KPN reaches accord on new CLA and Collective Defined Contribution pension plan in The Netherlands

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KPN today announces that it has reached an accord with the trade unions on a new Collective Labour Agreement for 2014 ('CLA 2014') and agreements regarding the implementation of a Collective Defined Contribution ('CDC') pension plan for KPN's main pension plan, which covers the majority of the KPN employees in The Netherlands. The CLA 2014 will, amongst other things, provide for a salary increase of 1.7%. As part of the implementation of the CDC pension plan, KPN will make a one-off lump-sum cash payment of EUR 200m to KPN's main pension plan in The Netherlands.

The accord on the new CLA 2014 and the agreements regarding the CDC pension plan will be submitted by the boards of the trade unions to the members of the trade unions for consultation. Pursuant to the consultation with the members of the trade unions and final approval by the trade unions, the board of the KPN main pension plan in The Netherlands needs to give final approval on the financing and implementation of the CDC pension plan. KPN expects final agreement to be reached before 1 July 2014 and settlement of the current Defined Benefit ('DB') pension plan to take place on 31 December 2014 ('settlement date').

The accord on the new CLA 2014 and the agreements regarding the CDC pension plan entail the following:

The CLA 2014 will be effective as of 1 April 2014

The CLA 2014 will provide for a salary increase of 1.7% and a one-off gross remuneration payment of EUR 290 per employee

The CDC pension plan will be effective as of 1 January 2015, one day after settlement date

As of 1 January 2015, KPN will be released from its obligation to make recovery payments to KPN's main pension plan in The Netherlands

KPN will make a one-off lump-sum cash payment of EUR 200m to KPN's main pension plan in The Netherlands which will remove the abovementioned obligation

KPN's yearly pension contributions to its main pension plan are fixed as of 1 January 2015, for a period of five years

Joost Farwerck (MD KPN The Netherlands)
"We are pleased with the accord we have reached with the trade unions. The new CLA will provide our employees with a salary increase and the pension fund will receive a one-off capital contribution of EUR 200m. Furthermore, through the implementation of a CDC pension plan KPN will further reduce its risk profile, which is fully aligned with our simplification strategy. This accord is the result of several years of dialogue and negotiation and the willingness from all parties to reach consensus. For this, I want to express my appreciation."

By settling the DB pension plan, KPN will remove any accounting risks related to its main pension plan from its balance sheet associated with the accounting rules for a DB pension plan. In line with IFRS (IAS 19R), the CDC pension plan will not be accounted for on KPN's balance sheet.

At settlement date, the total pension provision on KPN's balance sheet relating to KPN's main pension plan in The Netherlands will have been released and the arising net book value will be recorded in KPN's income statement. The net book value will comprise the release of the pension provision less the one-off lump-sum payment and corresponding tax charge. The book value of the pension provision upon release, and therefore also the net book value, depends on several factors such as the then prevailing discount rate.

For KPN's outlook, the release of the pension provision and the one-off lump-sum payment are seen as incidentals and therefore excluded.

For further information:

Corporate Communications

Media Relations

Tel: +31 70 4466300

Fax: +31 70 4466310

E-mail: press@kpn.com

Investor Relations

Tel: +31 70 4460986

E-mail: ir@kpn.com