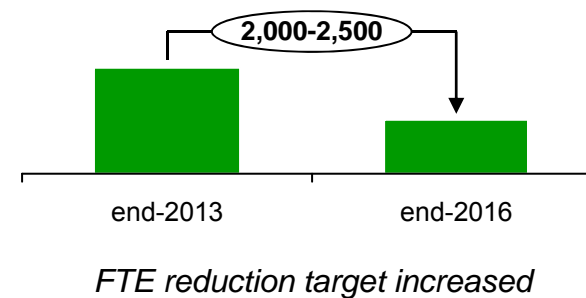
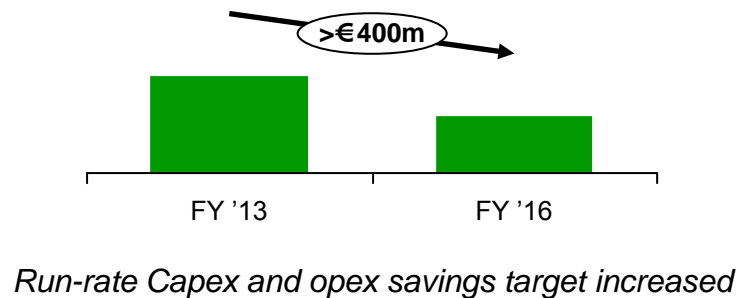
Shift from multiple product based identities to single customer based identity



Phasing out legacy IT systems



Targets 2016



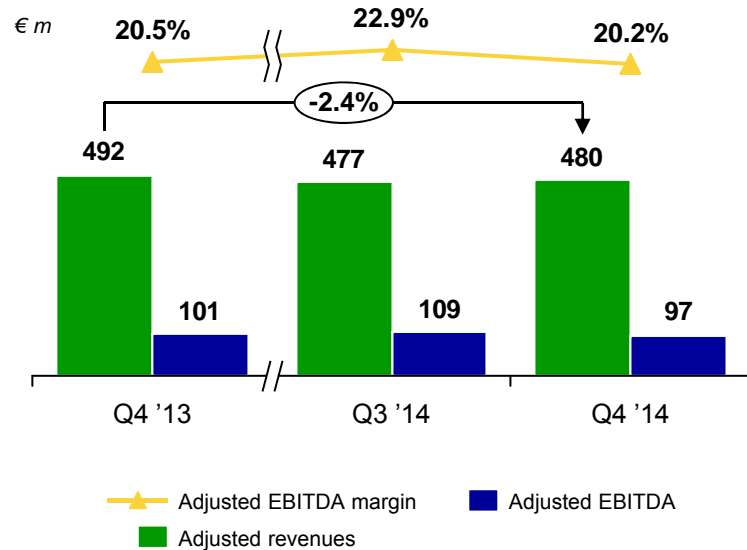
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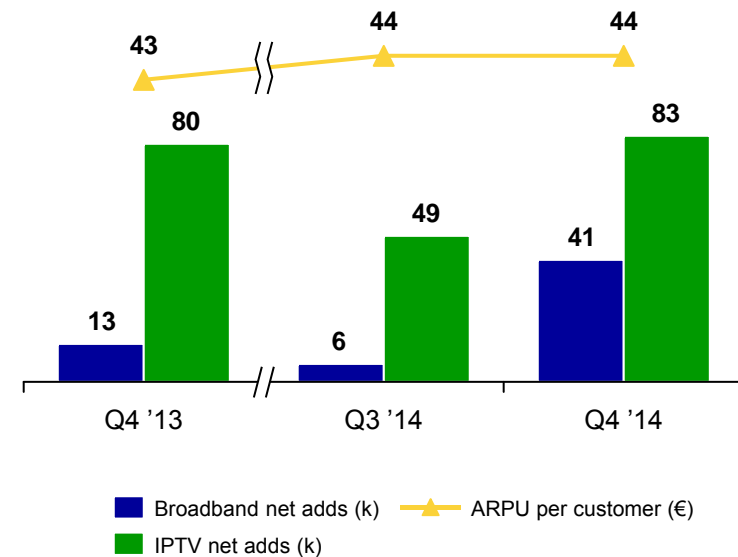
Consumer Residential

Commercial initiatives resulting in high net adds

Financials



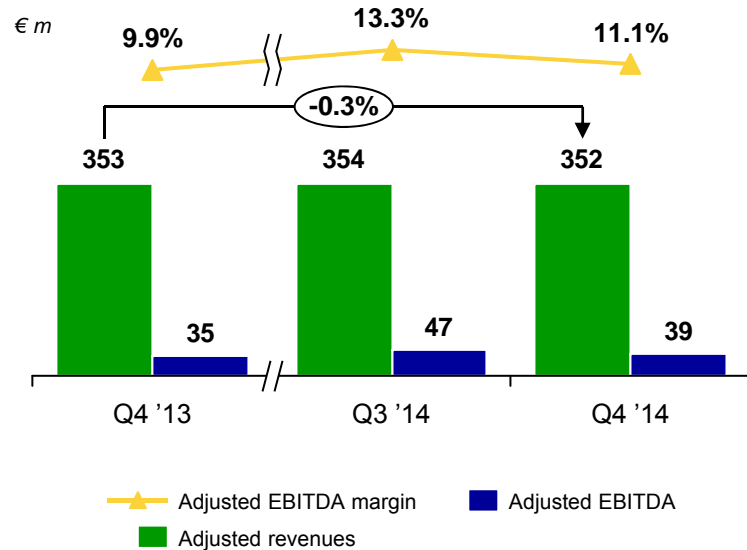
Operational KPIs



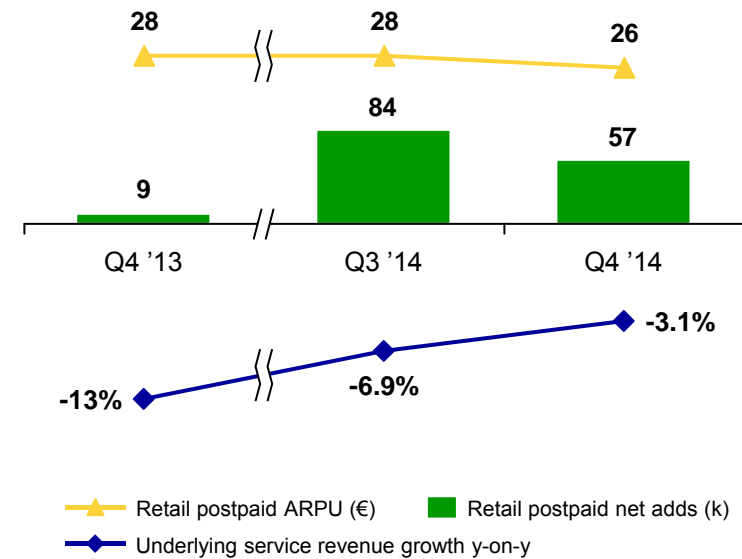
Consumer Mobile

Strong base growth driving service revenue improvement

Financials



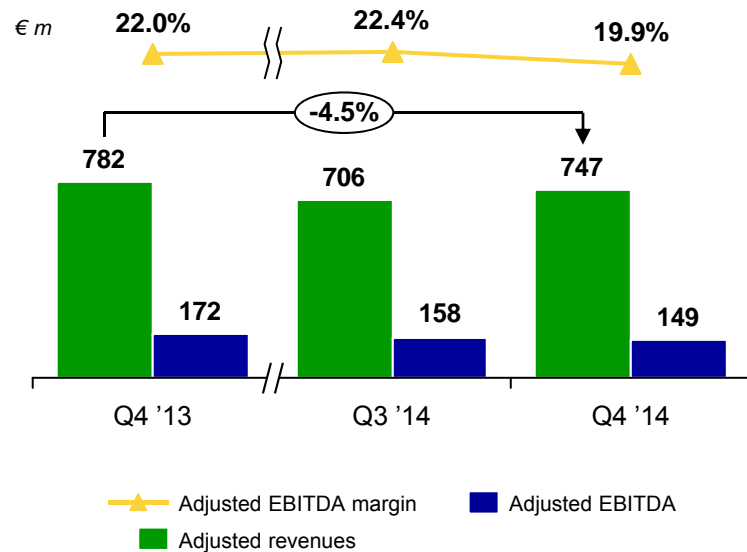
Operational KPIs



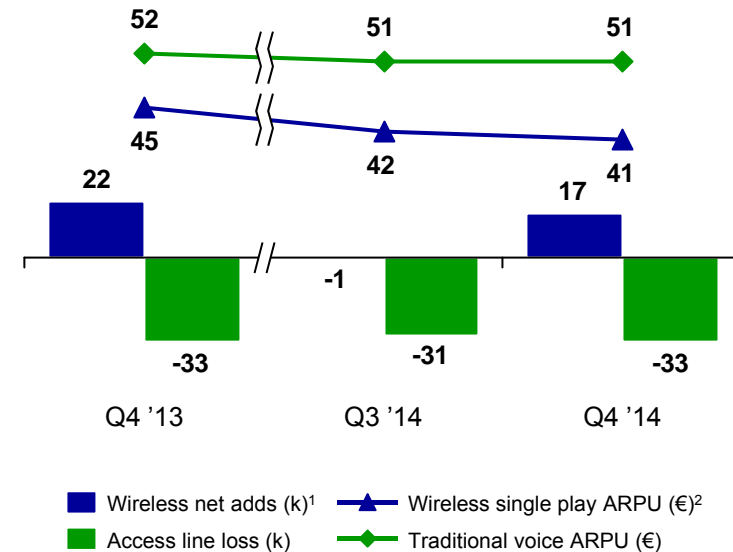
Business

Ongoing decline market size impacting financial performance

Financials



Operational KPIs

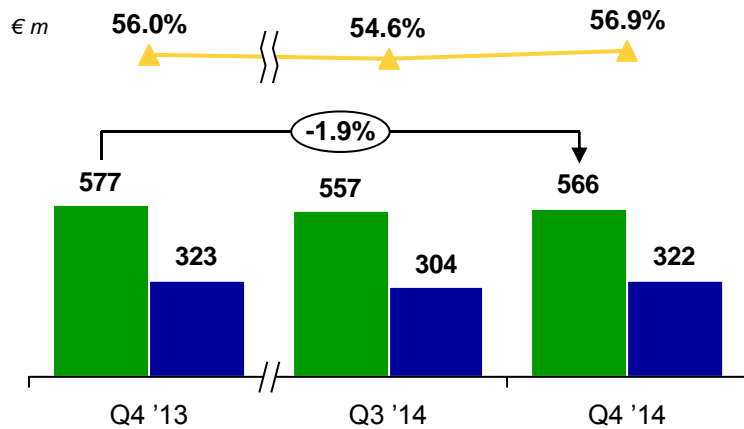


1 Excluding M2M
2 Excluding M2M and multi play customers

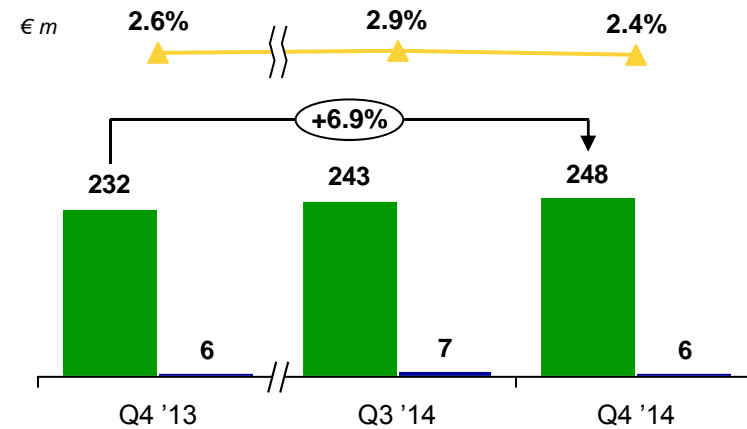
NetCo & iBasis

Reggefiber consolidation supporting NetCo profitability

Financials NetCo



Financials iBasis



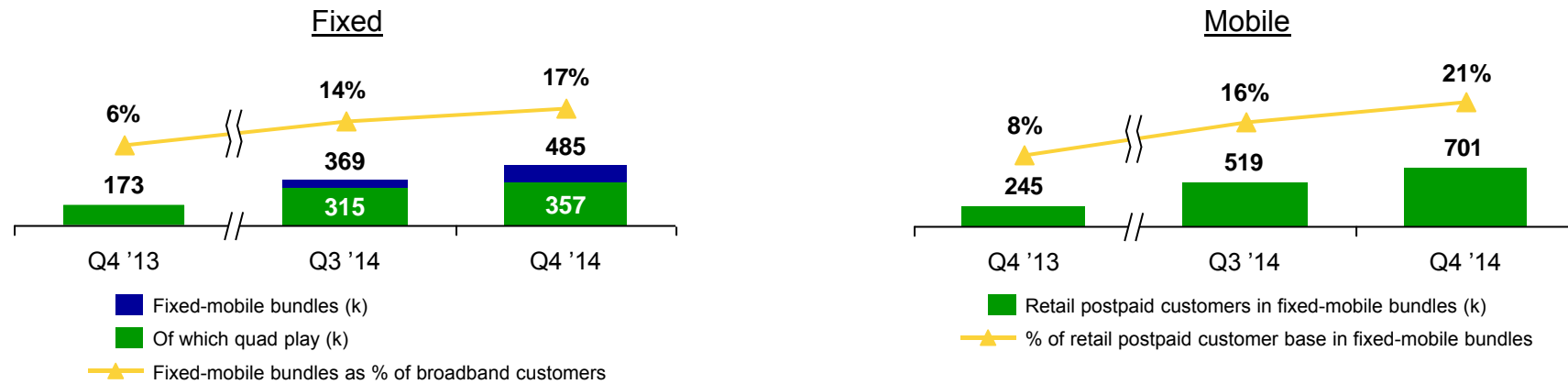
▲ Adjusted EBITDA margin
■ Adjusted revenues

■ Adjusted EBITDA

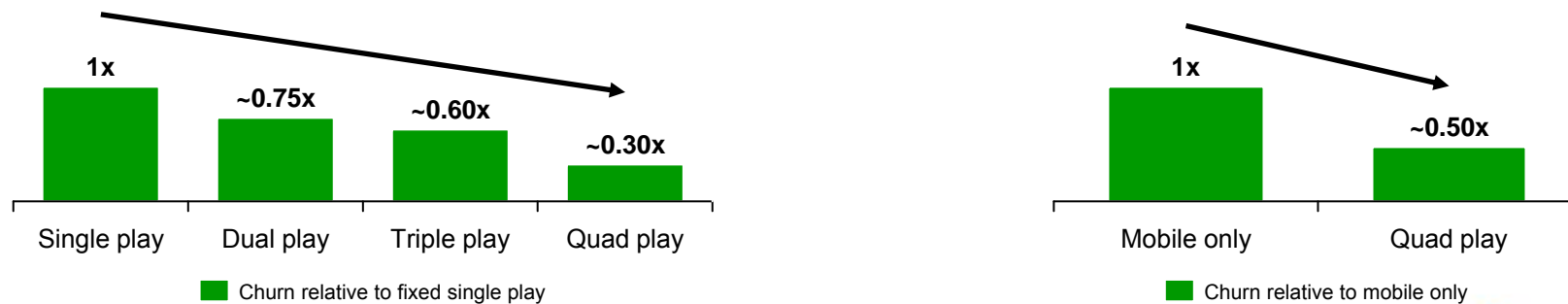
Consumer - convergence

Fixed-mobile bundles driving significant churn reduction

Strong growth fixed-mobile bundles



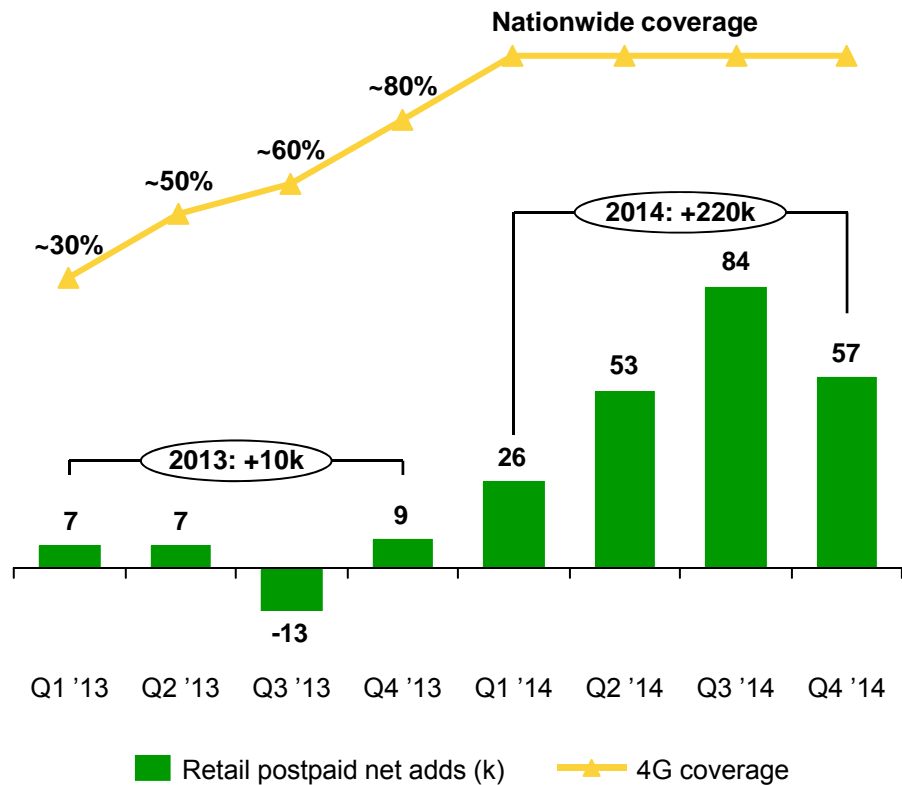
Improving customer loyalty and reducing churn



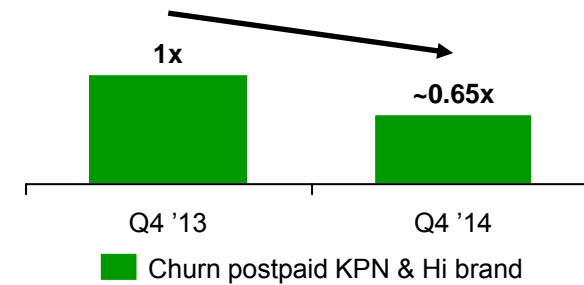
Consumer

4G driving base growth and reducing churn

Strong base growth since nationwide 4G coverage



Driving churn reduction



Consumer (cont'd)

Differentiating services and high quality networks increasing loyalty

Unique services



TV Everywhere

New data bundles facilitate carefree usage



Basic



Standard



Premium



High quality
4G network




No bill shock

2015 and beyond

- Increasing customer loyalty
- Driving customer base growth
- Differentiating on network quality
- Upsell opportunities

New services

- Voice and video calling over LTE
- International VoLTE roaming 

Business

Transforming organization to address market dynamics

Transforming the organization

1 Business model is changing

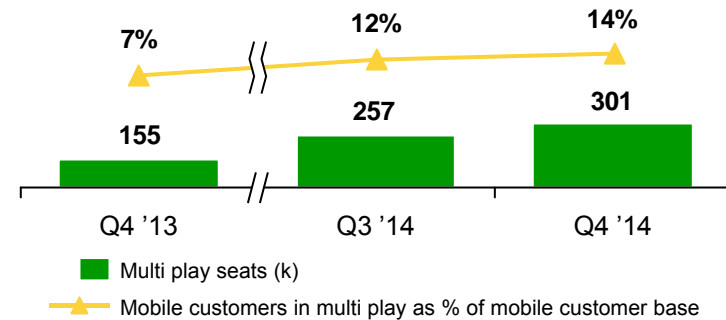
- Declining traditional high margin services
- Growing demand new services (Cloud, M2M, Hosting, Security)

2 Delayed and simplified organization

- ~570 FTE reductions in 2014 driven by Simplification
- ~580 additional FTE reductions in 2015
 - ~€ 45m additional reduction personnel costs FY '16

Moderating decline traditional services

Growing multi play



Growing new services



Cloud



Hosting



M2M

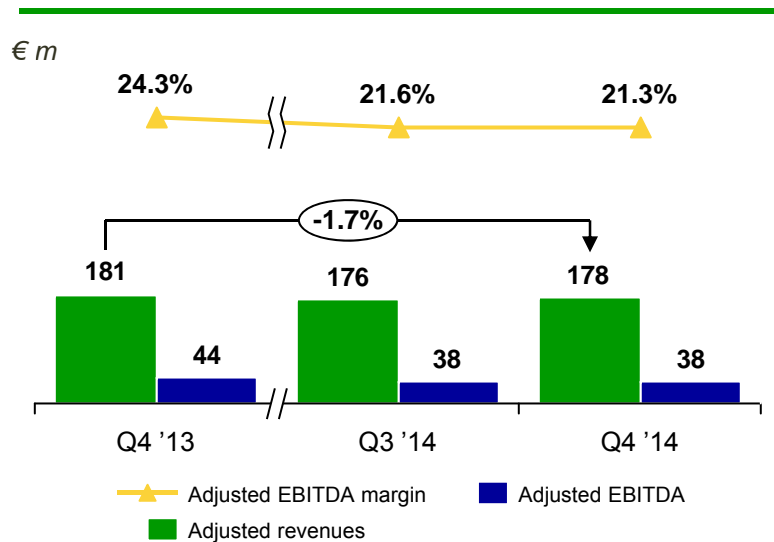


Security

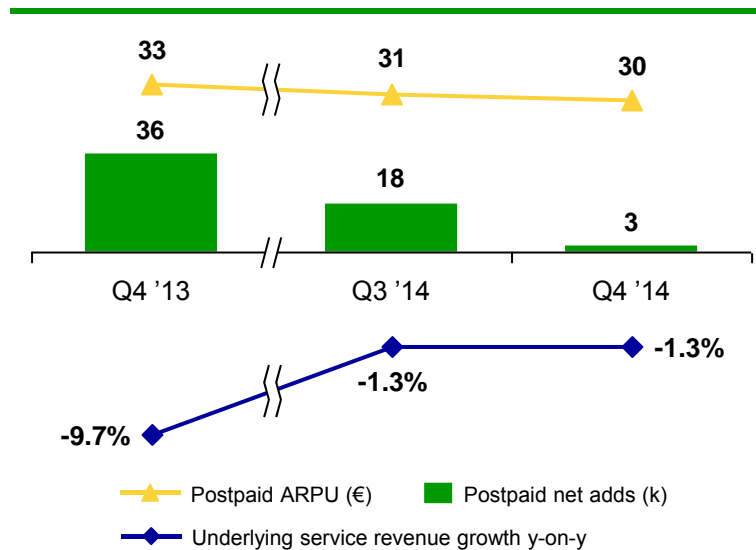
Belgium

Strong focus to reduce spend

Financial review



Operational KPIs



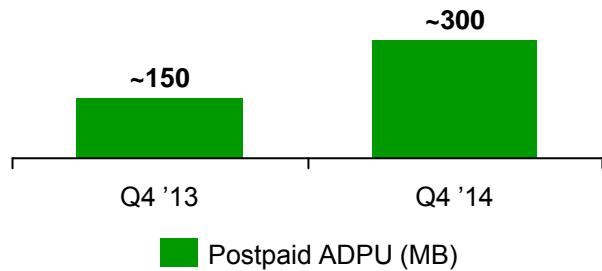
Priorities 2015 and beyond

- Cost initiatives to drive EBITDA margin to medium-term target of 25-30% (e.g. phasing out SNOW)
- Capex at less elevated levels following high mobile network investments in 2013 and 2014

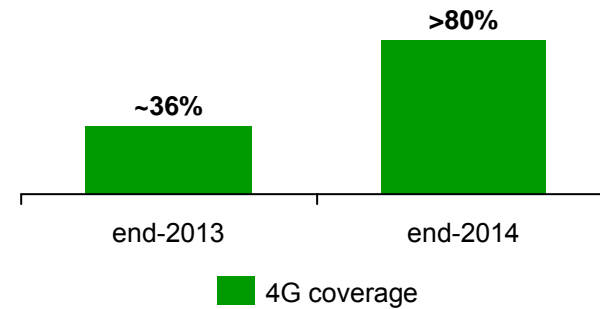
Belgium (cont'd)

Large data opportunity in Belgian mobile market

Data usage still low



BASE Company ready for data growth...



...at attractively priced offers



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1	Chairman's review	Eelco Blok
2	Group financial review	Jan Kees de Jager
3	Operating review The Netherlands	Joost Farwerck
4	Group commercial review	Eelco Blok
5	Concluding remarks	Eelco Blok

Concluding remarks

- Strong customer focus, further growing converged base in The Netherlands
- Further strengthening best-in-class networks
- Simplification targets increased
- BASE Company to focus on data growth and spend reduction
- Adjusted EBITDA stabilized by end-2015
- Cash flow potential driven by improving financial performance
- Growing dividend per share

Q&A

Q4 2014 - Information Pack

For further information please contact

KPN Investor Relations

+31 70 44 60986

ir@kpn.com

www.kpn.com/ir



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KPN ADR program

KPN has a sponsored Level 1 ADR program

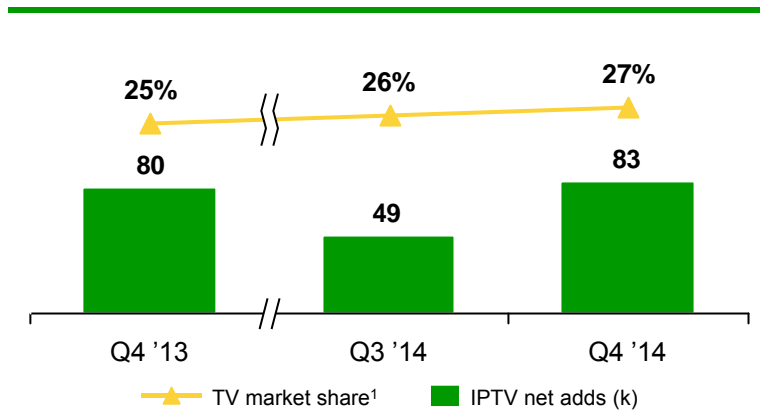
ADR program	
Bloomberg ticker	KKPNY
Trading platform	Over-the-counter (OTC)
CUSIP	780641205
Ratio	1 ADR : 1 Ordinary Share
Depository bank	Deutsche Bank Trust Company Americas
Depository bank contact	Begonia Roberts
ADR broker helpline	+1 212 250 9100 (New York) +44 207 547 6500 (London)
E-mail	adr@db.com
ADR website	www.adr.db.com
Depository bank's local custodian	Deutsche Bank, Amsterdam

Contents

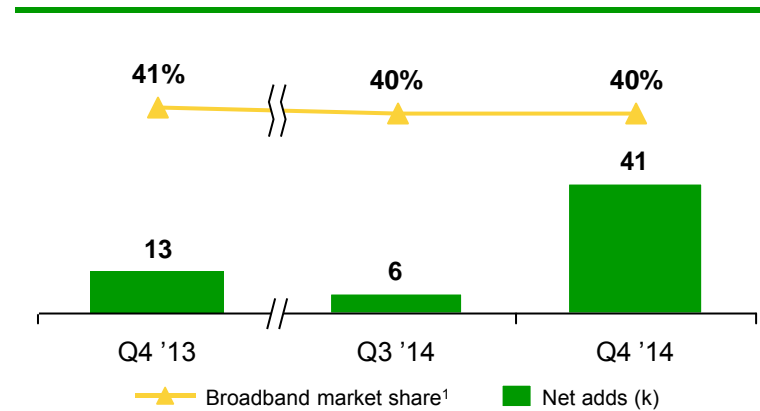
1	KPN ADR program
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Consumer Residential

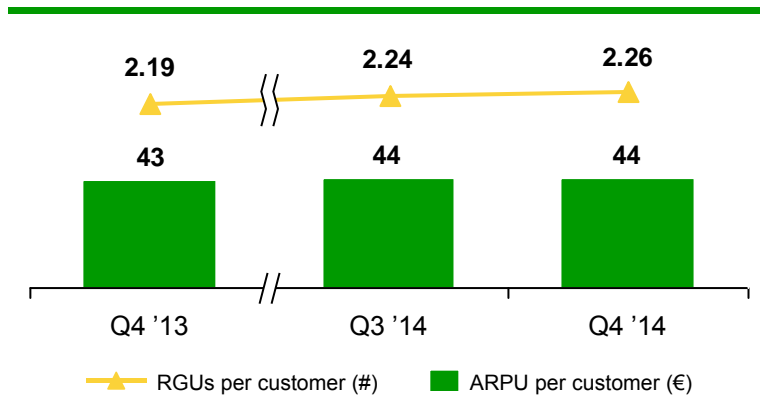
IPTV



Broadband



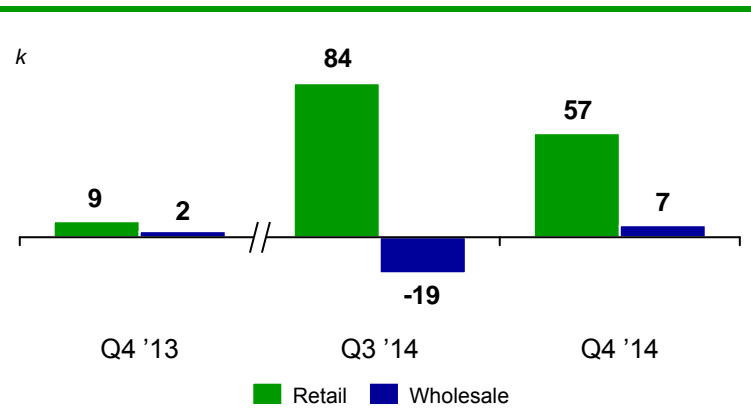
RGUs and ARPU per customer



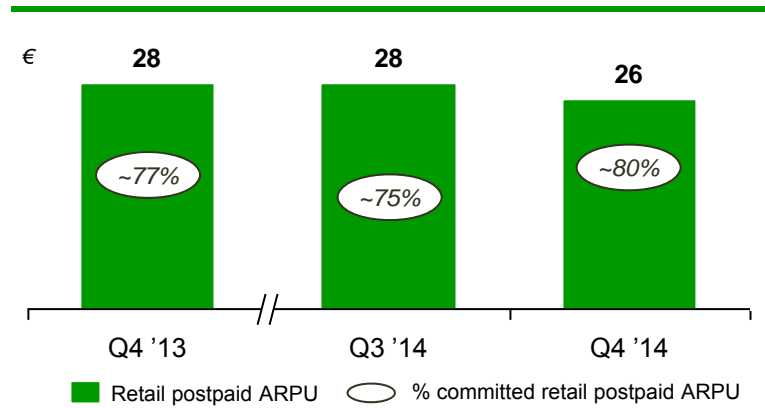
¹ Source: Telecompaper, management estimates for Q4 '14

Consumer Mobile

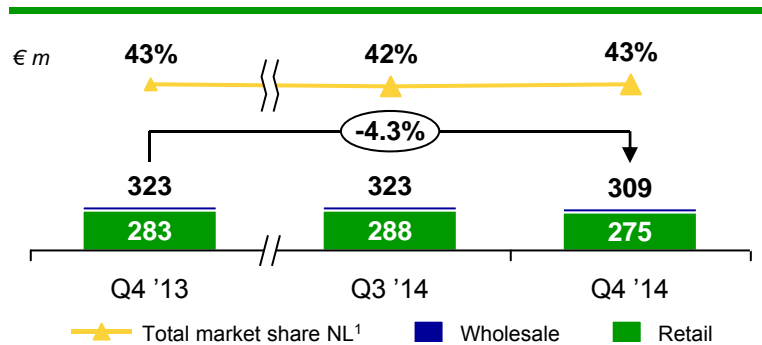
Postpaid net adds



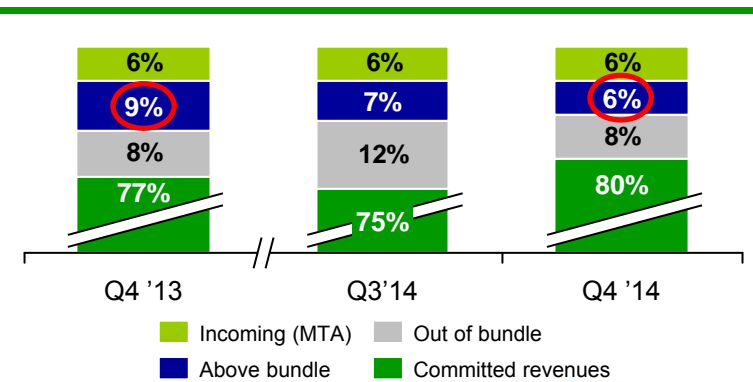
ARPU



Service revenues



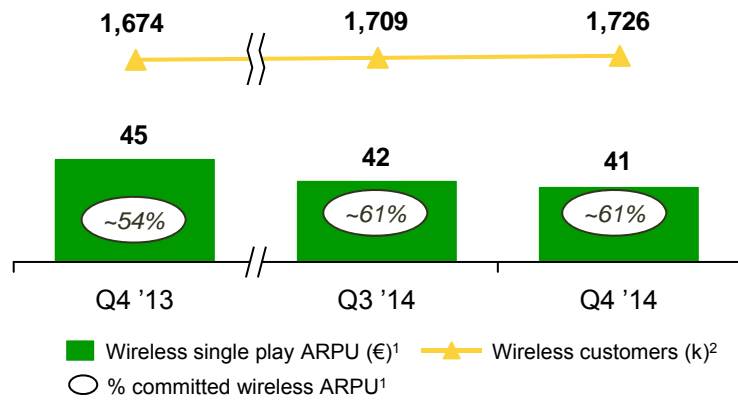
Committed ARPU breakdown



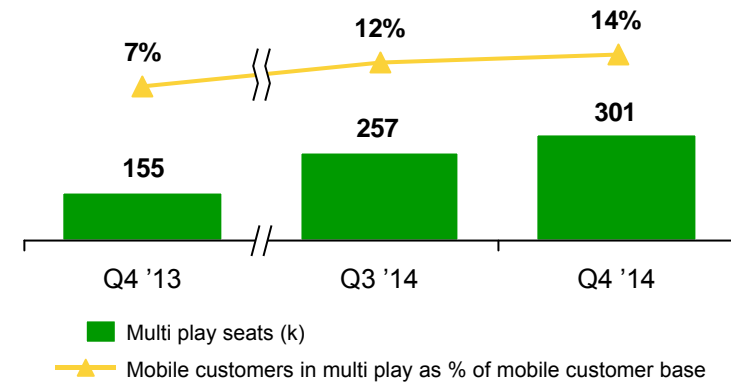
1 Total Dutch (Consumer and Business) mobile service revenue market share

Business

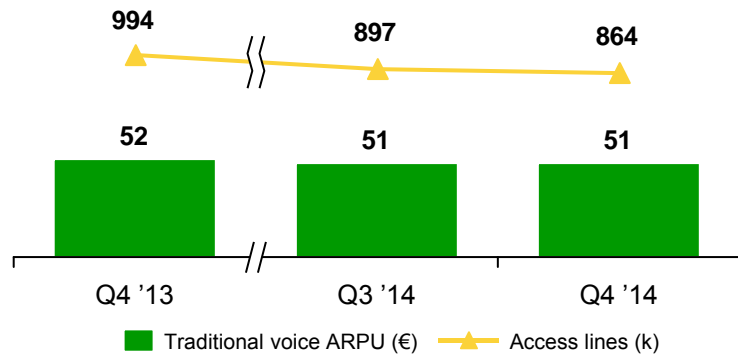
Wireless services



Multi play



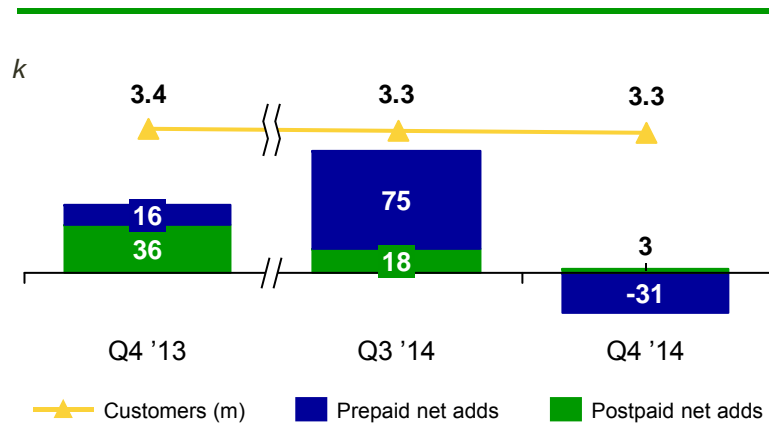
Voice & Internet wireline



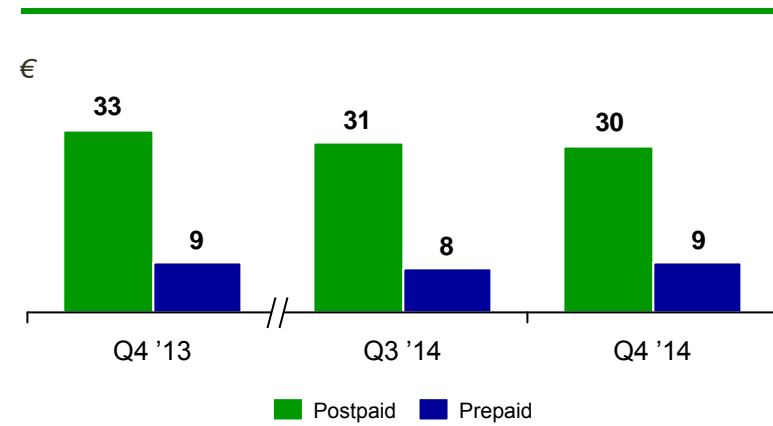
1 Excluding M2M and multi play customers
 2 Excluding M2M

Belgium

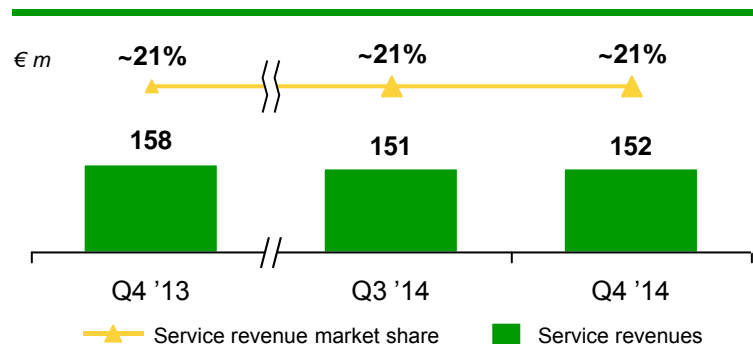
Net adds



ARPU



Service revenues



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Analysis of adjusted results

Impact incidentals on revenues

Revenues (€ m)		Q4 '14	Q4 '13	FY '14	FY '13
Phase out SNOW	Belgium	2	-	2	-
Sale of fixed assets (hardware)	Business	-	-	5	-
Tax settlement related to 2013	Other	30	-	30	-
Change in provision	NetCo	-	-7	17	-13
Impact disposal of subsidiaries	Business	-	-	-	23
Adjustment deferred revenues	Germany, Consumer Residential, Mobile, Business	5	-	5	49
KPN Group		37	-7	59	59
<i>Of which discontinued operations</i>		-	-	-	29
KPN Group continuing operations		37	-7	59	30

Analysis of adjusted results (cont'd)

Impact incidentals on EBITDA

EBITDA (€ m)		Q4 '14	Q4 '13	FY '14	FY '13
Tax settlement related to 2013	Other	30	-	30	-
Phase out SNOW	Belgium	-3	-	-3	-
Volume discount hardware	Germany	-	-	8	-
Change in provisions	NetCo, Business, Other	-	-82	17	-78
Sale of fixed assets (hardware)	Business	-	-	5	-
Release of pension provision	Other	26	-	477	-
Adjustment deferred revenues	Germany, Consumer Residential, Mobile, Business	5	-	5	49
Impact disposal of subsidiaries	Business	-	-	-	23
Release of asset retirement obligation	NetCo, Belgium, Germany	-	6	-	48
Release accruals	NetCo	-	-	-	7
Book loss related to asset held for sale classification SNT Deutschland	Other	-5	-	-5	-
KPN Group		53	-76	534	49
<i>Of which discontinued operations</i>		-	-	8	66
KPN Group continuing operations		53	-76	526	-17

Restructuring costs

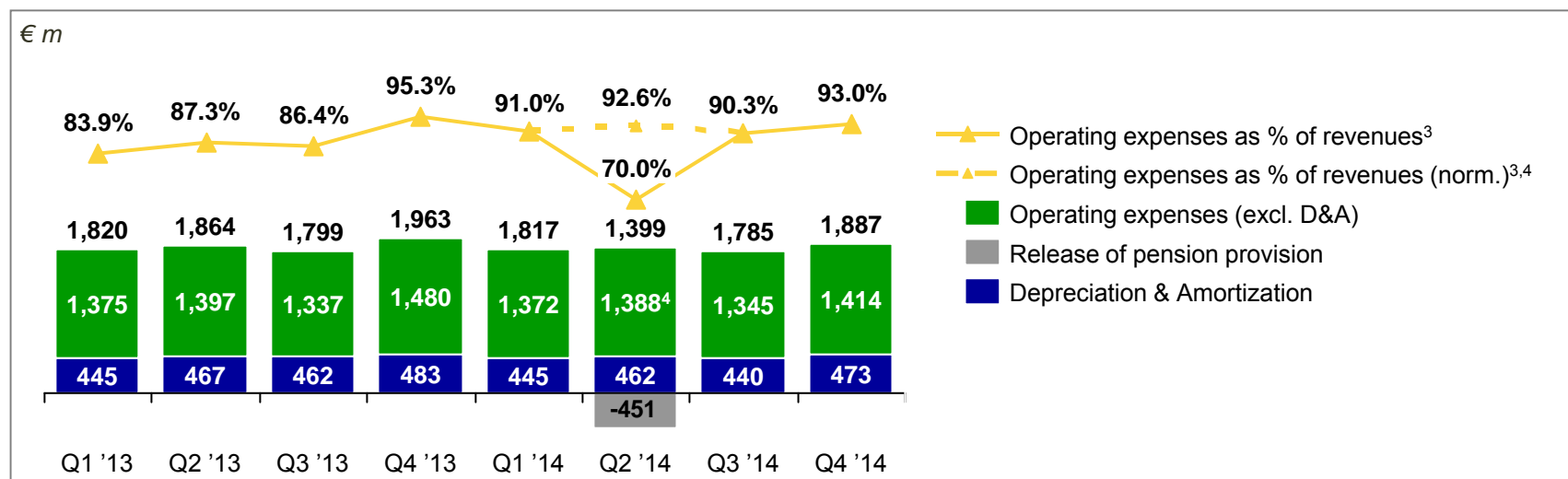
€ m	Q4 '14	Q4 '13	FY '14	FY '13
Germany (incl. discontinued operations)	-	-6	-12	-
Belgium	-1	-	-4	-
Other (incl. eliminations)	-3	-	-3	-
Mobile International (incl. discontinued operations)	-4	-6	-19	-
Consumer Mobile	-	-2	-1	-7
Consumer Residential	-1	-1	-8	-17
Business	-8	-23	-26	-47
NetCo	-1	-3	-4	-10
Other	-13	-	-15	-32
The Netherlands	-23	-29	-54	-113
Other	-4	-4	-23	-9
KPN Group	-31	-39	-96	-122
<i>Of which discontinued operations</i>	-	-6	-12	-
KPN Group continuing operations	-31	-33	-84	-122

Impact regulation

€ m	Q4 '14		FY '14	
	Revenues	EBITDA	Revenues	EBITDA
Germany (incl. discontinued operations)	-	-	-43	-35
Belgium	-4	-4	-15	-12
Mobile International (incl. discontinued operations)	-4	-4	-58	-47
Consumer Mobile	-4	-2	-20	-6
<i>Of which: Mobile Wholesale</i>	-	-	-3	-1
Business	-2	-2	-17	-12
NetCo	-	-	-5	-
The Netherlands	-6	-4	-42	-18
KPN Group	-10	-8	-100	-65
<i>Of which discontinued operations</i>	-	-	-43	-35
KPN Group continuing operations	-10	-8	-57	-30

Operating expenses

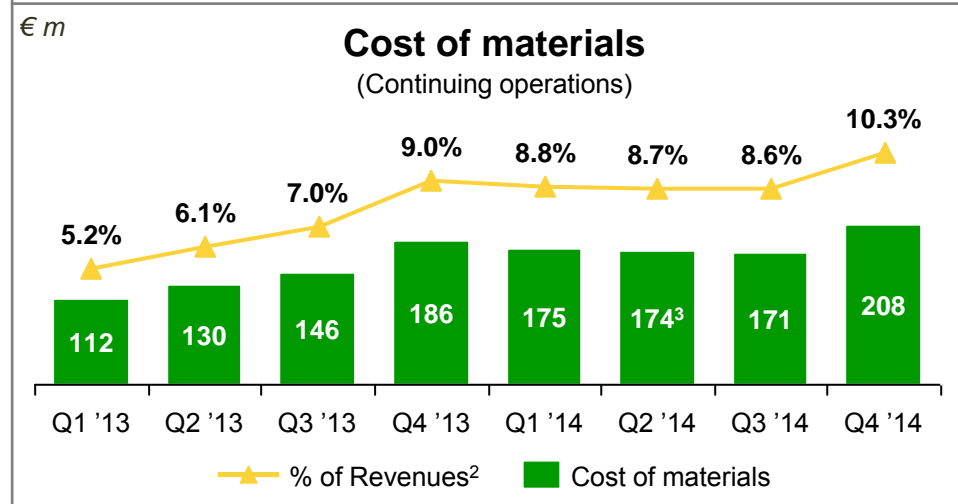
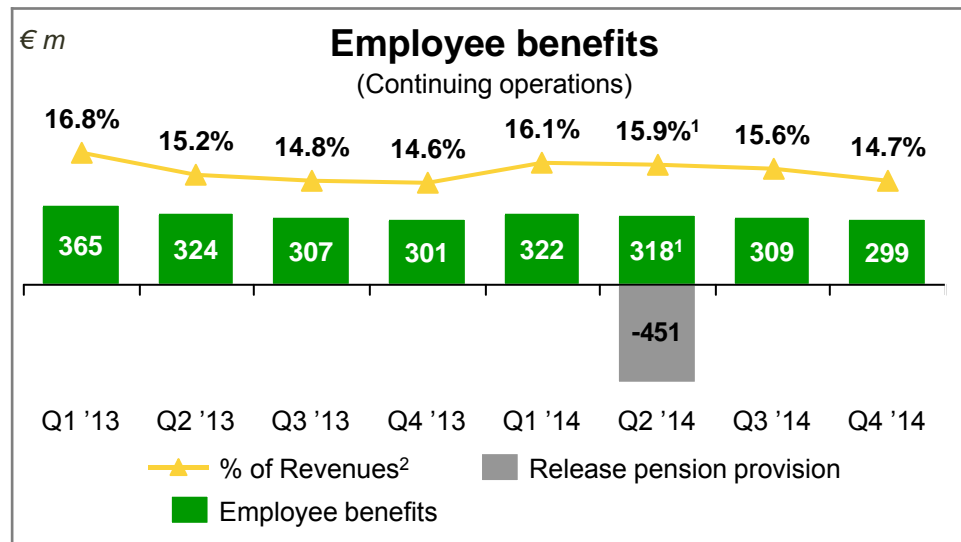
€ m	Q4 '14	Q4 '13	%
Employee benefits	299	301	-0.7%
Cost of materials	208	186	12%
Work contracted out and other expenses	795	797	-0.3%
Own work capitalized	-27	-20	35%
Other operating expenses ¹	139	216	-36%
Depreciation ²	324	328	-1.2%
Amortization ²	149	155	-3.9%
Total operating expenses from continuing operations	1,887	1,963	-3.9%



- 1 Including restructuring costs
- 2 Including impairments (if any)
- 3 As % of revenue excluding other income
- 4 Excluding release of pension provision in Q2 2014

Operating expenses - analysis

Employee benefits & Cost of materials



- 1 Excluding release of pension provision in Q2 2014
- 2 As % of revenue excluding other income
- 3 Restated due to better insights

Y-on-Y decrease

- Release of pension provisions
- Partly offset by
- Higher costs due to consolidation of Reggefiber

Q-on-Q decrease

- Release of pension provisions
- Partly offset by
- Release of provision for holiday allowance in Q3 '14
- Higher costs due to consolidation of Reggefiber

Y-on-Y increase

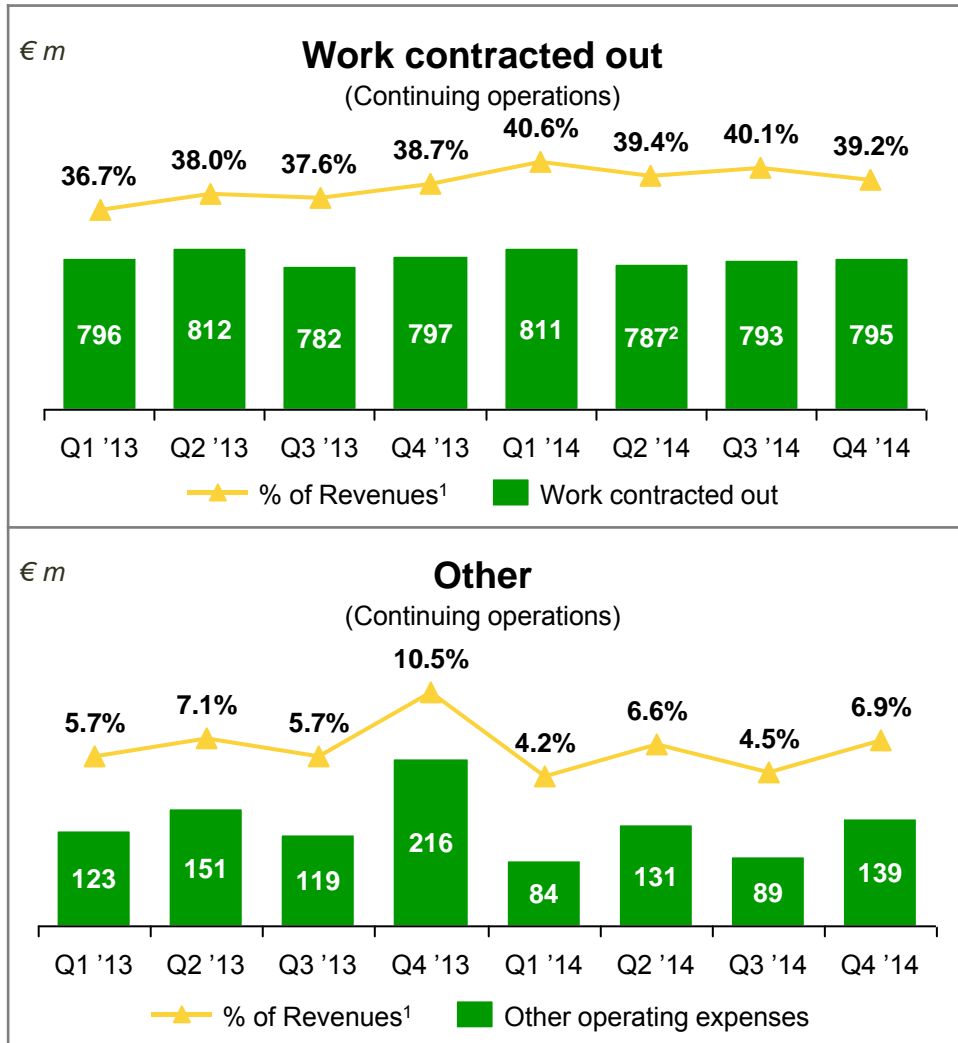
- High SAC/SRC at Consumer Mobile due to higher number of new handset subscriptions
- Higher costs due to phasing out of handset lease at all brands at Consumer Mobile

Q-on-Q increase

- Higher hardware costs at Business
- High SAC/SRC at Consumer Mobile due to high number of high-end net adds

Operating expenses - analysis

Work contracted out & Other



1 As % of revenue excluding other income
2 Restated due to better insights

Y-on-Y decrease

- Lower IT costs due to Simplification program at NetCo
- Lower traffic costs at NetCo
- Less external personnel

Partly offset by

- Higher traffic costs at iBasis related to higher external revenues

Q-on-Q increase

- Higher traffic costs at iBasis related to higher external revenues

Y-on-Y decrease

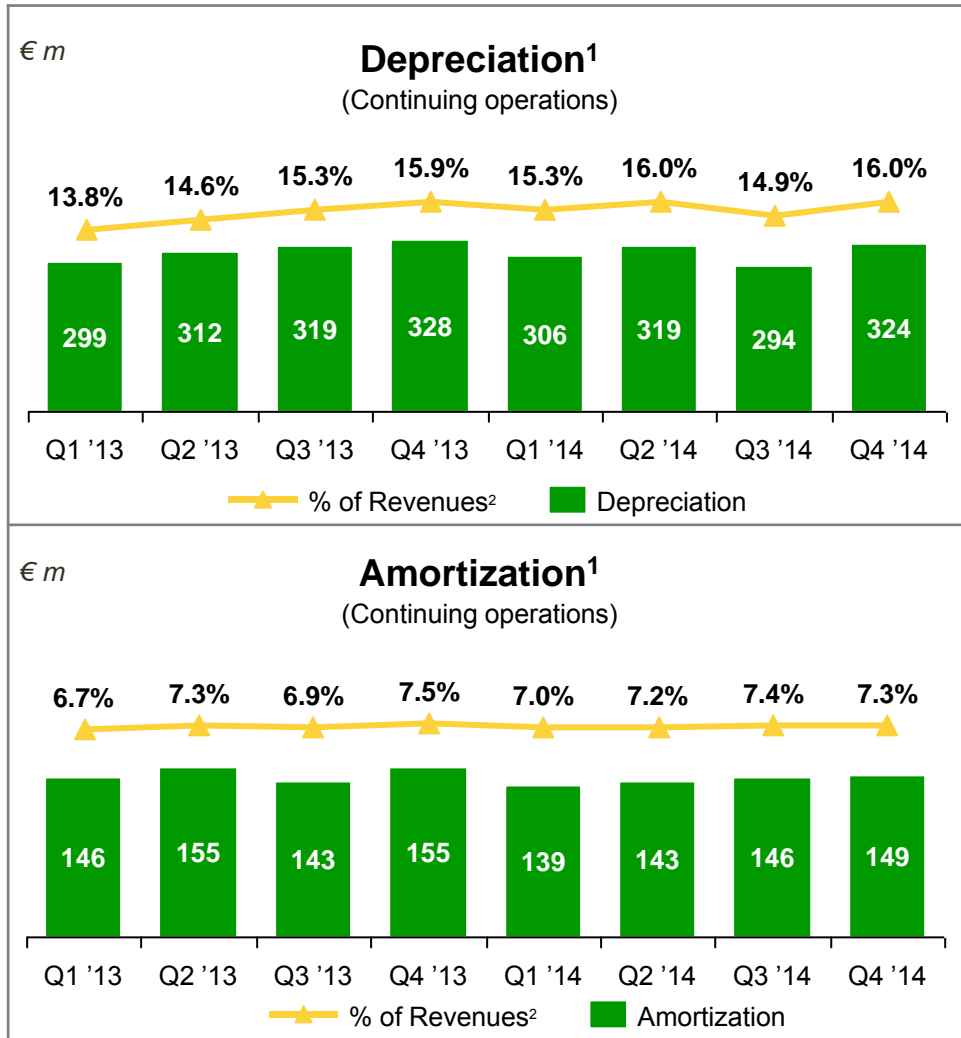
- Provision KPNQwest settlement and other legal claims in Q4 '13

Q-on-Q increase

- Higher restructuring costs
- Higher marketing spend
- Provision for phasing out SNOW
- Higher costs due to consolidation of Reggefiber

Operating expenses - analysis

Depreciation & Amortization



Y-on-Y decrease

- Lower depreciation due to phasing out of handset lease at all brands at Consumer Mobile

Partly offset by

- Higher depreciation due to consolidation of Reggefiber

Q-on-Q increase

- Impairment of SNOW
- Higher depreciation due to consolidation of Reggefiber

Y-on-Y decrease

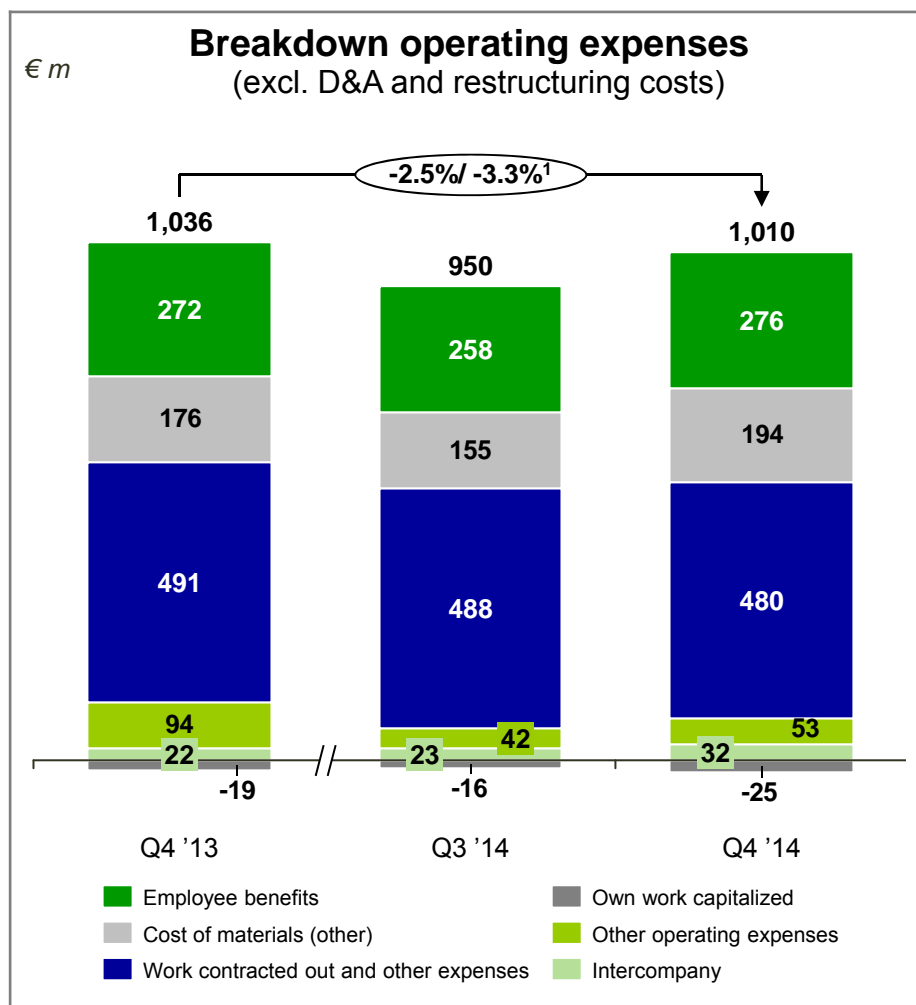
- Lower amortization of software

Q-on-Q increase

- Impairment of intangibles at SNT Deutschland

¹ Including impairments, if any
² As % of revenue excluding other income

The Netherlands - operating expenses



1 Excluding impact of phasing out handset lease

- Operating expenses (excl. D&A, restructuring costs and impact phasing out handset lease) down 3.3% y-on-y
- Employee benefit costs increased 1.5% y-on-y due to consolidation of Reggefiber, partly offset by release of pension provisions
- Cost of materials (excl. impact phasing out handset lease) increased by 5.7% y-on-y
- Work contracted out decreased by 2.2% y-on-y
 - Lower IT costs due to Simplification at NetCo
 - Lower traffic costs
 - Less external personnel
 Partly offset by
 - Higher content costs at Consumer Residential
- Simplification program supporting further opex reduction in coming years

Dutch wireless disclosure

	Q4 '14	Q4 '13	%
Service revenues (€ m)	521	556	-6.3%
- Consumer retail	275	283	-2.8%
- Business ¹	206	228	-9.6%
- Other ²	40	45	-11%
SAC/SRC per subscriber (€)			
- Consumer retail ³	210	197	6.6%
- Business	211	214	-1.4%

1 Includes partial allocation of multi play revenues to mobile service revenues

2 Includes amongst others Consumer Mobile wholesale and visitor roaming revenues at NetCo

3 Including handset subsidies, commissions, SIM costs and capitalization of handsets corrected for residual value

Tax

Fiscal units (€ m)	P&L		Cash flow	
	Q4 '14	Q4 '13	Q4 '14	Q4 '13
The Netherlands	80	12	66 ¹	-34 ²
Germany	-	-52	-49	3
Belgium	-4	1	-	-
Other	-1	24	-1	-1
Total reported tax (incl. discontinued operations)	75	-15	16	-32
<i>Of which discontinued operations</i>	-	52	49	-3
Reported tax continuing operations	75	37	65	-35
<i>Effective tax rate continuing operations</i>	68.2%	25.5%		

- The effective tax rate (continuing operations) for Q4 2014 (68.2%) is influenced by several corporate income tax settlements with the Dutch tax authorities mostly relating to previous years
 - Without one-off effects the 2014 effective tax rate would have been ~21%³
- For the 2015-2016 period, the effective tax rate is expected to be ~20%³
- Deferred tax asset resulting from E-Plus sale amounts to € 1.2bn, limiting tax cash out in The Netherlands in the coming years

1 Relating to tax payments for period prior to 2014

2 Including tax recapture E-Plus of € 25m

3 Excluding effects of, amongst others, settlements with tax authorities, impairments, revaluations

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Debt summary

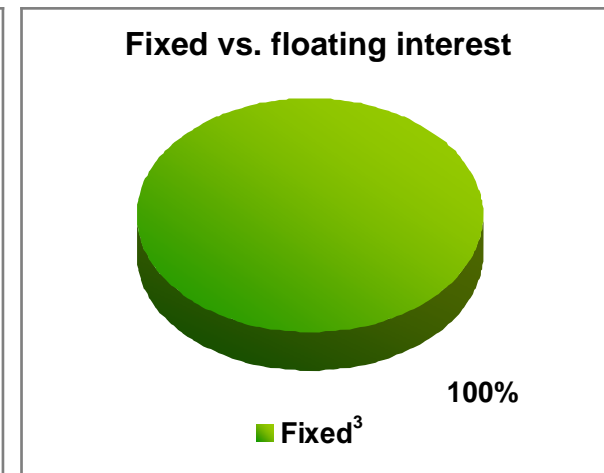
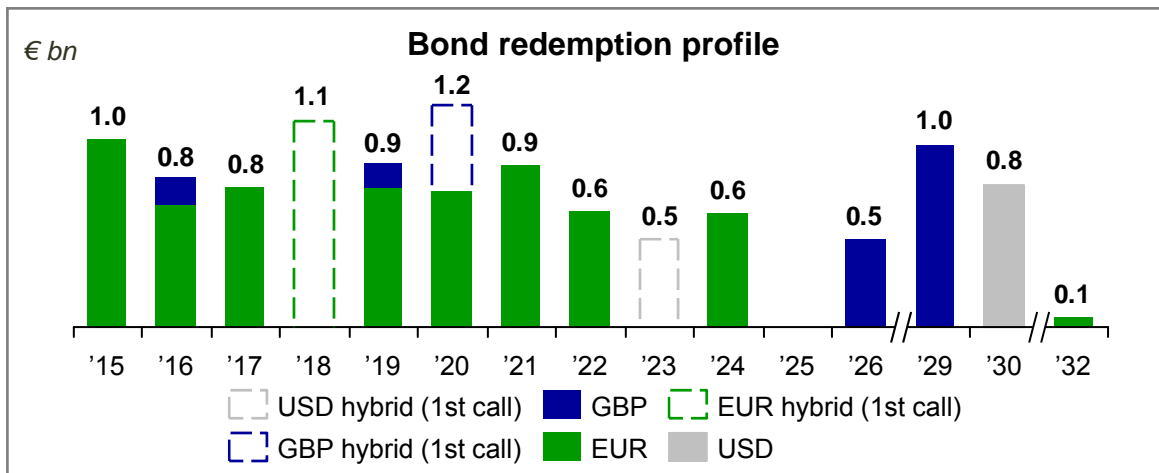
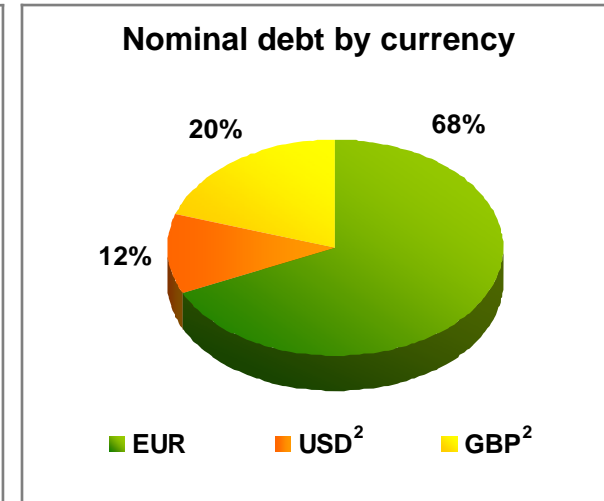
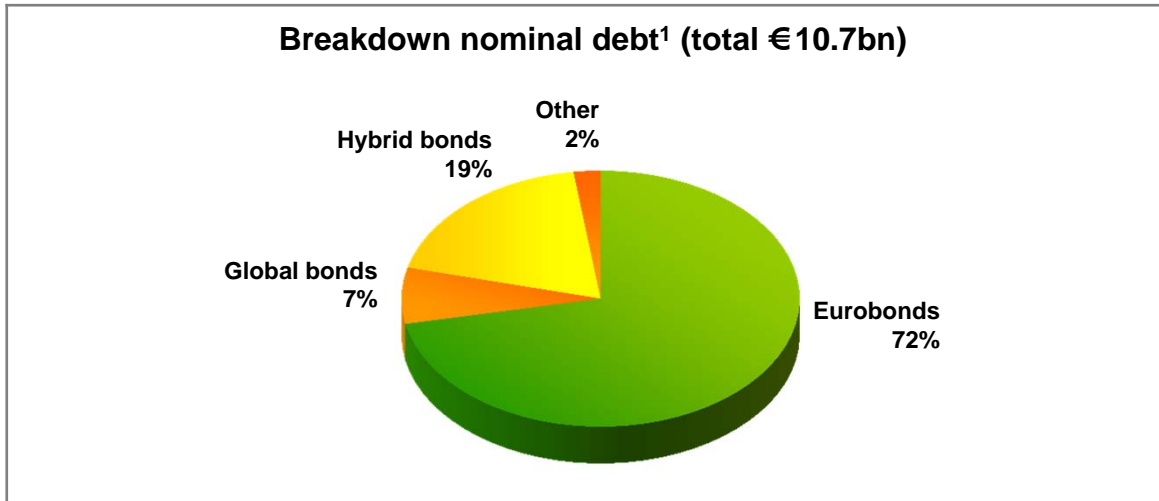
€ bn	Q4 '14	Q3 '14	%
Nominal debt	10.70	12.84	-17%
Eurobonds	7.67	9.43	-19%
Global bonds	0.76	0.76	-
Hybrid bonds	2.03	2.03	-
Financial leases and other loans	0.24	0.62	-61%
Adjustments to nominal debt	-1.12	-1.02	9.8%
Equity credit hybrid bonds	-1.01	-1.01	-
Cash collateral on derivatives	-0.11	-0.01	>100%
Gross debt¹	9.58	11.82	-19%
<i>Of which short-term</i>	<i>1.10</i>	<i>1.34</i>	<i>-18%</i>
Net cash & cash equivalents	1.95	1.50	30%
Cash & cash equivalents	1.98	1.50	32%
Bank overdraft	-0.03	-	<i>n.m.</i>
Short-term investments (held to maturity)	0.30	-	<i>n.m.</i>
Net debt²	7.33	10.32	-29%

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 Net debt defined as gross debt less net cash and short-term investments

Debt portfolio

Breakdown of € 10.7bn nominal debt¹ including hybrid bonds



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

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

- EUR tranche is a perpetual, accounted for as equity
 - Coupon payments treated as equity distribution, hence not expensed through P&L, not included in FCF, but in financing cash flow^{1,2}
- 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 (swapped to EUR)	KPN net debt	Maturity	Rates (swapped) ¹	IFRS principal	IFRS coupon
EUR 1.1bn 6.125%	€ 1,100m	€ 550m	Perpetual (non-call 5.5)	6.125%	Equity	Financing cash flow ² (not incl. in FCF)
GBP 0.4bn 6.875%	€ 460m	€ 230m	60 years (non-call 7)	6.777%	Liability	Interest paid (incl. in FCF)
USD 0.6bn 7.000%	€ 465m	€ 233m	60 years (non-call 10)	6.344%	Liability	Interest paid (incl. in FCF)
Total	€ 2,025m	€ 1,013m				

1 EUR tranche had short first coupon payment (0.5 years was payable in September 2013), annual coupon payments in September thereafter; USD tranche has semi-annual coupon payments (March / September); GBP tranche has annual coupon payments in March

2 Cash flow item 'Paid coupon perpetual hybrid bonds'

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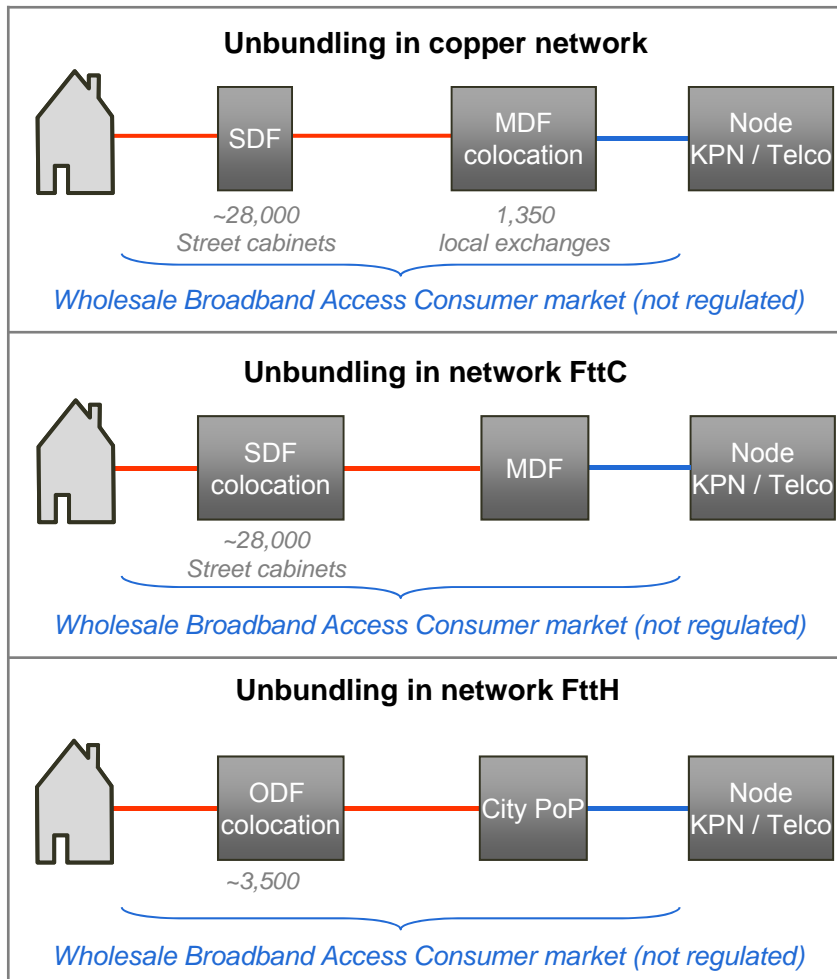
Regulation

MTA rates across the Group

NL	<ul style="list-style-type: none"> ACM decision to base MTA rates on 'pure BULRIC' of € 1.019 cent per minute as of 1 September 2013 is under appeal (Court announced prejudicial questions to European Court of Justice) Dutch Court suspended ACM decision and mandated interim rates based on 'plus BULRIC' of € 1.861 cent per minute 							
	€ ct / min	Until 7 July '10	7 July '10	Sep '10	Jan '11	Sep '11	Sep '12	Sep '13
	MTA rate	7.00	5.60	5.60	4.20	2.70	2.40	1.861
BE	<ul style="list-style-type: none"> On 24 September 2014, the Court of Appeal of Brussels annulled BIPT decision of 29 June 2010 for procedural reasons, but decided that the effects of the Decision will be maintained until 30 June 2015 BIPT new tariffs setting (mid 2015 and onwards) in progress 							
	€ ct / min	Until Aug '10	Aug '10	Jan '11	Jan '12	Jan '13		
	MTA rate	11.43	5.68	4.76	2.92 ¹	1.08 ¹		

¹ After indexation the MTA rates applicable as of January 2012 and January 2013 are calculated at € ct / min 3.11 and € ct / min 1.18 respectively

Unbundling tariffs



Category	Monthly tariff
Line sharing (LLU)	€ 0.11 / line
Fully unbundled (LLU)	€ 7.79 / line
MDF collocation	€ 946.98 footprint / year
Wholesale Broadband Access ¹	€ 5.32 / line shared € 13.00 / line non-shared

Category	Monthly tariff
Line sharing (SLU)	€ 7.03 / line
Fully unbundled (SLU)	€ 7.03 / line
SDF collocation	€ 5.64 / per unit One-off € 516.23 / per unit
Wholesale Broadband Access ¹	€ 5.32 / line shared € 13.00 / line non-shared

Category	Monthly tariff
Fully unbundled (ODF FttH)	€ 14.23 - € 18.09 / line
ODF FttH collocation	≤ € 548 / month / per Area Pop One-off ≤ € 3,289 / per Area Pop
ODF FttH Backhaul	≤ € 657 / month
Wholesale Broadband Access FttH ²	€ 26.38 - € 45.00 / line non-shared

— Regulated — Not regulated

- List prices WBA CM excluding PVC/VLAN tariffs
- List prices WBA CM including PVC/VLAN tariffs

Spectrum in The Netherlands

Current status

800MHz Paired	Tele2 2*10	VOD 2*10	KPN 2*10	2*30				
900MHz Paired	VOD 2*10	KPN 2*10	T-Mob 2*15	2*35				
1.8GHz Paired	KPN 2*20		VOD 2*20	T-Mob 2*30	2*70			
1.9GHz Unpaired	T-Mob 10	KPN 5	VOD 5.4	T-Mob 14.6	1*35			
2.1GHz Paired	VOD 2*14.6	KPN 2*14.8	T-Mob 2*10	KPN 2*5	VOD 2*5	T-Mob 2*10	2*59.4	
2.6GHz Unpaired	T-Mob 25	KPN 30	Tele2 5				1*60	
2.6GHz Paired	VOD 2*10	Ziggo4 2*20	T-Mob 2*5	KPN 2*10	Tele2 2*20		2*65	
Total	KPN 174.6MHz		VOD 144.6MHz	T-Mob 189.6MHz		Tele2 65MHz	Ziggo4 40MHz	613.8MHz

Spectrum in Belgium

Current status

800MHz Paired	BASE 2*10	Proximus 2*10	Mobistar 2*10	2*30	
900MHz ¹ Paired	BASE 2*10	Proximus 2*12	Mobistar 2*12	2*34	
1.8GHz ² Paired	BASE 2*23.4	Proximus 2*23.4	Mobistar 2*23.4	2*70.2	
2.1GHz Paired	Proximus 2*15	BASE 2*14.8	Mobistar 2*14.8	2*44.6	
2.1GHz Unpaired	B 5	M 5	B 5	1*15	
2.6GHz Unpaired	BUCD 45			1*45	
2.6GHz Paired	Proximus 2*20	BASE 2*15	Mobistar 2*20	2*55	
Total	Proximus 165.8MHz	BASE 151.4MHz	Mobistar 165.4MHz	BUCD 45MHz	527.6MHz

1 As of 27 November 2015, the 900MHz spectrum will be divided as follows: BASE Company (2*10.2), Mobistar (2*11.8), Proximus (2*12.2)

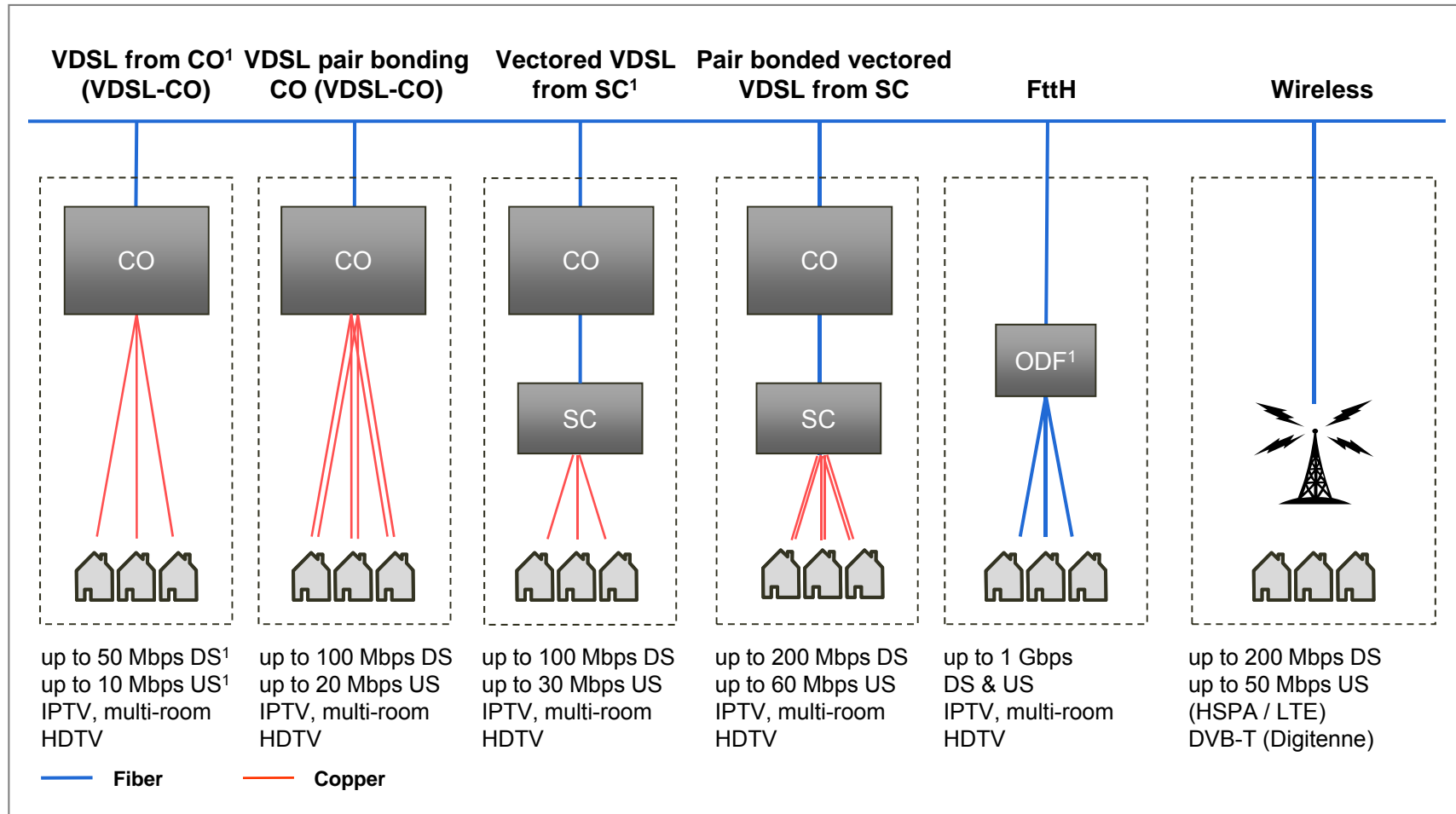
2 As of 15 June 2015, BASE Company, Proximus and Mobistar will each have 2*24.8MHz available in the 1800MHz band

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Infrastructure

Deploying mix of technologies going forward



¹ Abbreviations: CO: Central Office; SC: Street Cabinet; ODF: Optical Distribution Frame; DS: Download Speed; US: Upload Speed

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Telefónica Deutschland stake

Accounting treatment

Balance sheet

- Stake will be included as financial asset¹
- Fair value of KPN's stake will be based on Telefónica Deutschland's share price and adjusted quarterly
 - Fair value movements will be recorded in *other comprehensive income*
 - Significant or prolonged value decreases will be booked as an impairment through the P&L within *net finance costs*

P&L

- Dividends received will be reported as finance income within *net finance costs*
- Upon sale of (part of) the stake, all related capital gains or losses are recognized through the P&L as *other income*
- Significant or prolonged value decreases will be booked as an impairment through the P&L within *net finance costs*

Cash flow

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

Tax

- Dividends received and/or capital gains realized (proceeds above tax book value) on KPN's stake will be 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 *available for sale financial asset*