

# Investor presentation

September 2013



# 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. 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. In the net debt / EBITDA ratio, KPN defines net debt as the nominal value of interest bearing financial liabilities excluding derivatives, representing the repayment obligations in Euro, taking into account 50% of the nominal value of the hybrid capital instruments, less net cash and cash equivalents (including cash classified as held for sale, net of bank overdrafts). In the net debt / EBITDA ratio, KPN defines EBITDA as a 12 month rolling total excluding book gains, release of pension provisions and restructuring costs, when over €20m. 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. Underlying revenues and other income and underlying EBITDA are derived from revenues and other income and EBITDA, respectively, and are adjusted for the impact of MTA and roaming (regulation), changes in the composition of the group (acquisitions and disposals), restructuring costs and incidentals.

The term service revenues refers to wireless service revenues.

All market share information in this financial report is based on management estimates based on externally available information, unless indicated otherwise. For a full overview on KPN's non-financial information, reference is made to KPN's quarterly factsheets available on [www.kpn.com/ir](http://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 Annual Report 2012.

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- 1 Overview of key events
- 2 Sale of E-Plus unlocking significant value
- 3 KPN post E-Plus transaction
- 4 Conclusion and next steps

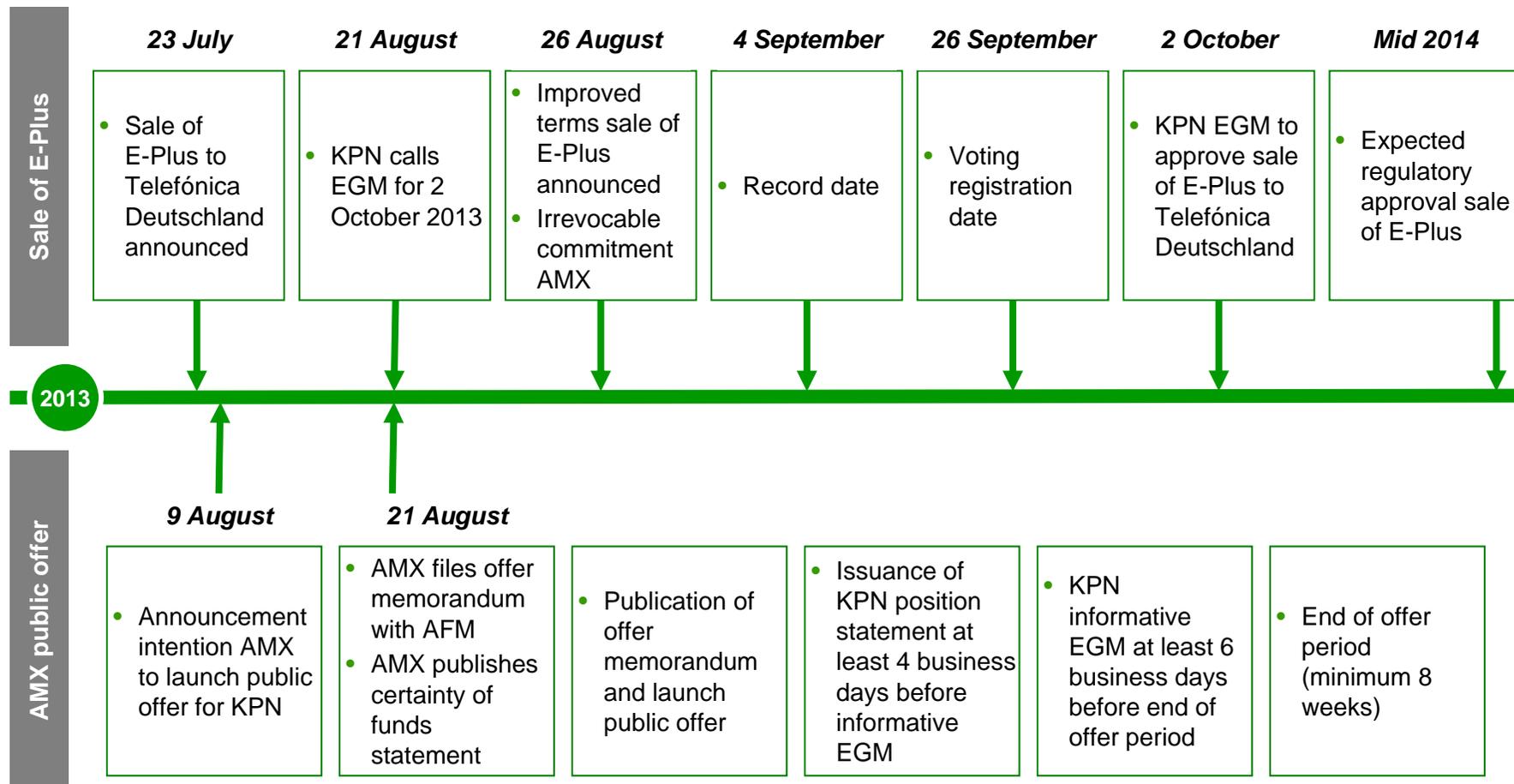
# Overview of key events

- Sale of E-Plus to Telefónica Deutschland
  - Intended sale of E-Plus to Telefónica Deutschland announced for a total consideration of €5bn in cash and a 20.5% stake<sup>1</sup> in Telefónica Deutschland
  - EGM related to the sale of E-Plus convened for 2 October 2013
  - Irrevocable commitment América Móvil (“AMX”) to vote in favor of transaction at EGM
  - Record date for EGM set at 4 September 2013
  - Voting registration date 26 September 2013
- Intended public offer AMX for KPN
  - AMX announced intention to launch public offer for all KPN shares at €2.40 per share
  - Informative EGM at least 6 business days before end of tender period
  - KPN to issue position statement at least 4 business days before informative EGM
  - Tender period a minimum of 8 weeks
- Foundation Preference Shares B KPN exercised call option
  - Foundation board comprises 5 members, all independent from KPN
  - Purpose to promote interests of KPN’s shareholders and other stakeholders

<sup>1</sup> Including call option for Telefónica to acquire all or part of a 2.9% stake in Telefónica Deutschland from KPN for €510m

# Overview of key events (cont'd)

## Timeline



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# Sale of E-Plus unlocking significant value

- E-Plus to be sold to Telefónica Deutschland
- Unlocking estimated German mobile synergies of €5.0-5.5bn
- KPN's proceeds consist of €5.0bn in cash and 20.5% stake in Telefónica Deutschland
- Telefónica will receive a call option to acquire all or part of a 2.9% stake in Telefónica Deutschland from KPN for €510m<sup>1</sup>
- Implied valuation of €8.55bn<sup>2</sup>, representing a 9.5x multiple on E-Plus analyst consensus EBITDA FY 2013<sup>3</sup>
- Irrevocable commitment AMX to vote in favor of transaction at EGM
- Completion mainly subject to KPN EGM and regulatory approval

1 Exercise price for 2.9% stake

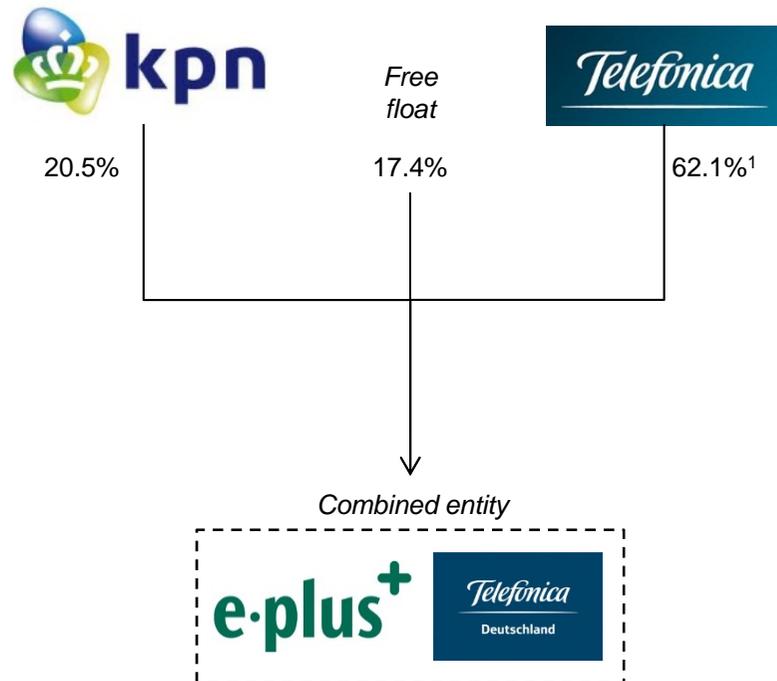
2 €5.0bn cash proceeds and €3.61bn value of 20.5% stake, based on €3.1bn value of 17.6% stake in the combined entity minus option value; the actual transaction valuation may vary over time and will depend on Telefónica Deutschland's share price development

3 E-Plus analyst consensus EBITDA for FY 2013 of €899m

# Transaction structure

Unlocking estimated German mobile synergies of €5.0-5.5bn

## Transaction structure



- German mobile synergies estimated at €5.0-5.5bn
- Implied valuation for E-Plus of €8.55bn<sup>2</sup>
  - €5.0bn in cash
  - 20.5% stake in combined entity valued at €3.61bn
- Telefónica Deutschland raises €3.7bn in cash via rights issue<sup>3</sup>
- At closing of transaction
  - KPN to receive €3.7bn in cash from Telefónica Deutschland and a 24.9% stake in the combined entity
  - Telefónica to buy 4.4% of the combined entity from KPN for €1.3bn
  - KPN to grant Telefónica a call option to acquire all or part of 2.9% stake in Telefónica Deutschland for €510m<sup>4</sup>
- Transaction mainly subject to KPN EGM and regulatory approval
  - Break fee arrangements in place
  - Other customary conditions

1 Excluding Telefónica's call option on 2.9% stake of KPN in Telefónica Deutschland

2 Based on €3.1bn value of 17.6% stake in the combined entity to Telefónica minus option value; the actual transaction valuation may vary over time and will depend on Telefónica Deutschland's share price development

3 Irrevocably agreed and fully underwritten by Telefónica

4 Exercise price for 2.9% stake and exercisable exactly one year after completion of the transaction

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# KPN post E-Plus transaction

- Majority of € 5.0bn cash proceeds used to increase financial flexibility
  - Supports execution of strategy in The Netherlands and Belgium
  - Intention to recommence dividend payments for financial year 2014, subject to closing
  - Strong credit profile and committed to maintain investment grade credit profile; pro forma Q2 2013 net debt<sup>1</sup> / EBITDA<sup>2</sup> below 1.5x<sup>3</sup>
- Exposure to attractive synergy and growth potential through 20.5% stake in combination E-Plus and Telefónica Deutschland
- Clear focus on core geographies with market leading positions in The Netherlands and a position as successful mobile Challenger in Belgium
- The Netherlands expected to stabilize towards 2014
  - Strong operational momentum supporting revenue growth at Consumer Residential
  - Underlying cost structure improvements supporting profitability
- Continued market outperformance in Belgium

<sup>1</sup> Nominal debt repayment obligations in Euro at maturity, including 50% of hybrid capital instruments, less net cash and cash equivalents

<sup>2</sup> Based on 12 months rolling total EBITDA excluding book gains, release of pension provisions and restructuring costs, when over € 20m

<sup>3</sup> Pro forma adjustment per Q2 2013, including € 5.0bn cash proceeds and loss of last twelve months E-Plus EBITDA

# Strategy yielding results

## The Netherlands

- Best-in-class fixed & mobile networks
  - Uniquely positioned for quad play
- Cost structure improvements
  - Structural decline personnel costs
  - Further efficiencies in 2014 and onwards
- Fixed - strong operational momentum
  - Multi play and FttH reducing churn
  - Growing base, RGUs and ARPU
  - Supporting revenue growth
- Mobile - capture value and growth
  - Creating 4G market leadership
  - Differentiated market approach
- Bundled services Business segment



## Belgium

- Continued market outperformance
- Focus on postpaid and data
- Leading network position
  - Differentiation on speed and quality



## Regulatory environment

- Regulatory
  - European regulatory stance easing
  - Bottom of MTA glide path in sight



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# Conclusion

## Sale of E-Plus

- KPN to sell E-Plus to Telefónica Deutschland for implied valuation of € 8.55bn
  - Unlocking estimated German mobile synergies of € 5.0-5.5bn
- 20.5% stake in combined entity, a leading German mobile operator with attractive synergy and growth potential
- EGM convened for 2 October 2013 relating to sale of E-Plus
  - Irrevocable commitment AMX to vote in favor of transaction at EGM
  - Record date for EGM set at 4 September 2013
  - Voting registration date 26 September 2013
- Completion mainly subject to KPN EGM and regulatory approval

# Conclusion (cont'd)

## KPN post E-Plus transaction

- Attractive equity story KPN post E-Plus transaction
  - Clear focus on core geographies with market leading positions in The Netherlands and a mobile Challenger focused on continued growth in Belgium
  - The Netherlands expected to stabilize towards 2014
  - Exposure to attractive synergy and growth potential through 20.5% stake in combination E-Plus and Telefónica Deutschland
- Majority of € 5.0bn cash proceeds used to increase financial flexibility
  - Supporting execution of strategy in The Netherlands and Belgium
  - Intention to recommence dividend payments for financial year 2014, subject to closing
  - Strong credit profile and committed to maintain investment grade credit profile; pro forma Q2 2013 net debt<sup>1</sup> / EBITDA<sup>2</sup> below 1.5x<sup>3</sup>

<sup>1</sup> Nominal debt repayment obligations in Euro at maturity, including 50% of hybrid capital instruments, less net cash and cash equivalents

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<sup>3</sup> Pro forma adjustment per Q2 2013, including € 5.0bn cash proceeds and loss of last twelve months E-Plus EBITDA

# Q&A

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