

# 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](http://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, Argeweb, 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 <sup>1</sup>	€ 13 cents

# Accelerate to grow supported by three key pillars

## Three strategic pillars...

### 1. Leverage & expand superior networks

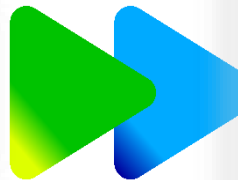
- Covering the Netherlands through fiber
- Low latency services via 5G and edge computing

### 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

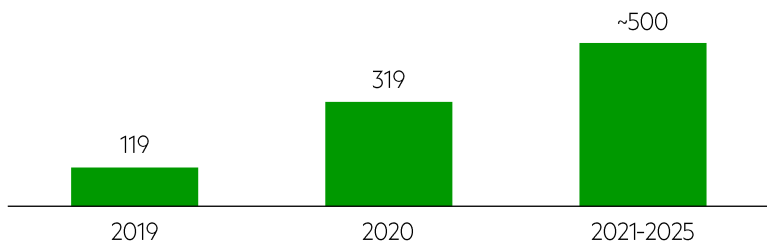
An aerial photograph of a city, likely Amsterdam, showing a dense urban landscape with various buildings, a canal, and a railway line. A large white rounded rectangle is overlaid on the center of the image, containing the text 'Expand Superior network' and two play button icons. The background shows a mix of residential and commercial buildings, a canal on the left, and a railway line running through the center. A tall, modern building is visible on the right side of the image.

**Expand**  
Superior network

# Expand superior network: the leading fiber company in the Netherlands

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

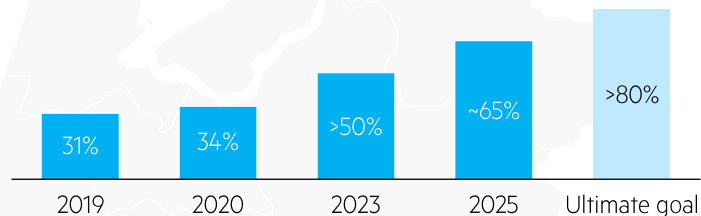
k



**Secured** contracting capacity

**Sophisticated** rollout area selection

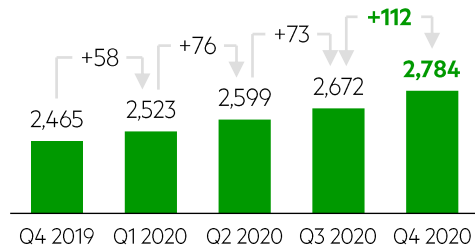
## Ambition to cover the Netherlands with FttH



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

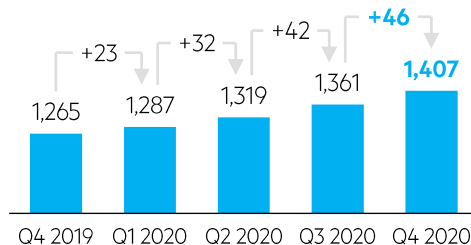
## Continuously expanding fiber footprint

homes passed, k



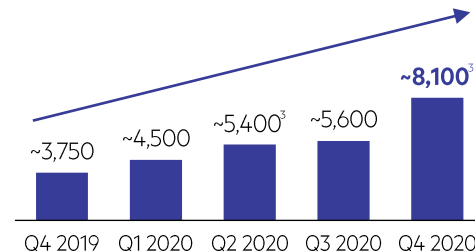
## Solid FttH activation rate

homes activated, k



## Weekly rollout steeply increasing

homes passed



2020:

**+319k** HP rollout<sup>1</sup>

**+33k** HP on 3<sup>rd</sup> party FttH

2020:

**+142k** HA

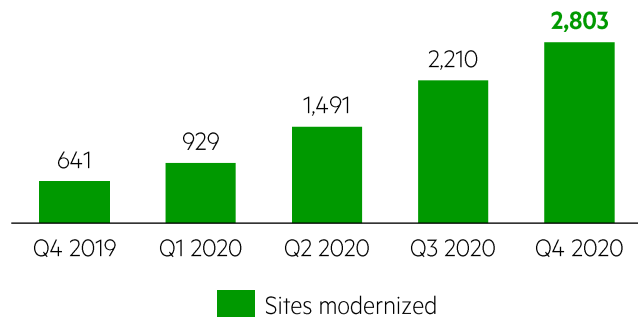
**~45%** activation rate<sup>2</sup>

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 spectrum<sup>1</sup>



## Excellent 5G position



Differentiated 5G services



Leading 5G ecosystem



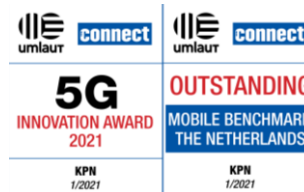
Leading in Security



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 Groningen, showing a mix of traditional European architecture with red-tiled roofs and modern buildings. A river flows through the center, with a fountain on a small island. A large, modern building with a blue roof is prominent in the upper left. A white rounded rectangle is overlaid on the right side of the image, containing the text 'Enhance Customer focus' and two overlapping triangles (green and blue).

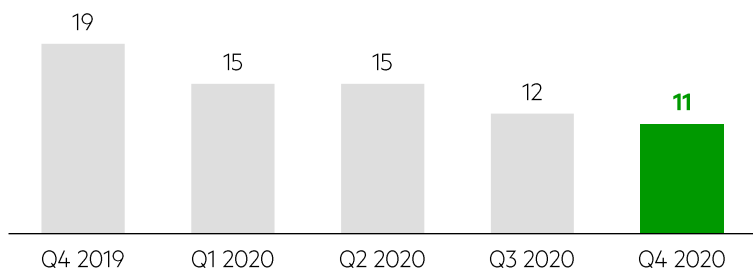
**Enhance**  
Customer focus

# B2C: Encouraging base and revenue trend

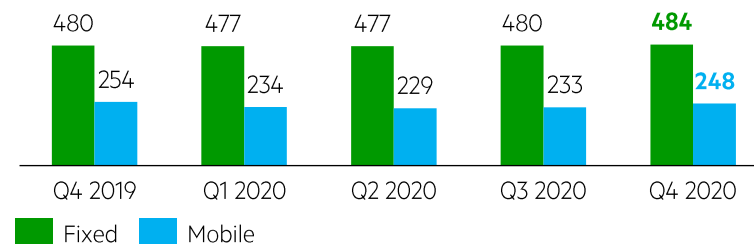
## Key take-aways

- 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
- NPS<sup>1</sup> 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 COVID<sup>1</sup>



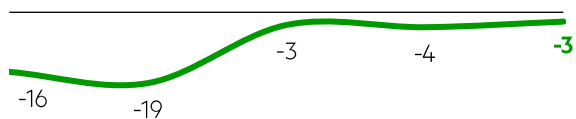
## Adjusted revenues (€ m)



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%
<b>Total adj. Consumer revenues</b>	<b>734</b>	<b>732</b>	<b>-0.3%</b>	<b>2,916</b>	<b>2,863</b>	<b>-1.8%</b>

# B2C: Base and revenue trends turning in the right direction

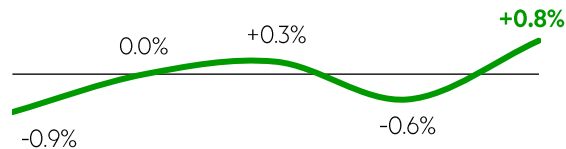
Stabilizing broadband net adds (k)<sup>1</sup>



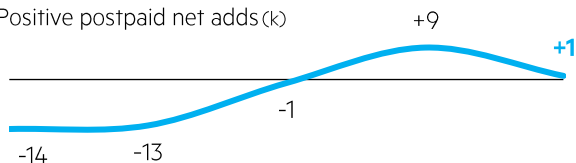
Higher fixed ARPU

**€ 50**  
+4.0% y-on-y

Fixed revenue growth



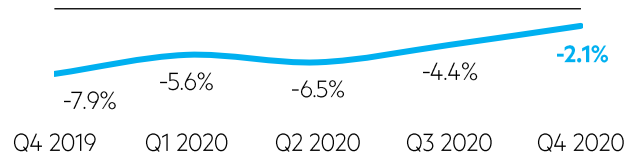
Positive postpaid net adds (k)



Stable mobile ARPU

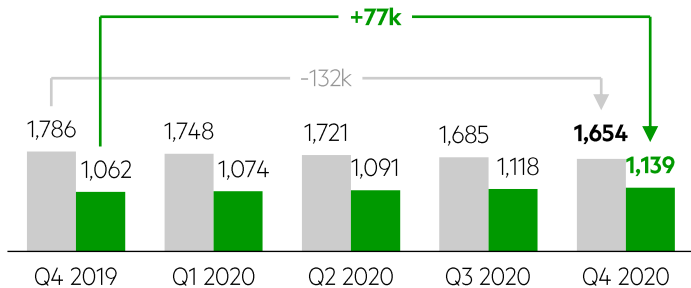
**€ 17**  
-1.1% y-on-y

Mobile service revenue trend improving

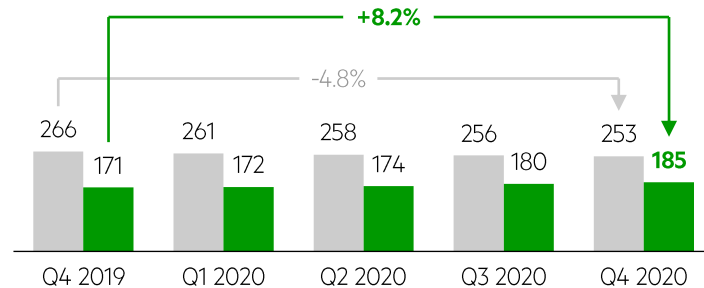


# B2C: Fiber investments driving performance

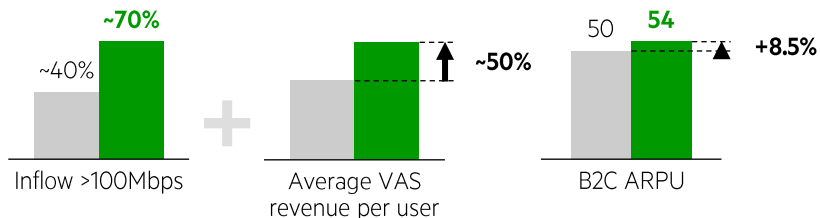
Continuously growing fiber broadband base... (k)



...and fiber service revenues (€ m)



Customers increasingly willing to pay for quality (FY 2020)



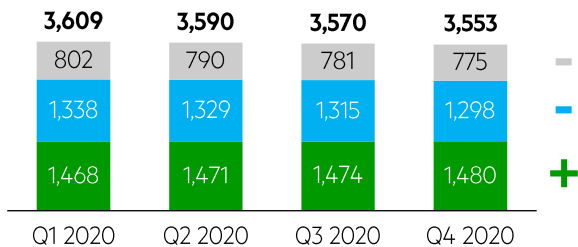
**+20k** fiber net adds in Q4 2020

**Increase** fiber service revenues higher than copper service revenue decline

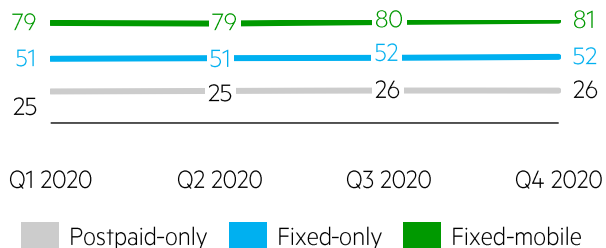
■ Copper ■ Fiber

# B2C: Focus on households and convergence reflected by new disclosure

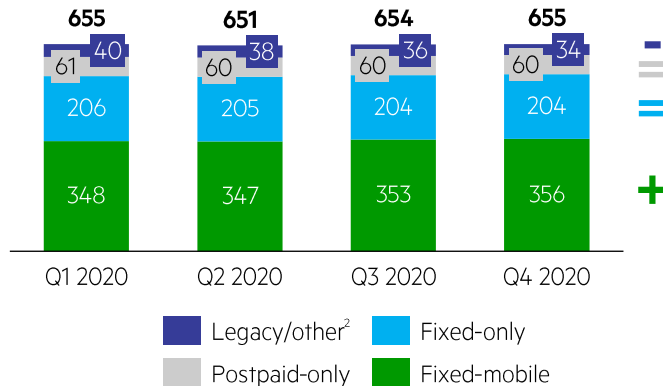
## Serving more fixed-mobile households (k)



## Slightly growing Average Revenue Per Address (ARPA, €)<sup>1</sup>



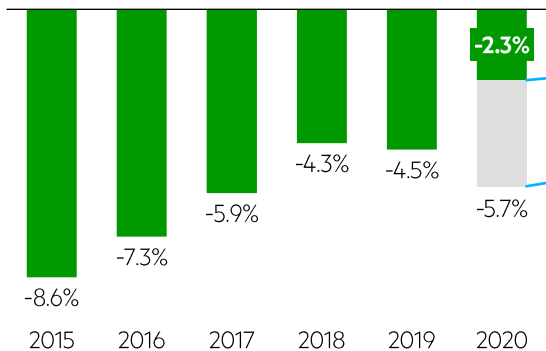
## Growing fixed-mobile service revenues (€ m)



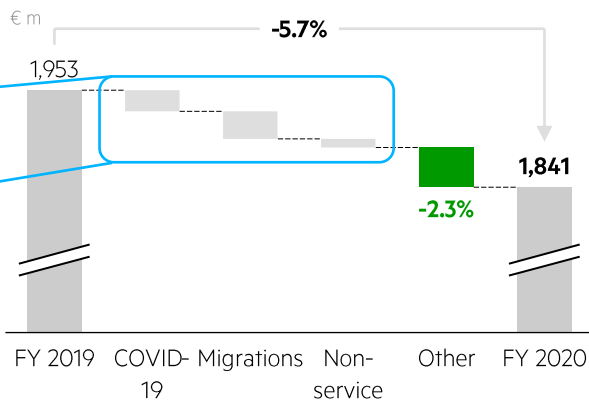
- ▶▶ Fixed-mobile ARPA (€ 80): includes all broadband and postpaid services in a household; on average 4.2 RGUs per household
- ▶▶ Fixed-only ARPA (€ 52): on average 2.2 RGUs per household
- ▶▶ Postpaid-only ARPA (€ 26): on average 1.5 SIMs per household

# B2B: Moving in the right direction despite revenue challenges

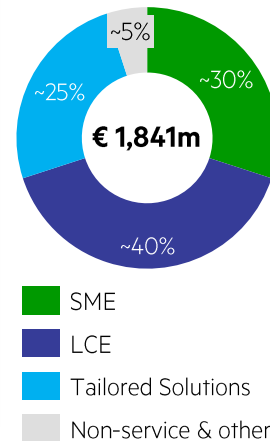
Underlying B2B revenue trend improving<sup>1</sup>



Revenue trend impacted by COVID and migrations<sup>1</sup>



FY 2020 revenues by customer segment

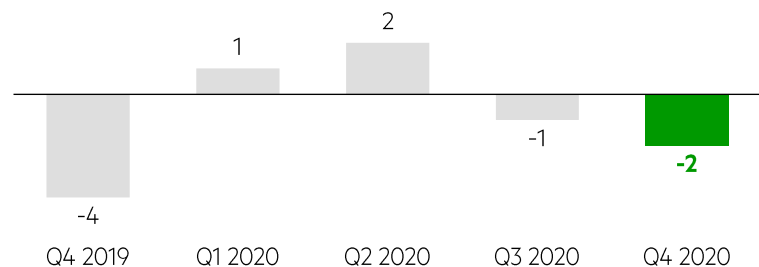


# B2B: Revenue pressure largely driven by strategic actions and COVID-19

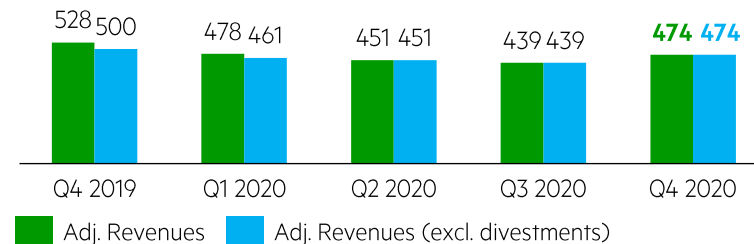
## Key take-aways

- 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-y<sup>1</sup>



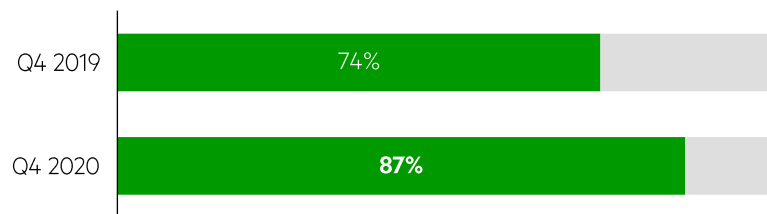
## Adjusted revenue trend (€ m)



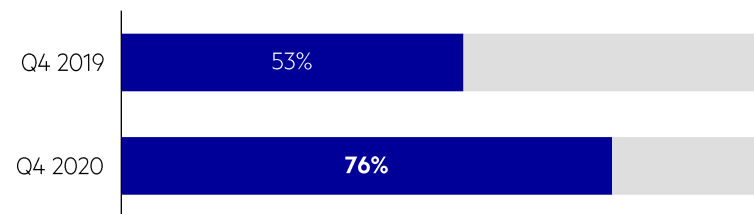
Segment revenues (€ m)	Q4 2019	Q4 2020	Δ y-on-y (excl. divestments <sup>2</sup> )	FY 2019	FY 2020	Δ y-on-y (excl. divestments <sup>2</sup> )
Communication Services	314	291	-4.8%	1,274	1,128	-9.5%
IT Services	73	70	-2.4%	273	265	-0.8%
Professional Services	117	112	-4.6%	411	428	+4.1%
KPN Consulting	18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

# B2B: Customer migrations to future-proof proposition

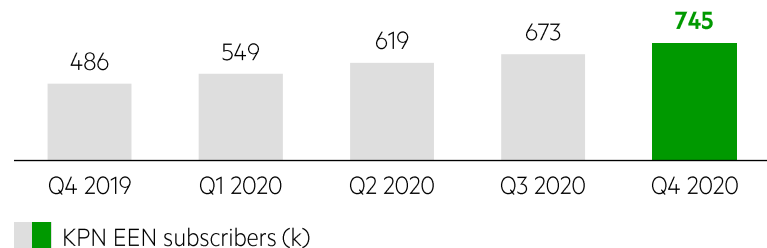
## SME customer migrations nearly completed



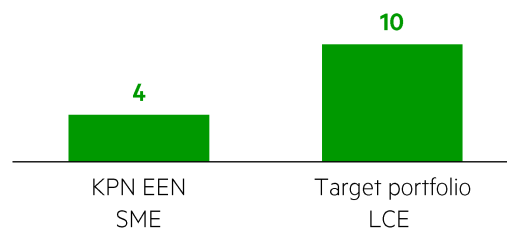
## LCE customer migrations on track



## Strongly growing KPN EEN subscriber base



## Positive NPS on target portfolio<sup>2</sup>

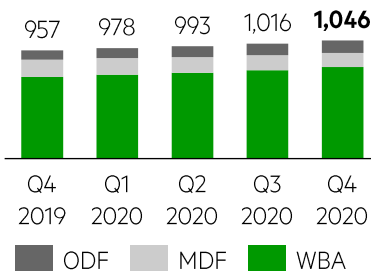


# Wholesale: Sustainable growth from open access model

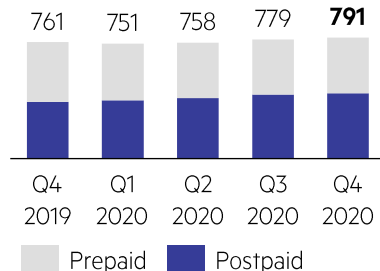
## Key take-aways

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

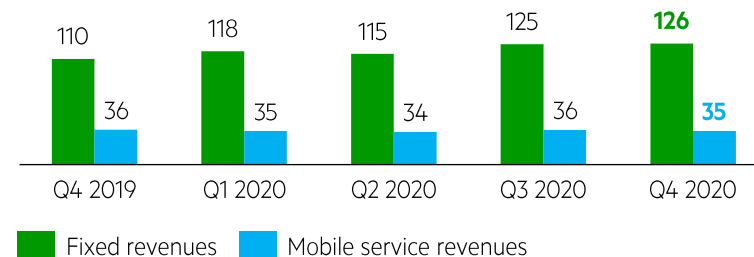
## Broadband customer base (k)



## Mobile customer base (k)



## Adjusted revenue trend (€ m)

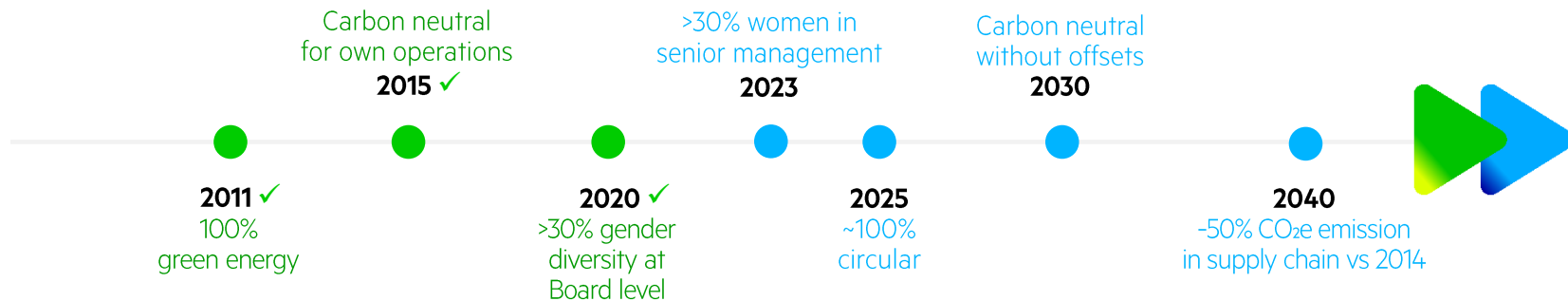


Segment revenues (€ m)	Q4 2019	Q4 2020	Δ y-on-y	FY 2019	FY 2020	Δ y-on-y (excl. divestments <sup>1</sup> )
Mobile service revenues	36	35	-3.5%	139	140	+0.2%
Fixed revenues	110	126	+14%	489	484	+6.4%
<b>Adjusted revenues</b>	<b>146</b>	<b>161</b>	<b>+10%</b>	<b>627</b>	<b>624</b>	<b>+5.3%</b>

# 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



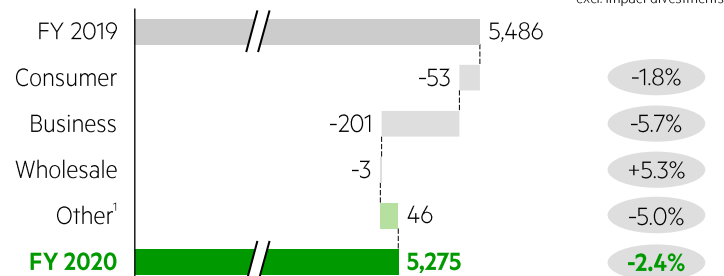


**Deliver**  
Financial ambitions

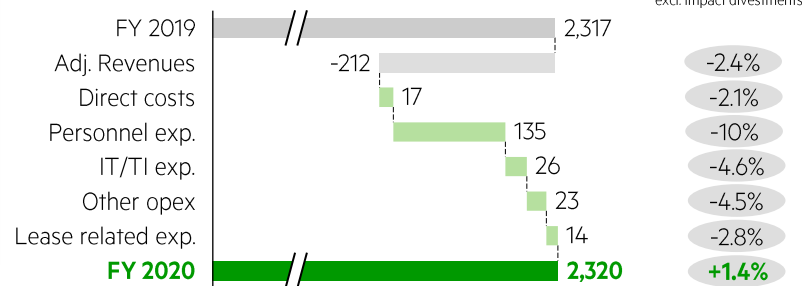
# Group financials

(€ m)	FY 2019	FY 2020	Δ y-on-y	Δ y-on-y <small>excl. divestments</small>
Service revenues	5,090	4,874	-4.2%	-2.7%
Non-service & other	397	401	+0.9%	
<b>Adjusted revenues</b>	<b>5,486</b>	<b>5,275</b>	<b>-3.9%</b>	<b>-2.4%</b>
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%
<b>Adjusted EBITDA after leases</b>	<b>2,317</b>	<b>2,320</b>	<b>+0.1%</b>	<b>+1.4%</b>
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%		
<b>Operational Free Cash Flow</b>	<b>1,202</b>	<b>1,172</b>	<b>-2.5%</b>	<b>-0.6%</b>
As % of adj. revenues	21.9%	22.2%		
<b>Free Cash Flow (excl. TEFD div)</b>	<b>726</b>	<b>765</b>	<b>+5.4%</b>	<b>+6.6%</b>
As % of adj. revenues	13.2%	14.5%		

## Adjusted revenues (€ m)

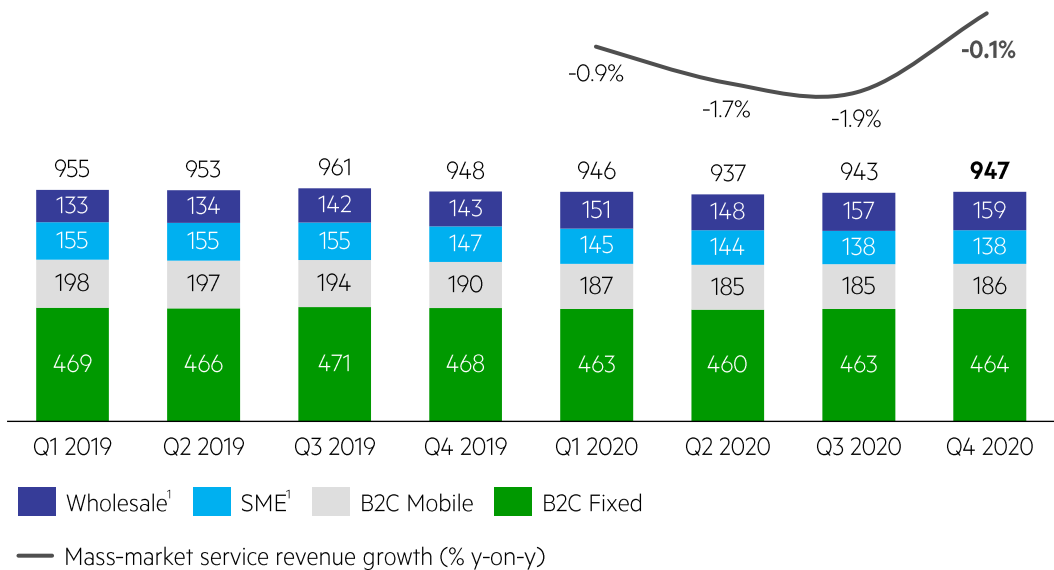


## Adjusted EBITDA AL (€ m)



# Mass-market service revenues to grow by end 2021

Mass-market service revenues (€ m)



**B2C** service revenue growth

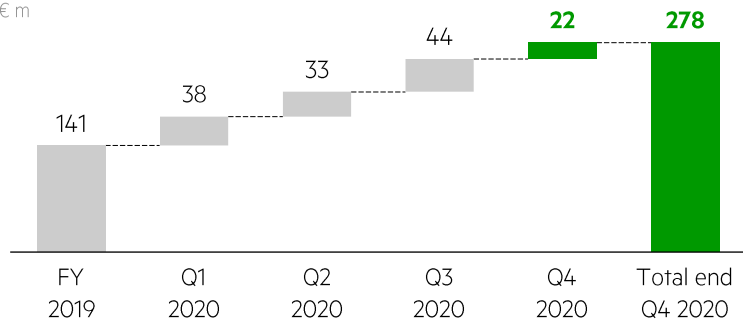
**SME** service revenue stabilization

**WHOLE SALE** continued revenue growth

# Strong cost savings track record and next wave cost savings

## Strong cost savings since start

€ m



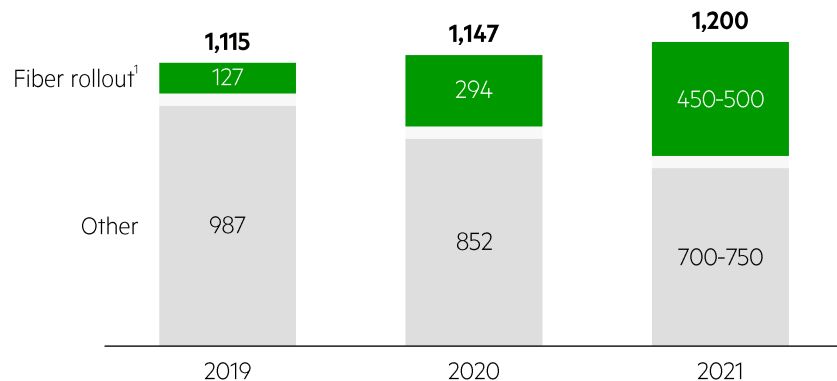
## New wave cost savings program (2021-2023)

>€ 250m

net indirect opex<sup>1</sup>  
(~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 / sales<sup>2</sup> (%)

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

# Rigorous working capital management to limit impact fiber rollout

Working capital (€ m)	Q4 2019	Q4 2020	Effect delta working capital
<b>Current assets</b>			
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
<b>Current liabilities</b>			
Trade payables	-550	-531	-19
Accruals and deferred income	-729	-620	-109
Contract liabilities	-204	-186	-18
<b>Total working capital</b>	<b>-639</b>	<b>-607</b>	<b>-32</b>
o/w change in accrued interest			+26
Other cash flow adjustments			-28
<b>Change in working capital</b> (cash flow statement)			<b>-34</b>

**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
<b>Adjusted EBITDA after leases</b>	<b>2,317</b>	<b>2,320</b>	<b>+0.1%</b>
<i>As % of adj. revenues</i>	42.2%	44.0%	
Capex	1,115	1,147	+2.9%
<b>Operational Free Cash Flow</b>	<b>1,202</b>	<b>1,172</b>	<b>-2.5%</b>
<i>As % of adj. revenues</i>	21.9%	22.2%	
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.
<b>Free Cash Flow (excl. TEFD dividend)</b>	<b>726</b>	<b>765</b>	<b>+5.4%</b>
<i>As % of adj. revenues</i>	13.2%	14.5%	
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.
<b>Change in net cash &amp; cash equivalents</b>	<b>155</b>	<b>-173</b>	<b>n.m.</b>
<b>Cash &amp; short term investments at end of period</b>	<b>1,041</b>	<b>864</b>	
Bank overdrafts	-	2	
Cash classified as held for sale	-	-	
Short-term investments	-275	-270	
<b>Cash &amp; cash equivalents (balance sheet)</b>	<b>766</b>	<b>597</b>	

▶▶ 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

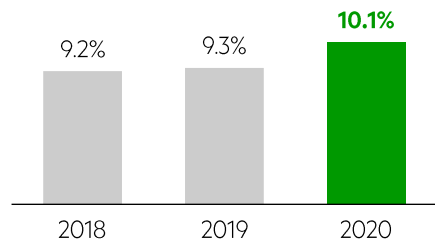
- Increased investments in working capital
- Higher impact from change in provisions

▶▶ Strong cash position at 31 December 2020

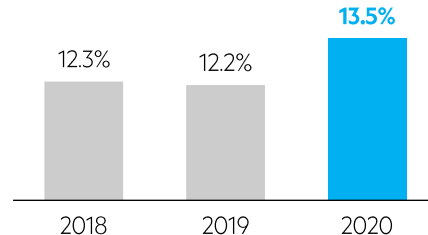
- Despite spectrum auction

# Significantly improving return on capital

## ROCE<sup>1</sup>



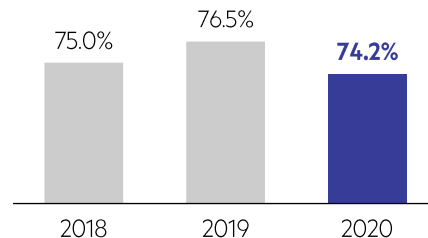
## Operational efficiency<sup>2</sup>



Operational efficiency improved

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

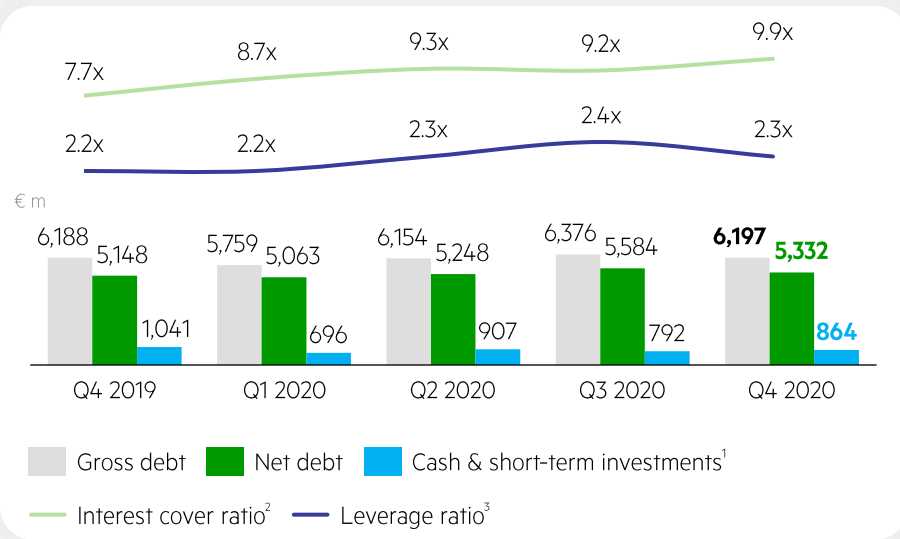
## Capital efficiency<sup>3</sup>



Capital efficiency declined

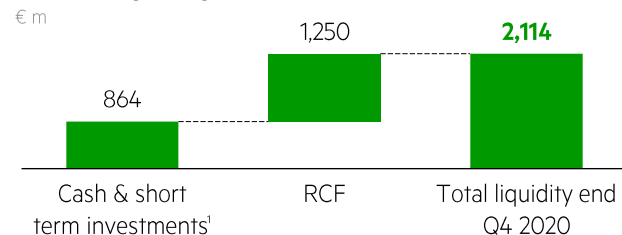
- ▶▶ Due to lower revenues and higher Capital Employed
- ▶▶ Increase in Capital Employed mainly due to acquired spectrum licenses

# Robust liquidity position, committed to investment-grade credit profile

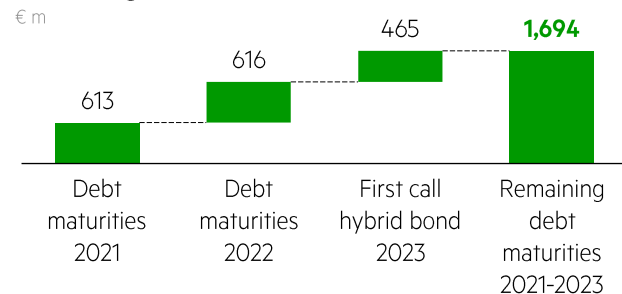


- ▶▶ Net debt €251m lower quarter on quarter, driven by FCF generation
- ▶▶ The average cost of senior debt was 2.88% in Q4 2020, 29bps lower y-on-y

## 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 <sup>1</sup>	€ 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

A nighttime cityscape featuring a prominent skyscraper illuminated with a grid of green and blue lights. The building's facade is covered in a pattern of small, glowing dots. In the foreground, a modern architectural structure with a blue and white illuminated canopy is visible. The background shows other city buildings and streetlights under a dark sky.

**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%
<b>Adjusted revenues</b>	<b>1,393</b>	<b>-25</b>	<b>1,368</b>	<b>1,354</b>	<b>-1.0%</b>
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%
<b>Adjusted indirect opex after leases</b>	<b>470</b>	<b>-12</b>	<b>458</b>	<b>438</b>	<b>-4.3%</b>
<b>Adjusted EBITDA after leases</b>	<b>561</b>	<b>-7</b>	<b>555</b>	<b>561</b>	<b>+1.2%</b>
<b>Operational Free Cash Flow</b>	<b>239</b>	<b>-6</b>	<b>233</b>	<b>272</b>	<b>+17%</b>
<b>Free Cash Flow (excl. TEFD dividend)</b>	<b>284</b>	<b>-6</b>	<b>277</b>	<b>268</b>	<b>-3.6%</b>

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%
<b>Adjusted revenues</b>	<b>5,486</b>	<b>-81</b>	<b>5,405</b>	<b>5,275</b>	<b>-2.4%</b>
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%
<b>Adjusted indirect opex after leases</b>	<b>1,868</b>	<b>-63</b>	<b>1,806</b>	<b>1,671</b>	<b>-7.5%</b>
<b>Adjusted EBITDA after leases</b>	<b>2,317</b>	<b>-29</b>	<b>2,288</b>	<b>2,320</b>	<b>+1.4%</b>
<b>Operational Free Cash Flow</b>	<b>1,202</b>	<b>-23</b>	<b>1,179</b>	<b>1,172</b>	<b>-0.6%</b>
<b>Free Cash Flow (excl. TEFD dividend)</b>	<b>726</b>	<b>-8</b>	<b>718</b>	<b>765</b>	<b>+6.6%</b>

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	-
<b>Total reported tax</b>	<b>54</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>-49</b>	<b>-88</b>	<b>-7</b>	<b>-</b>
Of which discontinued operations	-	-	-	-	-	-	-	-
<b>Reported tax from continuing operations</b>	<b>54</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>-49</b>	<b>-88</b>	<b>-7</b>	<b>-</b>
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

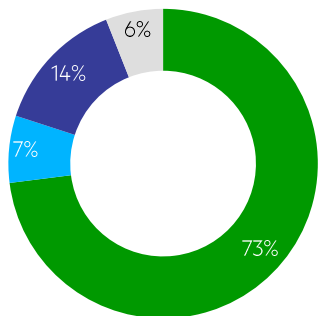
►► Excluding one-off effects<sup>1</sup> the effective tax rate would have been ~22% in Q4 2020

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 effects<sup>1</sup>

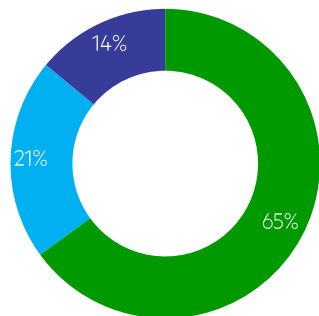
# III: Debt portfolio

### Nominal debt by type<sup>1</sup>



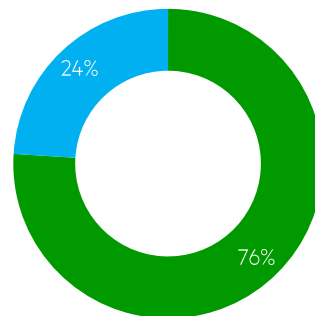
- Eurobonds
- Global bonds
- Hybrid bonds
- Loans & other

### Nominal debt by currency<sup>1</sup>



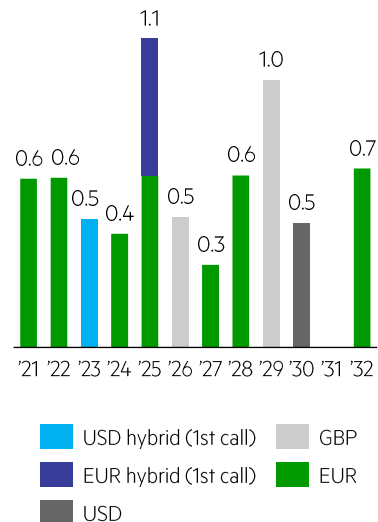
- EUR
- GBP<sup>1</sup>
- USD<sup>1</sup>

### Fixed vs. floating interest<sup>1</sup>



- Fixed
- Floating

### Debt redemption profile<sup>2</sup> (€ bn)



1. Based on the nominal value of interest-bearing liabilities after swap to EUR  
 2. Includes outstanding bonds and loans, excluding commercial paper

# 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 flow<sup>1</sup>

**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 <sup>2</sup>	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)
<b>Total</b>	<b>€ 965m</b>	<b>€ 483m</b>				

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

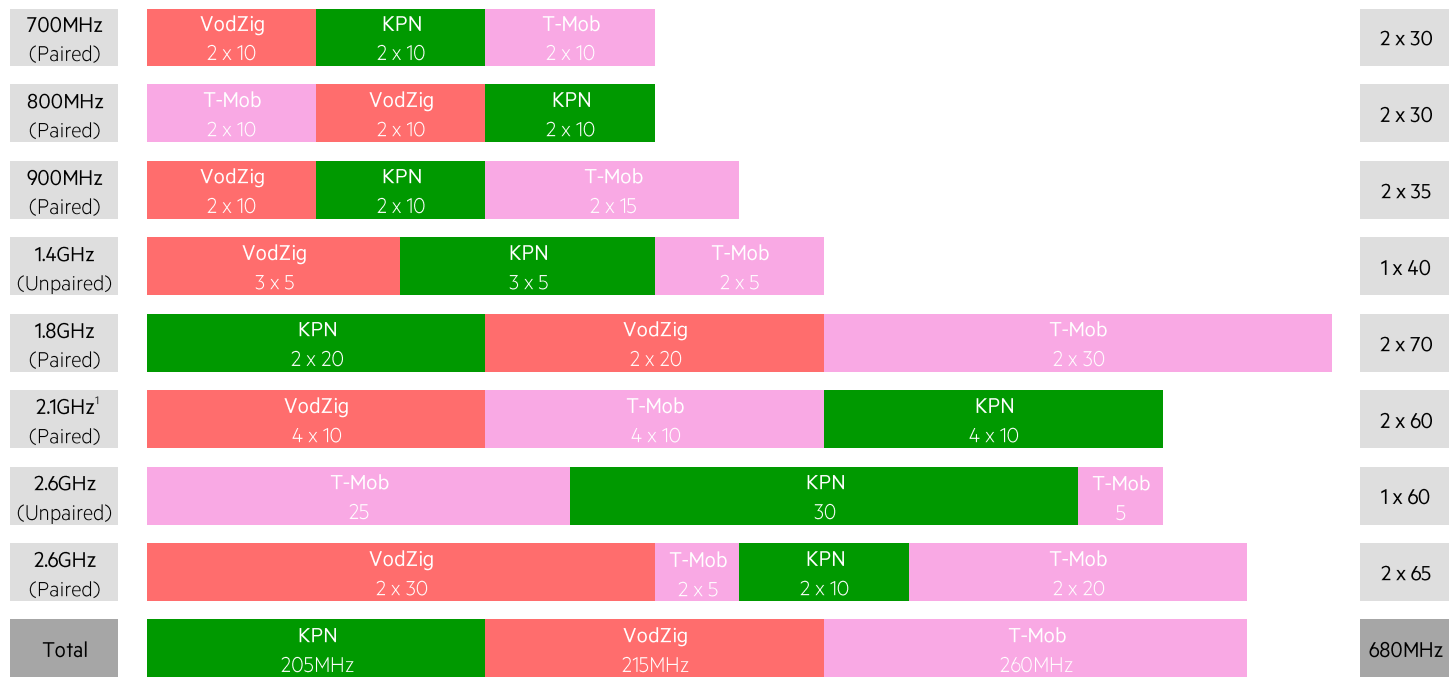
## Spectrum auctions in NL

**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](https://ir.kpn.com)

