

Q4 and FY 2020 results

27 January 2021

kpn. The network of the Netherlands



Safe harbor

Alternative performance measures and management estimates

This financial report contains a number of alternative performance measures (non-GAAP figures) to provide readers with additional financial information that is regularly reviewed by management, such as EBITDA and Free Cash Flow ('FCF'). These non-GAAP figures should not be viewed as a substitute for KPN's GAAP figures and are not uniformly defined by all companies including KPN's peers. Numerical reconciliations are included in KPN's quarterly factsheets and in the Integrated Annual Report 2019. KPN's management considers these non-GAAP figures, combined with GAAP performance measures and in conjunction with each other, most appropriate to measure the performance of the Group and its segments. The non-GAAP figures are used by management for planning, reporting (internal and external) and incentive purposes. KPN's main alternative performance measures are listed below. The figures shown in this financial report are based on continuing operations and were rounded in accordance with standard business principles. As a result, totals indicated may not be equal to the precise sum of the individual figures.

Financial information is based on KPN's interpretation of IFRS as adopted by the European Union as disclosed in the Integrated Annual Report 2019 and do not take into account the impact of future IFRS standards or interpretations. Note that certain definitions used by KPN in this report deviate from the literal definition thereof 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. KPN defines revenues as the total of revenues and other income. Adjusted revenues are derived from revenues (including other income) and are adjusted for the impact of incidentals. KPN defines EBITDA as operating result before depreciation (including impairments) of PP&E and amortization (including impairments) of intangible assets. Adjusted EBITDA after leases ('adjusted EBITDA AL') is derived from EBITDA and is adjusted for the impact of restructuring costs and incidentals ('adjusted') and for lease costs, including depreciation of right-of-use assets and interest on lease liabilities ('after leases' or 'AL'). KPN defines Gross Debt as the nominal value of interest-bearing financial liabilities representing the net repayment obligations in Euro, excluding derivatives, related collateral, and leases, taking into account 50% of the nominal value of the hybrid capital instruments. In its Leverage Ratio, KPN defines Net Debt as Gross Debt less net cash and short-term investments, divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). The Lease adjusted leverage ratio is calculated as Net Debt including lease liabilities divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). Operational Free Cash Flow is defined as adjusted EBITDA AL minus capital expenditures (Capex) being expenditures on PP&E and software. Free Cash Flow ('FCF') is defined as cash flow from continuing operating activities plus proceeds from real estate, minus Capex. Return on capital employed (ROCE) is calculated by the net operating profit less adjustments for taxes divided by capital employed, on a 4-quarter rolling basis. Net operating profit is the adjusted EBITA (excluding incidentals and amortization of other intangibles and including restructuring costs). KPN defines capital employed as the carrying amount of operating assets and liabilities, which excludes goodwill and the other intangibles. All market share information in this financial report is based on management estimates based on externally available information, unless indicated otherwise. For a full overview on KPN's non-financial information, reference is made to KPN's quarterly factsheets available on ir.kpn.com.

Forward-looking statements

Certain statements contained in this financial report constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the impact of regulatory initiatives on KPN's operations, KPN's and its joint ventures' share of new and existing markets, general industry and macro-economic trends and KPN's performance relative thereto and statements preceded by, followed by or including the words "believes", "expects", "anticipates", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" or similar expressions. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside KPN's control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the Integrated Annual Report 2019. All forward-looking statements and ambitions stated in this financial report that refer to a growth or decline, refer to such growth or decline relative to the situation per 31 December 2019, unless stated otherwise.

Additional information regarding estimated impact of divestments on Q4 and FY 2019 financial figures

KPN's Q4 2020 Press Release and Q4 2020 Analyst Presentation include additional information regarding the estimated impact of divestments on the Q4 and FY 2019 comparative financial figures for revenues, adjusted EBITDA AL, Operational Free Cash Flow and FCF, as KPN's Board of Management deems it important to provide readers with additional information on the financial impact of the following divestments: NLDC, International Network Services, Ageweb, and KPN Consulting. The impact of divestments as mentioned represents the estimated financial impact (transfer of revenues, addition of COGS and transfer of indirect costs) of the combined completed divestments as if the actual transfer of shares (closing) had taken place 12 months earlier. This information has been included for comparison reasons only and is not considered to be an alternative performance measure. Please note that the financial impact of divestments is based on management estimates, which have not and will not be audited.

KPN Q4 and FY 2020 results



**Accelerate
to grow**

kpn. The network of the Netherlands



Highlights Q4 and FY 2020

- ▶▶ **Delivered** on FY 2020 outlook
- ▶▶ **Growing** postpaid base, further stabilizing broadband base in Consumer
- ▶▶ **Encouraging** trend in mass-market service revenues
- ▶▶ **Awards** for fastest 5G network in NL, 5G Innovation, and best in mobile data
- ▶▶ **Accelerated** fiber rollout
- ▶▶ **Substantially** improving ROCE
- ▶▶ **Continued** progress on cost savings
- ▶▶ **COVID-driven** revenue pressure largely offset by cost control
- ▶▶ **Strong** balance sheet and liquidity position
- ▶▶ **More specific** FY 2021 outlook, 2023 ambitions reiterated

Robust Q4 results

Adjusted revenues

Q4 2020	FY 2020
€ 1,354m	€ 5,275m
-2.8%	-3.9%
Q4 2019 € 1,393m	FY 2019 € 5,486m

Adj. net indirect opex savings

Q4 2020	FY 2020
€ 22m	€ 137m
Since January 2019 € 278m	

Adjusted EBITDA AL

Q4 2020	FY 2020
€ 561m	€ 2,320m
flat	+0.1%
Q4 2019 € 561m	FY 2019 € 2,317m

Q4 adjusted revenues -2.8% y-on-y

- **-1.0% excl. impact divestments**
- Growth in Consumer Fixed and Wholesale was offset by lower revenues in Business and Consumer Mobile

Net profit

Q4 2020	FY 2020
€ 174m	€ 561m
>100%	-8.7%
Q4 2019 € 84m	FY 2019 € 614m

ROCE

FY 2020
10.1%
+80bps
FY 2019 9.3%

Leverage ratio

FY 2020
2.3x
FY 2019 2.2x

Q4 adjusted EBITDA AL flat y-on-y

- **+1.2% excl. impact divestments**
- Effect of lower revenues fully offset by disciplined cost control

Operational Free Cash Flow

Q4 2020	FY 2020
€ 272m	€ 1,172m
+14%	-2.5%
Q4 2019 € 239m	FY 2019 € 1,202m

Capex

Q4 2020	FY 2020
€ 289m	€ 1,147m
-10%	+2.9%
Q4 2019 € 322m	FY 2019 € 1,115m

FCF (excl. TEFD dividend)

Q4 2020	FY 2020
€ 268m	€ 765m
-5.6%	+5.4%
Q4 2019 € 284m	FY 2019 € 726m

FY FCF of € 765m (+5.4% y-on-y)

- **+6.6% excl. impact divestments**
- Higher Capex and increased investments in working capital fully offset by lower cash interest paid and cash restructuring

ROCE of 10.1%

- +80bps y-on-y

Delivered on 2020 outlook

	Achievements FY 2020	Outlook FY 2020
Adjusted EBITDA AL	€ 2,320m	~€ 2,320m
Capex	€ 1,147m	€ 1.1bn
Free Cash Flow	€ 765m	~€ 750m
Regular DPS	€ 13 cents ¹	€ 13 cents

Accelerate to grow supported by three key pillars

Three strategic pillars...

1. Leverage & expand superior networks

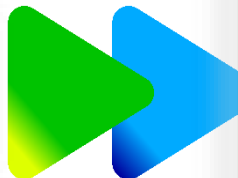
- Covering the Netherlands through fiber
- Low latency services via 5G and edge computing

2. Grow & strengthen customer footprint

- Outstanding digital experience
- Differentiated services for families and businesses

3. Simplify & streamline operating model

- New ways of digital working
- Continue strong and disciplined cost control program



...to support our ambition to

Connect the Netherlands to a sustainable future

- Leading the Dutch digitalization wave
- Recognized as ESG front runner

Grow mass-market service revenues and EBITDA

- Fiber fueling household revenue growth in B2C
- Segmented B2B approach, stabilize SME first

Provide attractive shareholder returns

- Covered by growing Free Cash Flow
- Progressive dividend, +3-5% annually

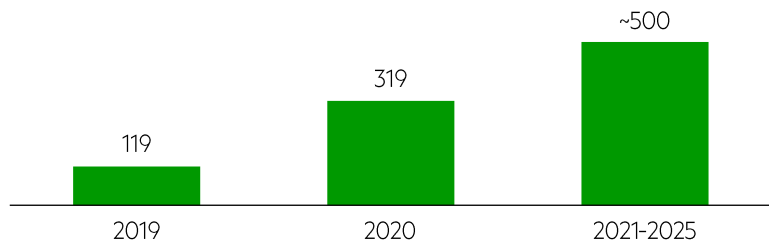


Expand
Superior network

Expand superior network: the leading fiber company in the Netherlands

Accelerating fiber rollout to base case ~500k HP annual run rate

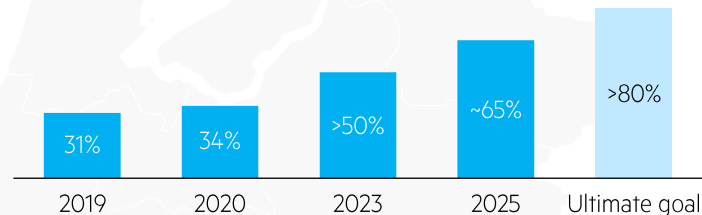
k



Secured contracting capacity

Sophisticated rollout area selection

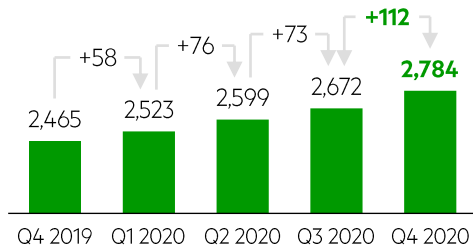
Ambition to cover the Netherlands with FttH



Expand superior network: run-rate reached to deliver on ambitions

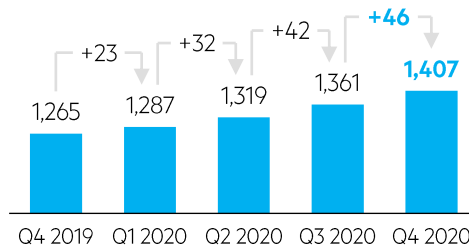
Continuously expanding fiber footprint

homes passed, k



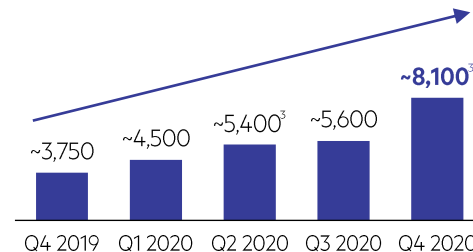
Solid FttH activation rate

homes activated, k



Weekly rollout steeply increasing

homes passed



2020:

+319k HP rollout¹

+33k HP on 3rd party FttH

2020:

+142k HA

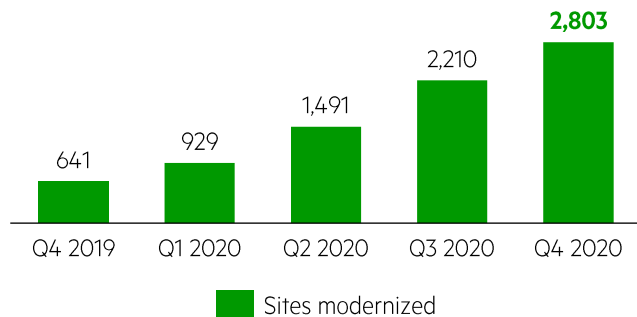
~45% activation rate²

Active in **97** areas

~650k HP in announced
or active construction phase

Award winning 5G network reaching majority of the Netherlands

Reaching ~70% of NL on new 700MHz spectrum¹



Excellent 5G position



Differentiated
5G services



Leading
5G ecosystem



Leading in
Security



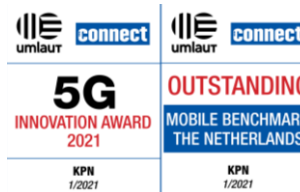
Track record in critical
networks and innovation

Umlaut Connect test

Outstanding network (954 points)
Leading data category
5G Innovation Award

Ookla

Fastest 5G network in NL



An aerial photograph of a city, likely Amsterdam, showing a canal with a small island and a fountain. The city is densely packed with buildings, including a large modern building with a blue roof in the upper left. The text "Enhance Customer focus" is overlaid on the right side of the image, with a green and blue play button icon behind the word "Enhance".

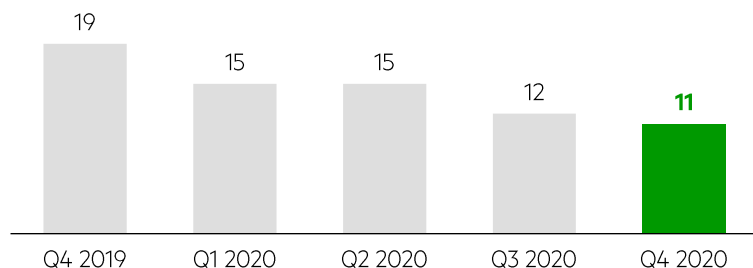
Enhance
Customer focus

B2C: Encouraging base and revenue trend

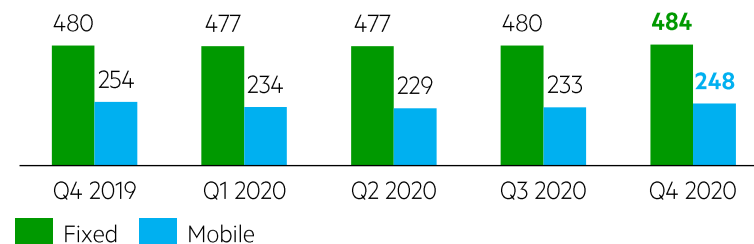
Key take-aways

- Improving Fixed service revenue trend fueled by price adjustments and fiber
- Fixed non-service revenues driven by success of SuperWiFi
- Mobile service revenue trend improving due to stabilizing base and improving trend postpaid ARPU
- NPS¹ lower driven by increasing customer usage and expectations, IPTV interface changes, and pressure on customer support capacity during lockdown

Consumer NPS lower due to IPTV and COVID¹



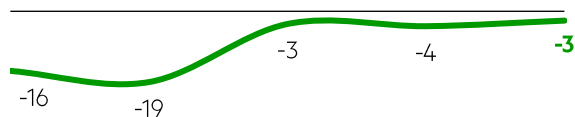
Adjusted revenues (€ m)



Segment revenues (€ m)	Q4 2019	Q4 2020	Δ y-on-y	FY 2019	FY 2020	Δ y-on-y
Fixed service revenues	468	464	-0.9%	1,874	1,851	-1.2%
Fixed non-service revenues	12	20	+63%	42	67	+59%
Mobile service revenues	190	186	-2.1%	779	743	-4.7%
Mobile non-service revenues	64	62	-2.7%	221	202	-8.5%
Total adj. Consumer revenues	734	732	-0.3%	2,916	2,863	-1.8%

B2C: Base and revenue trends turning in the right direction

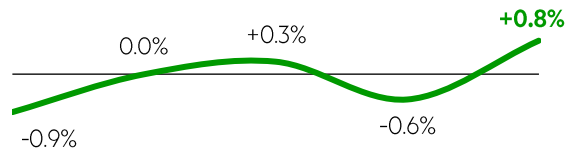
Stabilizing broadband net adds (k)¹



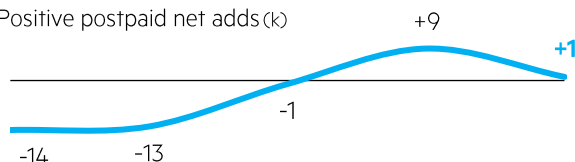
Higher fixed ARPU

€ 50
+4.0% y-on-y

Fixed revenue growth



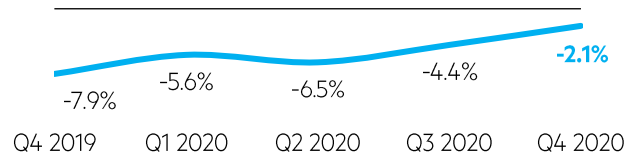
Positive postpaid net adds (k)



Stable mobile ARPU

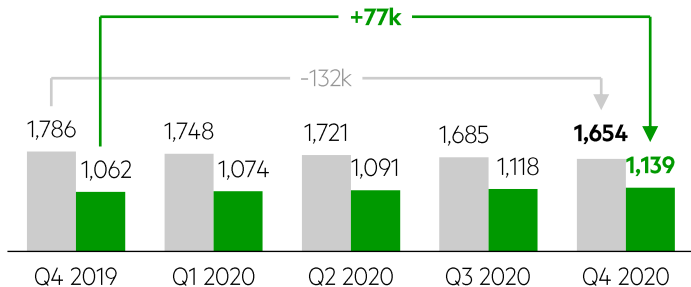
€ 17
-1.1% y-on-y

Mobile service revenue trend improving

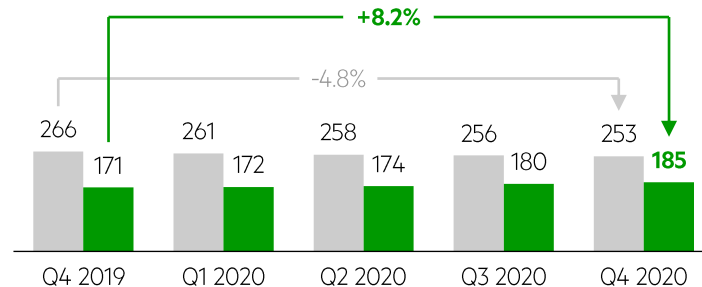


B2C: Fiber investments driving performance

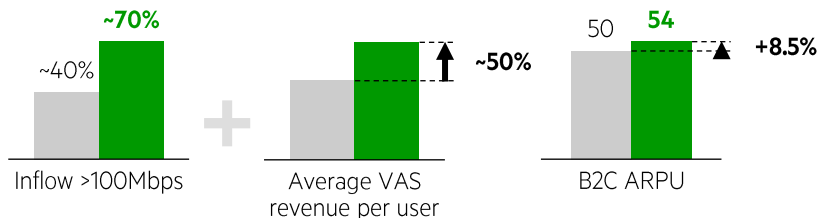
Continuously growing fiber broadband base... (k)



...and fiber service revenues (€ m)



Customers increasingly willing to pay for quality (FY 2020)



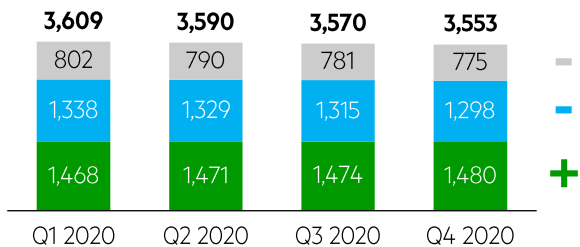
+20k fiber net adds in Q4 2020

Increase fiber service revenues higher than copper service revenue decline

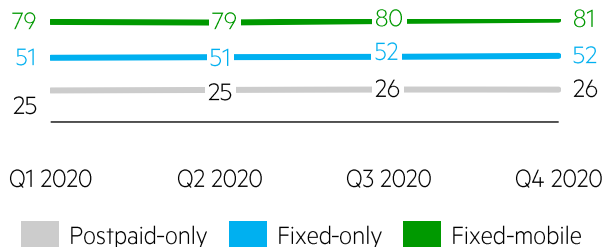
■ Copper ■ Fiber

B2C: Focus on households and convergence reflected by new disclosure

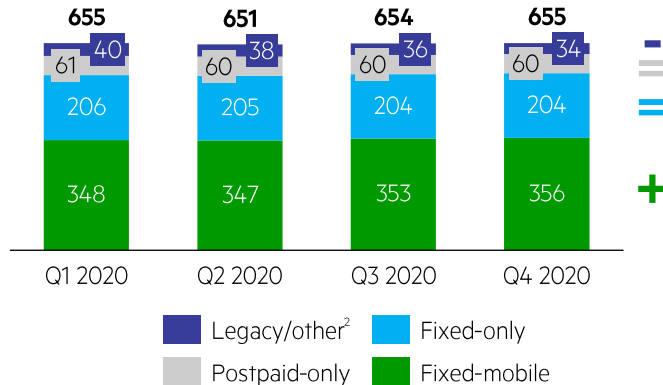
Serving more fixed-mobile households (k)



Slightly growing Average Revenue Per Address (ARPA, €)¹



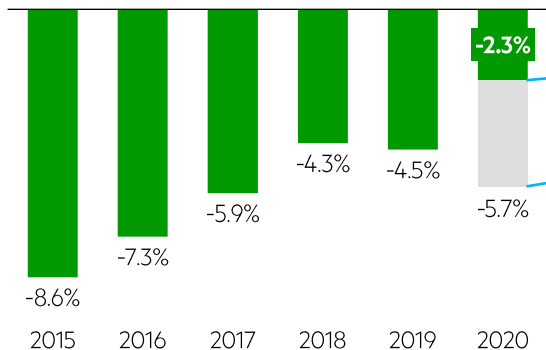
Growing fixed-mobile service revenues (€ m)



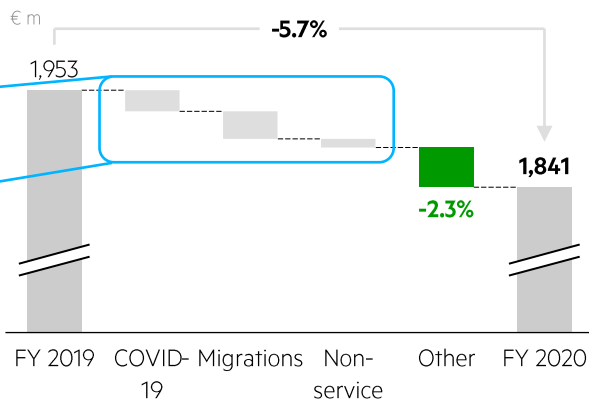
- ▶▶ Fixed-mobile ARPA (€ 80): includes all broadband and postpaid services in a household; on average 4.2 RGUs per household
- ▶▶ Fixed-only ARPA (€ 52): on average 2.2 RGUs per household
- ▶▶ Postpaid-only ARPA (€ 26): on average 1.5 SIMs per household

B2B: Moving in the right direction despite revenue challenges

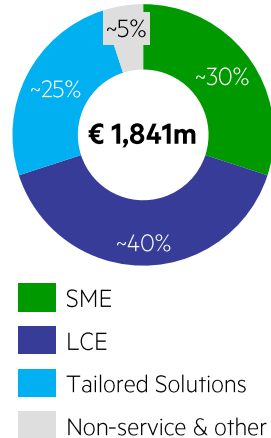
Underlying B2B revenue trend improving¹



Revenue trend impacted by COVID and migrations¹



FY 2020 revenues by customer segment

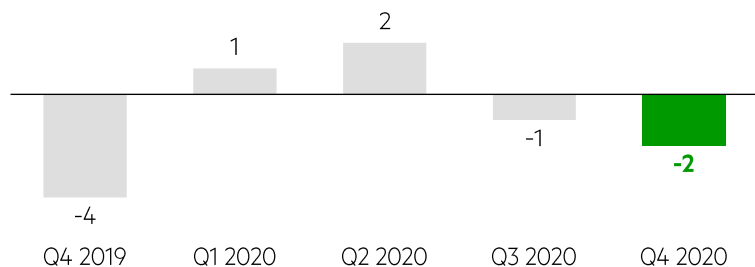


B2B: Revenue pressure largely driven by strategic actions and COVID-19

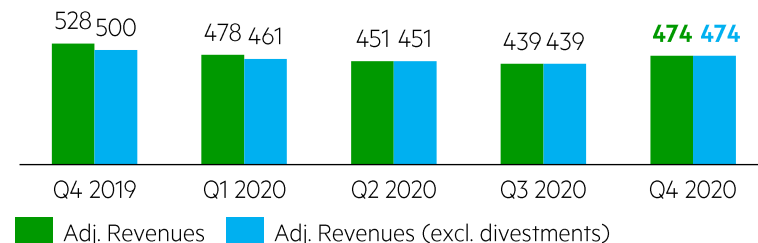
Key take-aways

- Communication Services impacted by customer migrations to target portfolio and loss of roaming revenues
- IT Services lower as growth in Workspace was more than offset by declining revenues from Cloud and Security services
- Professional Services generally sees seasonally strong Q4, this year impacted by different phasing over the quarters
- Sequential NPS decline driven by increased customer expectations and pressure on customer service centers

Business NPS improved y-on-y¹



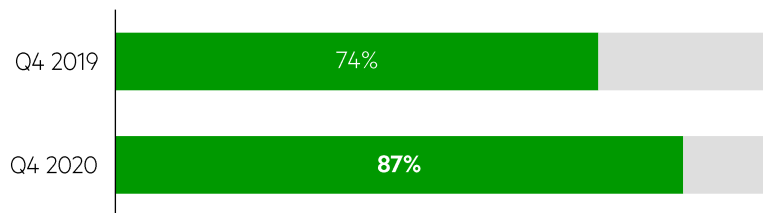
Adjusted revenue trend (€ m)



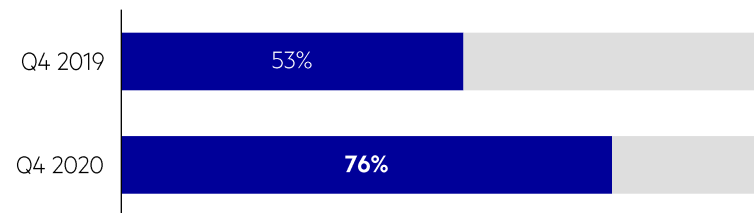
Segment revenues (€ m)	Q4 2019	Q4 2020	Δ y-on-y (excl. divestments ²)	FY 2019	FY 2020	Δ y-on-y (excl. divestments ²)
Communication Services	314	291	-4.8%	1,274	1,128	-9.5%
IT Services	73	70	-2.4%	273	265	-0.8%
Professional Services	117	112	-4.6%	411	428	+4.1%
KPN Consulting	18	-	n.m.	77	17	n.m.
Other	6	1	-89%	8	3	-58%
Adjusted revenues	528	474	-5.3%	2,043	1,841	-5.7%

B2B: Customer migrations to future-proof proposition

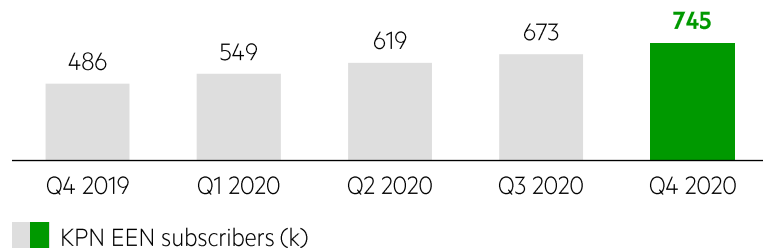
SME customer migrations nearly completed



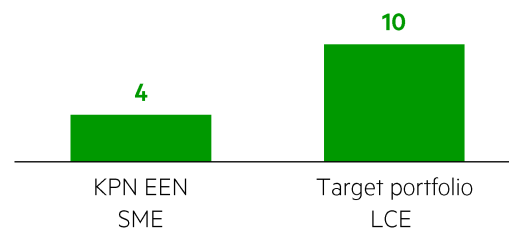
LCE customer migrations on track¹



Strongly growing KPN EEN subscriber base



Positive NPS on target portfolio²

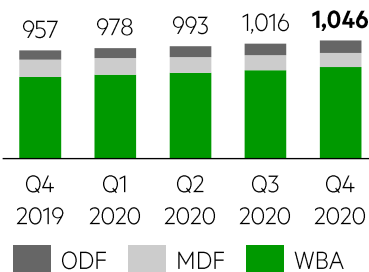


Wholesale: Sustainable growth from open access model

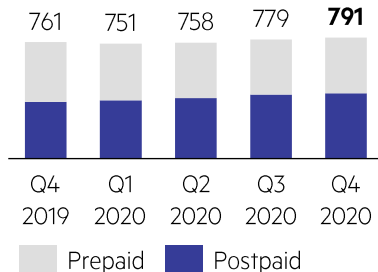
Key take-aways

- Added 30k broadband lines and 8k postpaid customers
- Continuing open Wholesale policy based on voluntary offers and long-term contracts

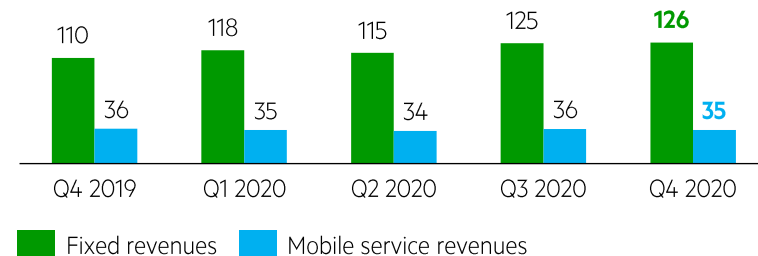
Broadband customer base (k)



Mobile customer base (k)



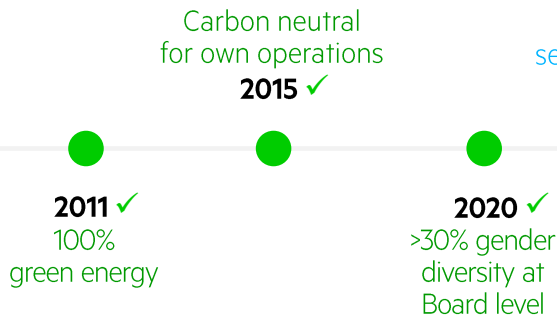
Adjusted revenue trend (€ m)



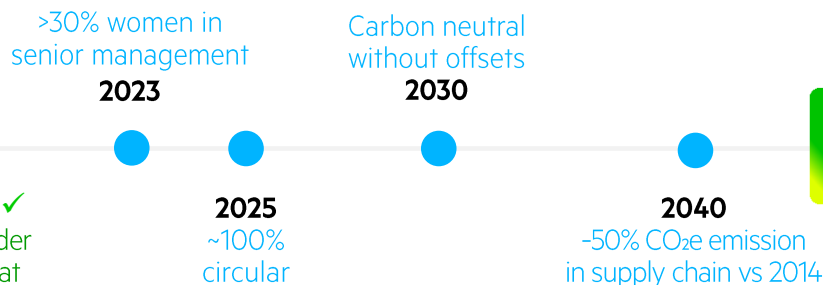
Segment revenues (€ m)	Q4 2019	Q4 2020	Δ y-on-y	FY 2019	FY 2020	Δ y-on-y (excl. divestments)
Mobile service revenues	36	35	-3.5%	139	140	+0.2%
Fixed revenues	110	126	+14%	489	484	+6.4%
Adjusted revenues	146	161	+10%	627	624	+5.3%

ESG milestones and ambitions recognized by leading benchmarks

Important milestones crossed...



...and an ambitious agenda



Rankings & awards in 2020



Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA



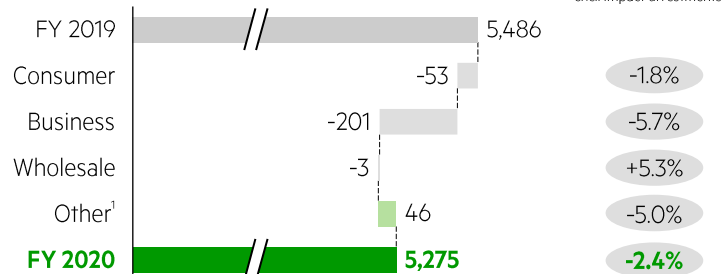


Deliver
Financial ambitions

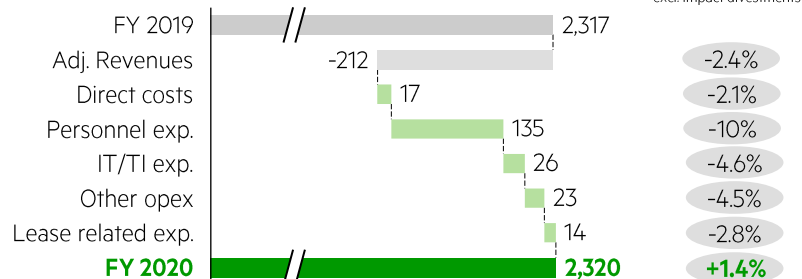
Group financials

(€ m)	FY 2019	FY 2020	Δ y-on-y	Δ y-on-y excl. divestments
Service revenues	5,090	4,874	-4.2%	-2.7%
Non-service & other	397	401	+0.9%	
Adjusted revenues	5,486	5,275	-3.9%	-2.4%
Total adjusted opex	3,004	2,803	-6.7%	-5.3%
Lease related expenses	165	152	-8.2%	-2.8%
Adjusted indirect opex after leases	1,868	1,671	-11%	-7.6%
Adjusted EBITDA after leases	2,317	2,320	+0.1%	+1.4%
As % of adj. revenues	42.2%	44.0%		
Operating profit (EBIT)	1,041	912	-12%	
Net profit	614	561	-8.7%	
Capex	1,115	1,147	+2.9%	
As % of adj. revenues	20.3%	21.8%		
Operational Free Cash Flow	1,202	1,172	-2.5%	-0.6%
As % of adj. revenues	21.9%	22.2%		
Free Cash Flow (excl. TEFD div)	726	765	+5.4%	+6.6%
As % of adj. revenues	13.2%	14.5%		

Adjusted revenues (€ m)

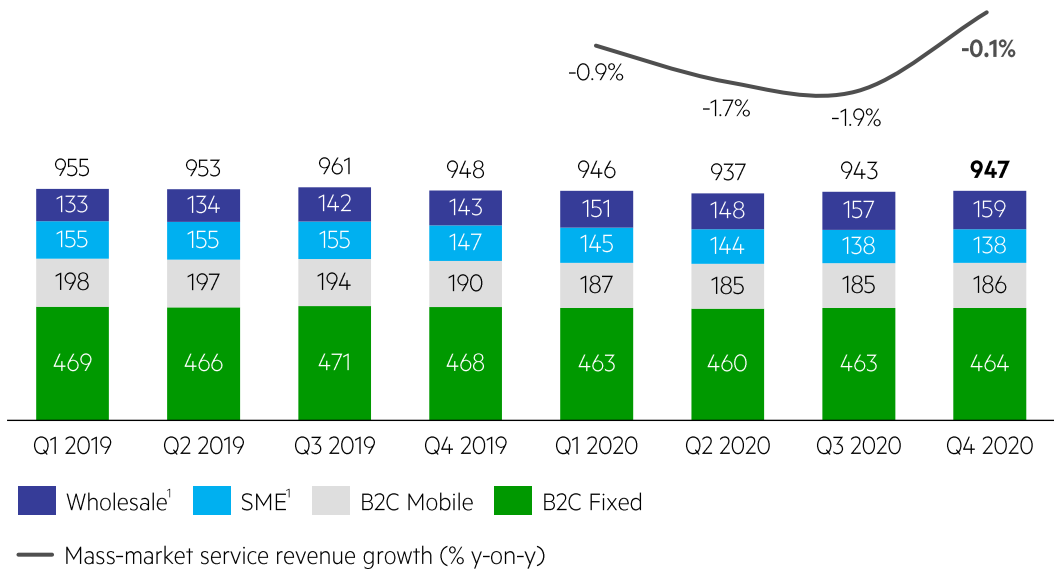


Adjusted EBITDA AL (€ m)



Mass-market service revenues to grow by end 2021

Mass-market service revenues (€ m)



B2C service revenue growth

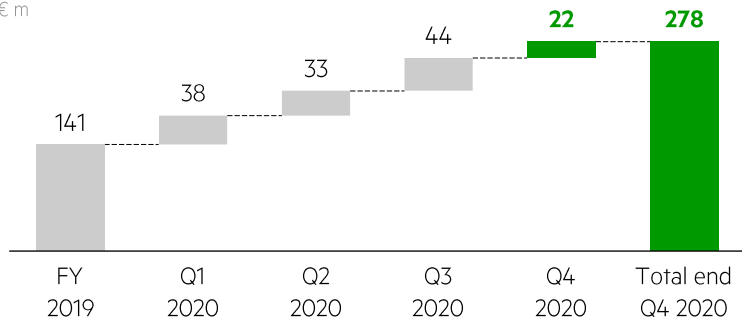
SME service revenue stabilization

WHOLE SALE continued revenue growth

Strong cost savings track record and next wave cost savings

Strong cost savings since start

€ m



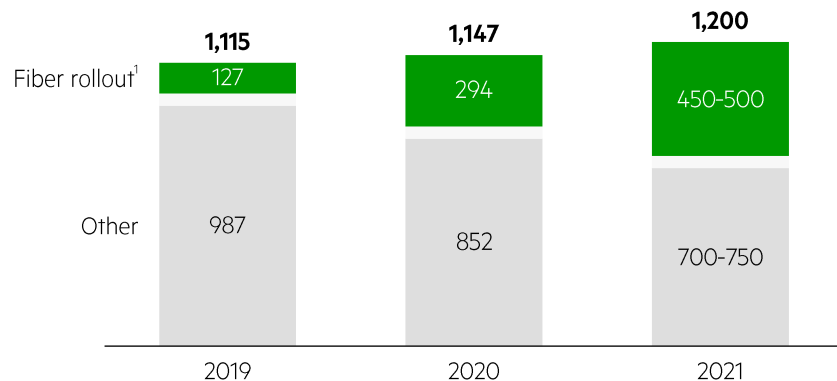
New wave cost savings program (2021-2023)

>€ 250m

net indirect opex¹
(~15% of 2020 indirect cost base)

Making clear investment decisions: accelerate fiber

Increasing fiber investments (€ m)



2020 driven by accelerated fiber rollout

2021 not to exceed € 1,200m

Capex / sales² (%)

Fiber rollout	2.4	5.6	8-10
Other	18.1	16.2	13-15
Total	20.5	21.8	22-24

Rigorous working capital management to limit impact fiber rollout

Working capital (€ m)	Q4 2019	Q4 2020	Effect delta working capital
Current assets			
Inventories	54	47	+7
Trade and other receivables	508	436	+72
Prepayments and accrued income	246	198	+48
Contract assets and contract costs	37	49	-12
Current liabilities			
Trade payables	-550	-531	-19
Accruals and deferred income	-729	-620	-109
Contract liabilities	-204	-186	-18
Total working capital	-639	-607	-32
o/w change in accrued interest			+26
Other cash flow adjustments			-28
Change in working capital (cash flow statement)			-34

Lower trade receivables as a result of decreased handset credit outstanding following lower handset sales

Lower accrued income due to lower interconnect and roaming in Wholesale and lower accrued interest related to swaps

Lower accruals driven by settlements, lower interest accruals and bonus payments related to 2019

Correction related to working capital tied up in assets and liabilities held for sale in Q4 2019 following the sale of KPN Consulting

Strong underlying cash generation

(€m)	FY 2019	FY 2020	Δ y-on-y
Adjusted EBITDA after leases	2,317	2,320	+0.1%
<i>As % of adj. revenues</i>	<i>42.2%</i>	<i>44.0%</i>	
Capex	1,115	1,147	+2.9%
Operational Free Cash Flow	1,202	1,172	-2.5%
<i>As % of adj. revenues</i>	<i>21.9%</i>	<i>22.2%</i>	
Cash restructuring	-133	-58	-56%
Incidentals	210	28	-87%
Change in provisions excl. restructuring	-33	-95	>100%
Interest received/(paid) excl. lease interest	-301	-233	-23%
Taxes received/(paid)	-7	-	-94%
Change in working capital	-9	-34	>100%
Other income	-202	-19	-90%
Other movements	-1	5	n.m.
Free Cash Flow (excl. TEFD dividend)	726	765	+5.4%
<i>As % of adj. revenues</i>	<i>13.2%</i>	<i>14.5%</i>	
TEFD dividend received	24	-	-100%
Acquisitions & disposals	256	15	-94%
Change in short-term investments	-225	5	n.m.
Other investing cash flow	341	-422	n.m.
Dividends paid	-512	-529	+3.3%
Other financing cash flow	-492	-6	-99%
Total cash flow from discontinued operations	37	-1	n.m.
Change in net cash & cash equivalents	155	-173	n.m.
Cash & short term investments at end of period	1,041	864	
Bank overdrafts	-	2	
Cash classified as held for sale	-	-	
Short-term investments	-275	-270	
Cash & cash equivalents (balance sheet)	766	597	

►► Lower Operational Free Cash Flow driven by higher Capex

►► Free Cash Flow of € 765m, 5.4% higher y-on-y

- Lower cash restructuring charges driven by COVID-19
- Less cash interest paid due to debt redemptions and refinancing transactions

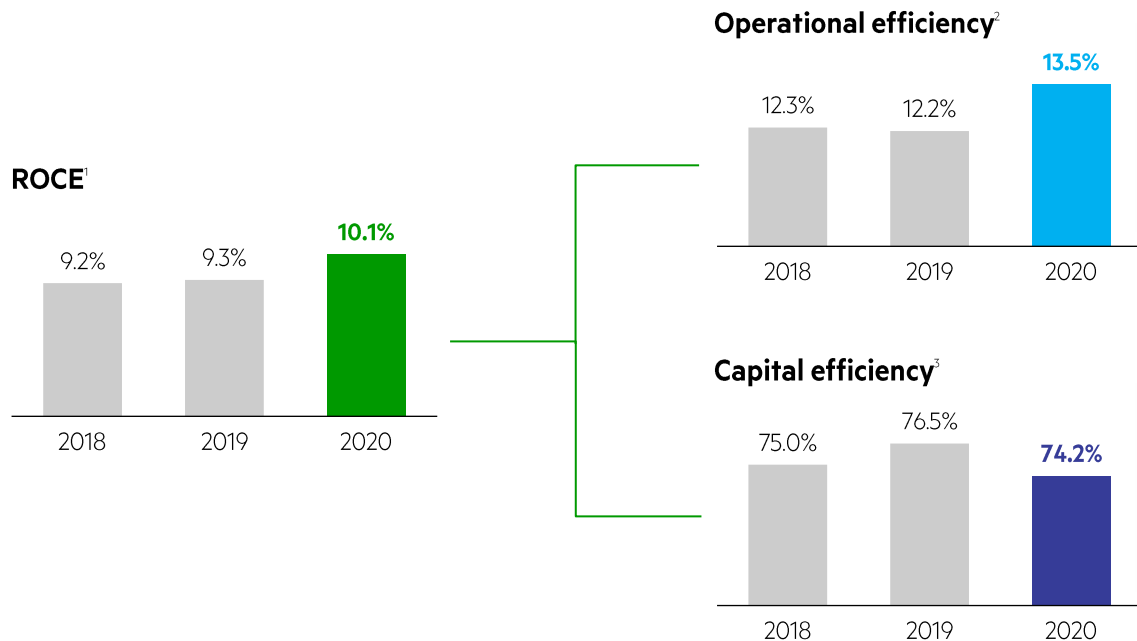
Partly offset by

- Increased investments in working capital
- Higher impact from change in provisions

►► Strong cash position at 31 December 2020

- Despite spectrum auction

Significantly improving return on capital



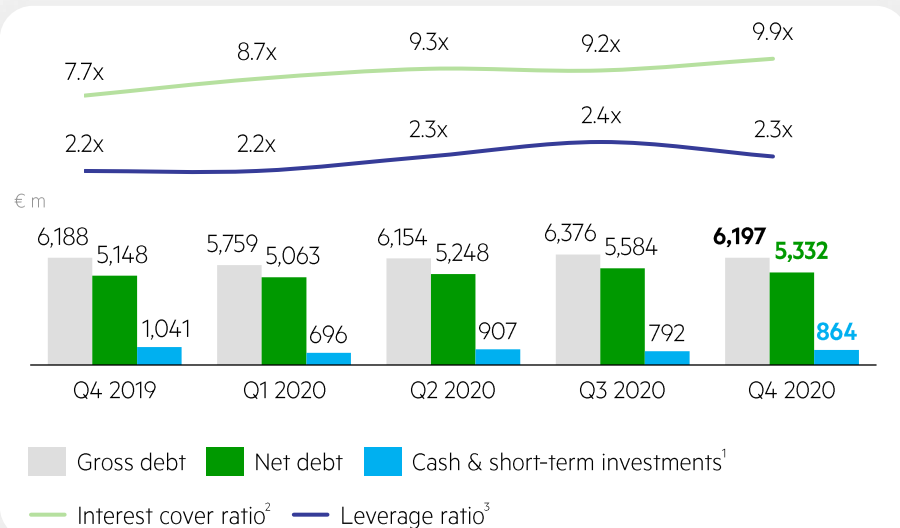
Operational efficiency improved

- » Due to higher NOPLAT and lower revenues
- » Strong and disciplined cost control
- » Lower restructuring charges

Capital efficiency declined

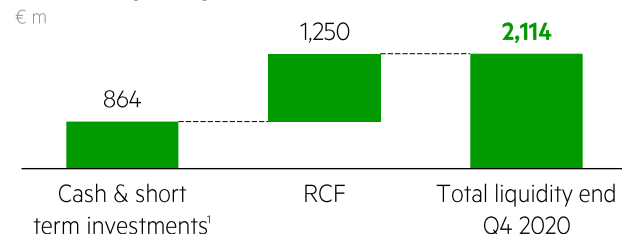
- » Due to lower revenues and higher Capital Employed
- » Increase in Capital Employed mainly due to acquired spectrum licenses

Robust liquidity position, committed to investment-grade credit profile

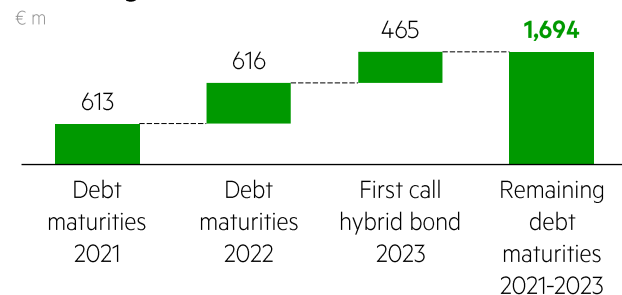


- ▶▶ Net debt €251m lower quarter on quarter, driven by FCF generation
- ▶▶ The average cost of senior debt was 2.88% in Q4 2020, 29bps lower y-on-y

Robust liquidity...



...covering debt maturities until 2023



1. As of 31 December 2020, KPN had € 60m outstanding under its € 1bn STEP-labelled Euro Commercial Paper program

Fully delivered on disclosure agenda

Fiber

- ▶▶ Additional KPIs and more insight into our fiber activities ✓
- ▶▶ Fiber Capex ✓
- ▶▶ Fiber return model ✓

Consumer

- ▶▶ New revenue breakdown with focus on convergence ✓
- ▶▶ New KPIs to reflect household focus (e.g. ARPA) ✓

Business

- ▶▶ New revenue breakdown per customer segment ✓

Financial

- ▶▶ ROCE ✓
- ▶▶ Adjusted EBITDA AL per segment ✓
- ▶▶ Operational Free Cash Flow ✓
- ▶▶ Working capital details ✓
- ▶▶ Detailed insight in drivers of net cash position ✓

Clear 2021 outlook and 2023 ambitions reiterated

	Achievements FY 2020	Outlook FY 2021	Ambitions FY 2023
Adjusted EBITDA AL	€ 2,320m	~€ 2,345m	>€ 2,450m
Capex	€ 1,147m	€ 1,200m	€ 1.1-1.2bn
Free Cash Flow	€ 765m	~€ 765m	>€ 870m
Regular DPS	€ 13 cents ¹	€ 13.6 cents +4.6% y-on-y	Progressive dividend +3-5% annual growth

Closing remarks & Q&A

- ▶▶ **Delivered** on FY 2020 outlook
- ▶▶ **Growing** postpaid base, further stabilizing broadband base in Consumer
- ▶▶ **Encouraging** trend in mass-market service revenues
- ▶▶ **Awards** for fastest 5G network in NL, 5G Innovation, and best in mobile data
- ▶▶ **Accelerated** fiber rollout
- ▶▶ **Substantially** improving ROCE
- ▶▶ **Continued** progress on cost savings
- ▶▶ **COVID-driven** revenue pressure largely offset by cost control
- ▶▶ **Strong** balance sheet and liquidity position
- ▶▶ **More specific** FY 2021 outlook, 2023 ambitions reiterated



**Accelerate
to grow**

Appendices

- I Q4 & FY 2019 financials corrected for impact of divestments
- II Tax
- III Debt portfolio
- IV Treatment of hybrid bonds
- V Mobile infrastructure
- VI Spectrum

I: Q4 2019 financials corrected for impact of divestments

Income statement (€ m)	Q4 2019	Impact divestments	Q4 2019 excl. divestments	Q4 2020	Δ y-on-y excl. divestments
Consumer	734	-	734	732	
Business	528	-28	500	474	-5.3%
Wholesale	146	-	146	161	
Network, Operations & IT	2	-	2	5	
Other (incl. eliminations)	-17	3	-14	-17	+21%
Adjusted revenues	1,393	-25	1,368	1,354	-1.0%
o/w Service revenues	1,271	-25	1,246	1,224	-1.7%
o/w Non-service revenues & other	122	-	122	130	
Cost of goods & services (direct opex)	362	-6	356	355	-0.3%
Personnel expenses	254	-9	245	229	-6.5%
IT/TI	84	-1	83	89	+7.2%
Other operating expenses	93	-	93	84	-8.8%
Lease-related expenses	39	-1	38	37	-3.5%
Adjusted indirect opex after leases	470	-12	458	438	-4.3%
Adjusted EBITDA after leases	561	-7	555	561	+1.2%
Operational Free Cash Flow	239	-6	233	272	+17%
Free Cash Flow (excl. TEFD dividend)	284	-6	277	268	-3.6%

Q4 2019 results adjusted for the estimated impact of completed divestments:

- » **International Network Services** (2 months)
- » **Argeweb** (2 months)
- » **KPN Consulting** (3 months)

as if the actual transfer of shares (closing) had taken place 12 months earlier

I: FY 2019 financials corrected for impact of divestments

Income statement (€ m)	FY 2019	Impact divestments	FY 2019 excl. divestments	FY 2020	Δ y-on-y excl. divestments
Consumer	2,916	-	2,916	2,863	
Business	2,043	-90	1,953	1,841	-5.7%
Wholesale	627	-34	593	624	+5.3%
Network, Operations & IT	6	-	6	9	
Other (incl. eliminations)	-105	43	-62	-63	+1.3%
Adjusted revenues	5,486	-81	5,405	5,275	-2.4%
o/w Service revenues	5,090	-81	5,009	4,874	-2.7%
o/w Non-service revenues & other	397	-	397	401	
Cost of goods & services (direct opex)	1,301	11	1,312	1,284	-2.1%
Personnel expenses	1,027	-35	992	892	-10%
IT/TI	353	-10	343	328	-4.6%
Other operating expenses	323	-9	314	300	-4.5%
Lease-related expenses	165	-9	156	152	-2.8%
Adjusted indirect opex after leases	1,868	-63	1,806	1,671	-7.5%
Adjusted EBITDA after leases	2,317	-29	2,288	2,320	+1.4%
Operational Free Cash Flow	1,202	-23	1,179	1,172	-0.6%
Free Cash Flow (excl. TEFD dividend)	726	-8	718	765	+6.6%

FY 2019 results adjusted for the estimated impact of completed divestments:

- » **NLDC** (9 months),
- » **International Network Services** (11 months)
- » **Argeweb** (11 months)
- » **KPN Consulting** (9 months)

as if the actual transfer of shares (closing) had taken place 12 months earlier

II: Tax Q4 and FY 2020

Regions (€ m)	P&L		Cash flow		P&L		Cash flow	
	Q4 2019	Q4 2020	Q4 2019	Q4 2020	FY 2019	FY 2020	FY 2019	FY 2020
The Netherlands	55	23	-	-	-48	-89	-6	-
Other	-1	-	-	-	-1	1	-1	-
Total reported tax	54	23	-	-	-49	-88	-7	-
Of which discontinued operations	-	-	-	-	-	-	-	-
Reported tax from continuing operations	54	23	-	-	-49	-88	-7	-
Effective tax rate continuing operations	-170%	-16%			+7.3%	+14%		

The effective tax rate for Q4 2020 was mainly influenced by tax rate changes, the Innovation Box facility and one-off effects

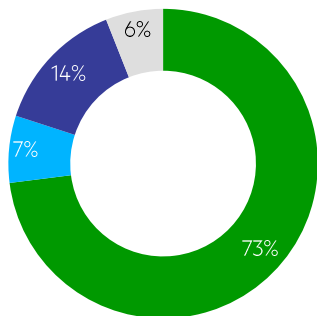
►► Excluding one-off effects¹ the effective tax rate would have been ~22% in Q4 2020

The effective tax rate FY 2020 was mainly influenced by tax rate changes, the participation exemption, the Innovation Box facility and one-off effects

For 2021, the effective tax rate is expected to be ~22% excluding one-off effects¹

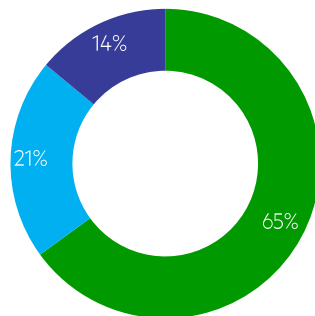
III: Debt portfolio

Nominal debt by type¹



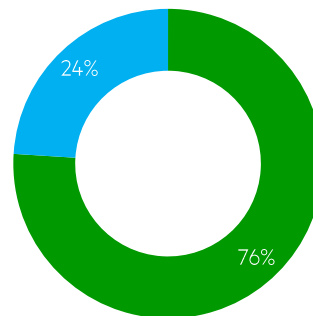
- Eurobonds
- Global bonds
- Hybrid bonds
- Loans & other

Nominal debt by currency¹



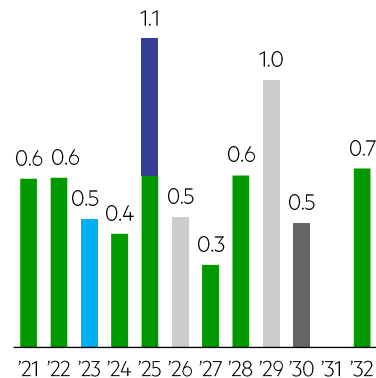
- EUR
- GBP¹
- USD¹

Fixed vs. floating interest¹



- Fixed
- Floating

Debt redemption profile² (€ bn)



- USD hybrid (1st call)
- EUR hybrid (1st call)
- GBP
- EUR
- USD

IV: Treatment of hybrid bonds

KPN & Credit rating agencies

Rating agencies recognize hybrid bonds as

50% equity

50% debt

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 instrument, accounted for as **equity**

- ▶ Coupon payments treated as **equity distribution** (dividend), hence not expensed through P&L, not included in FCF, but in financing cash flow¹

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

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

Tranche	Nominal	KPN net debt	Maturity	Rates ²	IFRS principal	IFRS coupon
USD 0.6bn 7.000%	€ 465m	€ 233m	60 years (1st-call Mar-2023)	6.344%	Liability	Interest paid (incl. in FCF)
EUR 0.5bn 2.000%	€ 500m	€ 250m	Perpetual (1st-call Feb 2025)	2.000%	Equity	Financing cash flows (not incl. in FCF)
Total	€ 965m	€ 483m				

1. Cash flow item 'Paid coupon perpetual hybrid bonds'

2. Rates after swaps. USD tranche has semi-annual coupon payments (March / September); EUR tranche has short first coupon in Feb 2020 (0.25 years) thereafter annual coupons in February

V: Mobile infrastructure

Modernizing sites with the latest technologies, 5G ready

Typical current site

4 frequency bands
2x2 MIMO
1 Gbps backhaul
2 antennas
Not 5G ready
~150 site configurations
~80% FttS



Typical modernized site

6-8 frequency bands
4x4 or higher order MIMO
10 Gbps backhaul
1 antenna
5G ready
3 site configurations
~95% FttS

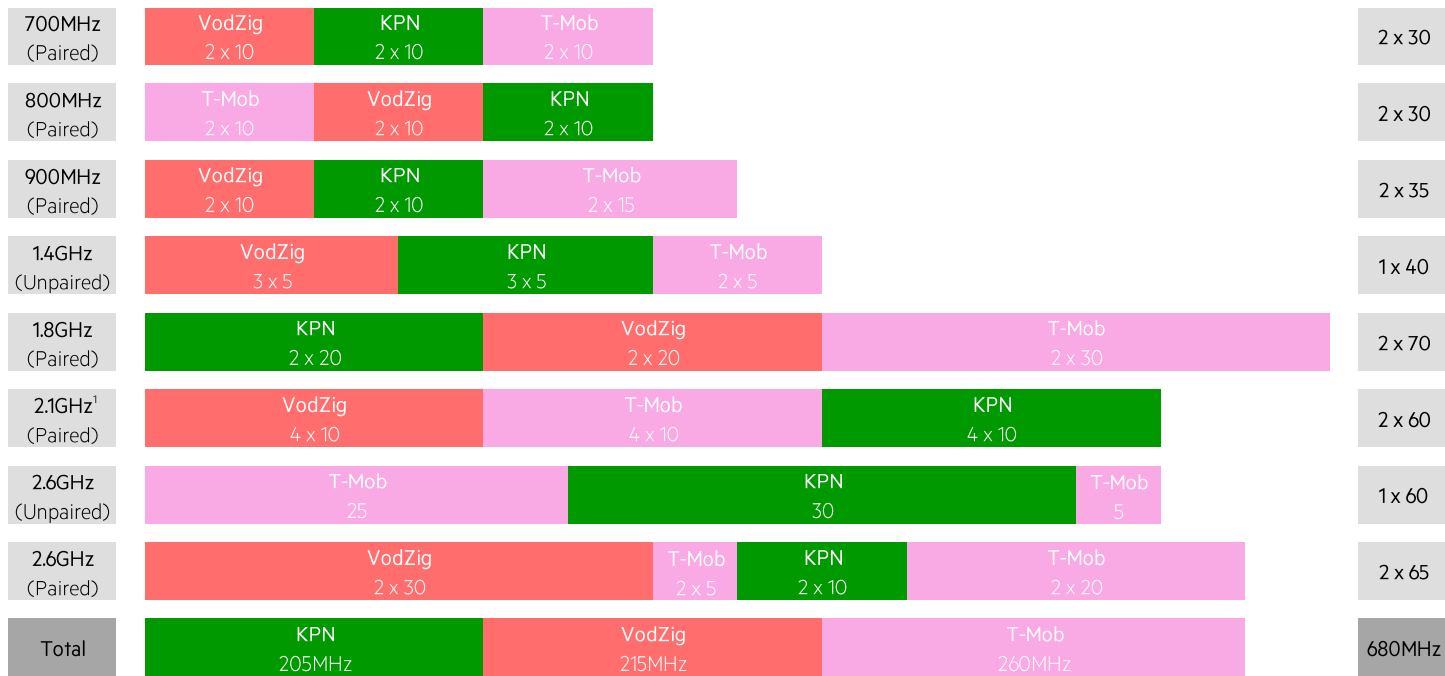
Spectrum auctions in NL

2020: Multi band auction (KPN acquired 75MHz)

- ▶▶ 700MHz: 2 blocks of 2x5MHz (new spectrum)
- ▶▶ 1400MHz: 3 blocks of 1x5 MHz (new spectrum)
- ▶▶ 2100MHz: 4 blocks of 2x5MHz (was already in use)
- ▶▶ Total consideration € 416m
- ▶▶ Duration of licenses is 20 years
- ▶▶ Spectrum caps of 40% of sub-1GHz and total spectrum

2022: 3.5GHz band (300MHz is expected to become available)

VI: Spectrum in the Netherlands





KPN Investor Relations

 ir.kpn.com

