



# **KPN Q3 2020 RESULTS**

28 October 2020

# 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 Q3 and YTD 2019 financial figures

KPN's Q3 2020 Press Release and Q3 2020 Analyst Presentation include additional information regarding the estimated impact of divestments on the Q3 and YTD 2019 comparative financial figures, 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, Argweb, 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.

## 1. HIGHLIGHTS

2. BUSINESS PERFORMANCE UPDATE

3. FINANCIAL RESULTS

# Highlights Q3 2020

- Adjusted EBITDA after leases +1.3% y-on-y and FCF +7.3% y-on-y<sup>1</sup>
- Continued strong progress on cost savings program in Q3 (€ 44m), € 256m since start of the program, on track to exceed cost savings target
- Postpaid base back to growth, strong fiber uptake fuels stabilizing broadband base
- Limited impact from COVID-19: revenue pressure mostly offset by cost control
- Robust balance sheet and liquidity position; successful senior bond issuance lowering average cost of debt
- More specific 2020 outlook; expect adj. EBITDA AL of ~€ 2,320m and FCF of ~€ 750m
- Strategy update planned on 24 November 2020

<sup>1</sup>: Year-on-year trend corrected for impact of divestments

# KPN reports solid Q3 results, on track to reach 2020 outlook

## Adj. revenues

Q3 2020	YTD 2020
€ 1,299	€ 3,920m
-5.4%	-4.2%
Q3 2019: € 1,372m	YTD 2019: € 4,093m

## Adj. net ind. opex savings

Q3 2020	YTD 2020
€ 44m	€ 115m
Since January 2019 € 256m	

## Adj. EBITDA AL

Q3 2020	YTD 2020
€ 598m	€ 1,759m
-0.1%	+0.2%
Q3 2019: € 599m	YTD 2019: € 1,756m

## Highlights Q3 2020

- Adjusted revenues -5.4% y-on-y
  - **-3.7% excl. impact divestments**
  - Growth in Wholesale was offset by lower revenues from Consumer and Business
- Adjusted EBITDA AL -0.1% y-on-y
  - **+1.3% excl. impact divestments**
  - Effect of lower revenues more than offset by strong and disciplined cost control
- FCF of € 241m (+6.6% y-on-y)
  - **+7.3% excl. impact divestments**
- Strong liquidity position of € 2.0bn

## Net profit

Q3 2020	YTD 2020
€ 132m	€ 386m
-58%	-27%
Q3 2019: € 314m	YTD 2019: € 530m

## Capex

Q3 2020	YTD 2020
€ 286m	€ 859m
+9.3%	+8.3%
Q3 2019: € 262m	YTD 2019: € 793m

## Leverage ratio

Q3 2020
2.4x
Q3 2019 2.3x

## Operational free cash flow

Q3 2020	YTD 2020
€ 312m	€ 900m
-7.3%	-6.5%
Q3 2019: € 337m	YTD 2019: € 963m

## Liquidity position

Q3 2020
€ 2.0bn
Cash & short-term investments: € 792m Committed undrawn facilities: € 1.25bn RCF

## FCF (excl. TEFD dividend)

Q3 2020	YTD 2020
€ 241m	€ 498m
+6.6%	+13%
Q3 2019: € 226m	YTD 2019: € 442m

Key figures for Q3 and YTD 2019 are not corrected for impact of closed divestments (NLDC, International Network Services, Argeweb, and KPN Consulting)

# More specific 2020 outlook

	Adjusted EBITDA AL	Capex	FCF	Regular DPS
Achievements YTD 2020	€ 1,759m (2019: € 1,733m)	€ 859m	€ 498m (2019: € 442m)	€ 4.3 cents interim dividend
Outlook 2020	~€ 2,320m <sup>1</sup> (2019: € 2,287m)	€ 1.1bn	~€ 750m <sup>2</sup> (2019: € 718m)	€ 13.0 cents

- 2020 Outlook for adjusted EBITDA AL and FCF specified, Capex and DPS reiterated
  - Capex outlook and Free Cash Flow are both including acquisition Capex related to discretionary FttH M&A opportunities classifying as Capex
- KPN intends to pay a regular dividend per share of € 13.0 cents in respect of 2020, interim dividend of € 4.3 cents paid in August

Outlook 2020 is based on comparable basis corrected for divestments. The historical comparable basis figures are based on management estimates and are not audited

1: Previous outlook: "Stable to slightly growing compared to 2019"

2: Previous outlook: "At least mid-single digit percentage growth compared to 2019"

1. HIGHLIGHTS

**2. BUSINESS PERFORMANCE UPDATE**

3. FINANCIAL RESULTS

# Q3 2020: highlights strategic pillars

## 1. The best converged smart infrastructure

### 1A: Further expand leading NL fiber activities

- 73k FttH added in Q3, despite the vacation period; 326k since start in 2019
- Significantly improving access speeds for our customers
  - 1Gbps proposition commercially available since March 2020<sup>1</sup>

### 1B: Full mobile network modernization

- ~720 mobile sites upgraded in Q3 2020
  - ~2,210 since September 2019
- Significantly improved download speed
  - ~170Mbps download speed on 5G
- 5G front-runner
  - Activated 5G network on 28 July
  - Dedicated 5G services for B2B customers
  - Over 85% 5G coverage in top-5 cities, nationwide coverage end 2021

1: For designated FttH areas

## 2. Focus on profitable growth segments

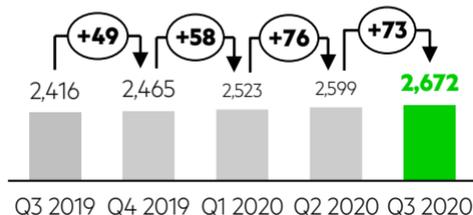
- Focus on high-value KPN brand
- Well on track with customer migrations in Business
- Simplified Business product portfolio by 42%
- Stabilization of end-to-end adjusted EBITDA AL in Business expected during 2021
- Solid growth in our Wholesale broadband portfolio (WBA/VULA)

## 3. Acceleration of simplification and digitalization

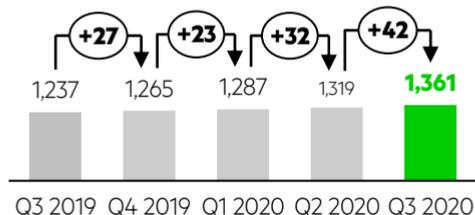
- Net indirect opex savings of € 44m in Q3 2020, € 256m since start in 2019, on track to exceed € 350m cost savings target
- Customer migrations to new OSS completed for Telfort mobile and KPN customers, significantly improving customer journey

# Ramping up fiber roll out, 73k FttH homes passed in Q3 2020

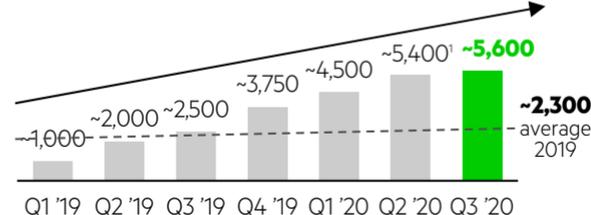
## FttH homes passed (k)



## FttH homes activated (k)



## Avg. FttH roll out per week (households)

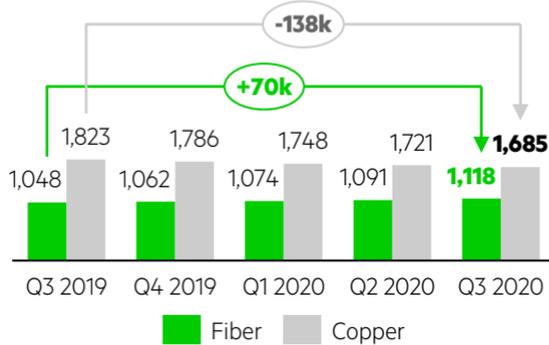


- Further ramping up fiber roll-out in Q3 2020
  - 73k FttH homes passed, 207k YTD 2020; 326k since start in 2019
- ~64k homes passed on 3<sup>rd</sup> party FttH access
- Largest fiber footprint in NL
  - ~33% FttH coverage (~2.7m households)
  - ~56% FttC coverage (~4.5m households)
  - ~89% FttS coverage (~4,720 mobile sites)
- Continued strong fiber take-up in Q3 2020
  - 42k FttH homes activated; 96k YTD 2020<sup>2</sup>
- Activation rate (HA/HP) over the last 12 months: ~50%
- ~7% higher network utilization<sup>2</sup>
  - One year after connecting the first home in an area
- Accelerating fiber roll-out with a growing number of construction crews
- Currently active in 90 areas
- Of the 25 largest cities in the Netherlands, KPN is nearing completion of the roll-out in six cities and executing in another 17 cities
- Securing contracting capacity for future roll-out

1: Excluding acquired Homes Passed  
2: Including Wholesale

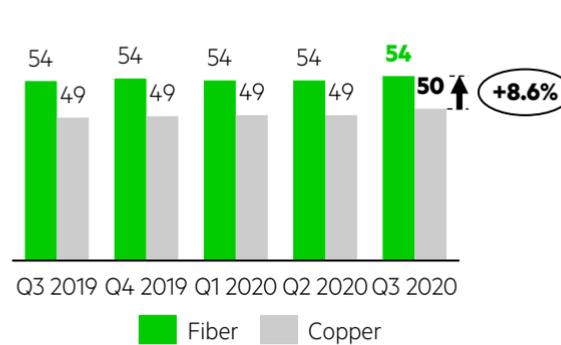
# Consumer fiber driving future value for KPN

## Growing fiber broadband base (k)



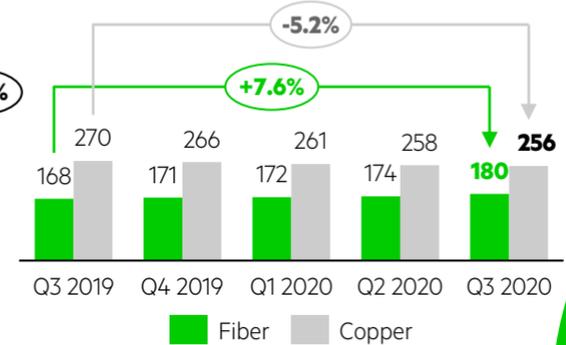
- 27k fiber net adds in Q3 2020

## Attractive fiber broadband ARPU (€)



- ~18% of fiber customers take 500Mbps or higher
- Value Added Services revenues per user 40-50% higher for fiber customers

## Growing fiber service revenues (€ m)



- 5% higher convergence penetration
- 2 points higher NPS<sup>1</sup>
- ~40% lower churn

## Fiber investments deliver positive NPV

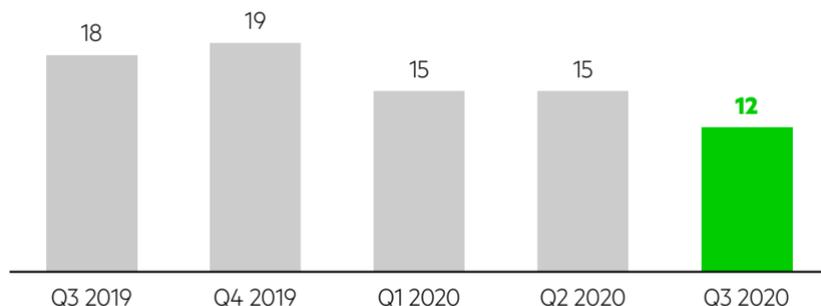
Based on Consumer segment figures  
1: Q4 2019, source: Kantar TNS

# Consumer – Delivery Q3 and YTD 2020

## Key messages

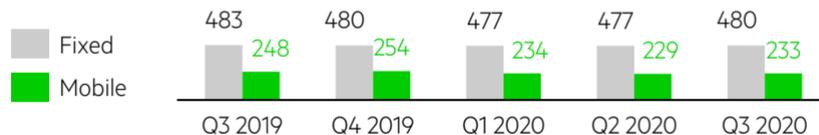
- Highest Consumer mobile postpaid net adds since Q3 2017, strong fiber take-up (+27k) fuels stabilizing broadband base
- Fixed revenue decreased 0.6%, driven by a decline of legacy services
- Roaming impact COVID-19 partly offset by increased national usage
- NPS<sup>1</sup> declined to +12, driven by IPTV interface changes and COVID-19; improvement plan in place

## Consumer NPS<sup>1</sup>



1: Source: Kantar TNS

## Revenue trend (€ m)



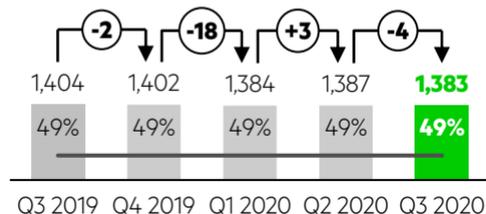
## Last Twelve Months y-on-y

Fixed	+0.1%	0.0%	-0.1%	-0.3%
Mobile	-6.7%	-6.8%	-6.7%	-6.6%
<b>Adj. revenues</b>	<b>-2.3%</b>	<b>-2.4%</b>	<b>-2.4%</b>	<b>-2.5%</b>

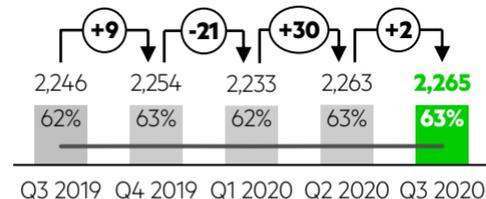
Segment financials (€ m)	Q3 2019	Q3 2020	Δ y-on-y	YTD '19	YTD '20	Δ y-on-y
Fixed revenues	483	480	-0.6%	1,435	1,434	-0.1%
Mobile service revenues	194	185	-4.4%	589	557	-5.5%
Mobile non-service revenue:	54	48	-12%	156	139	-11%
<b>Adjusted revenues</b>	<b>731</b>	<b>713</b>	<b>-2.5%</b>	<b>2,182</b>	<b>2,131</b>	<b>-2.3%</b>

# Consumer – KPIs Q3 2020

## Converged households (k)

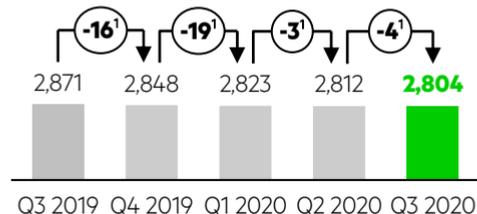


## Converged postpaid customers (k)

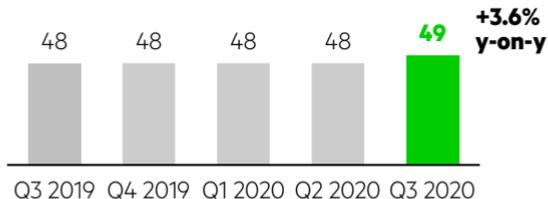


- Converged household base -4k, penetration at 49% of broadband base
- Converged postpaid net adds of +2k, penetration at 63% of postpaid base

## Broadband base (k)

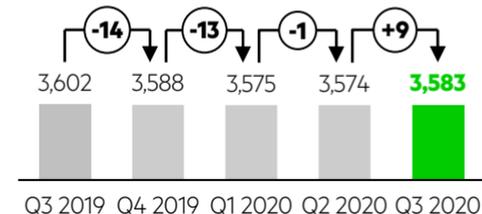


## Fixed ARPU (€)

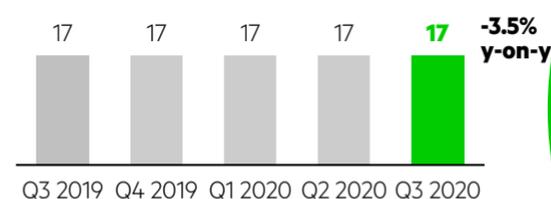


- Broadband net adds of -4k<sup>1</sup>, stable q-on-q fueled by strong fiber take-up (+27k)
- Fixed ARPU increased 3.6% y-on-y to € 49, driven by 2020 price adjustments, higher inflow ARPU and declining base for PSTN and Digtienne

## Mobile postpaid base (k)



## Postpaid ARPU (€)



- Total postpaid base +9k, driven by strong growth Unlimited proposition and Simyo
- Postpaid ARPU remained stable at € 17 for 7<sup>th</sup> consecutive quarter; negative roaming effect offset by higher out-of-bundle

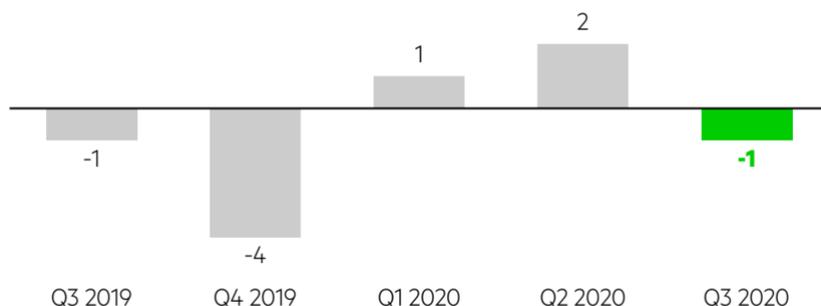
1: Corrected for migrations to and new customers of small business propositions (Q4 '19: 7k, Q1 '20: 6k Q2 '20: 7k, Q3 '20: 5k)

# Business – Delivery Q3 and YTD 2020

## Key messages

- Adjusted revenue impacted by COVID-19 (lower roaming, delayed IT projects) and customer migrations
- Simplified Business product portfolio by 42%
- Introduced three distinctive 5G services:
  - Priority for specific applications
  - Guaranteed bandwidth
  - Customized mobile coverage
- NPS<sup>1</sup> stable at -1, driven by customer migrations and a more critical stance by customers regarding connectivity during COVID-19

## Business NPS<sup>1</sup>



1: Source: Kantar TNS

2: Excluding the impact of NLDC, International Network Services, Argeweb, and KPN Consulting

## Revenue trend (€ m)



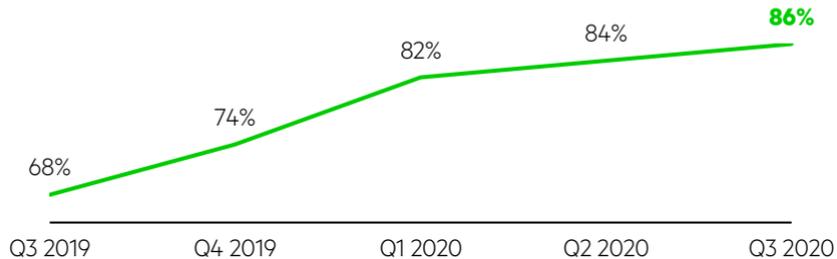
## Last Twelve Months y-on-y



Segment financials (€ m)	Q3 2019	Q3 2020	Δ y-on-y	Δ y-on-y (excl. divestments <sup>2</sup> )	YTD '19	YTD '20	Δ y-on-y	Δ y-on-y (excl. divestments <sup>2</sup> )
Communication Services	312	271	-13%	-11%	960	837	-13%	-11%
IT Services	66	61	-8.0%	-5.8%	200	195	-2.4%	-0.2%
Professional Services	104	106	+12%		294	316	+7.5%	
KPN Consulting	18	-	-100%	n.m.	59	17	-71%	n.m.
Other	1	1	-31%		2	3	+42%	
<b>Adjusted revenues</b>	<b>502</b>	<b>439</b>	<b>-13%</b>	<b>-7.9%</b>	<b>1,515</b>	<b>1,368</b>	<b>-9.7%</b>	<b>-5.8%</b>

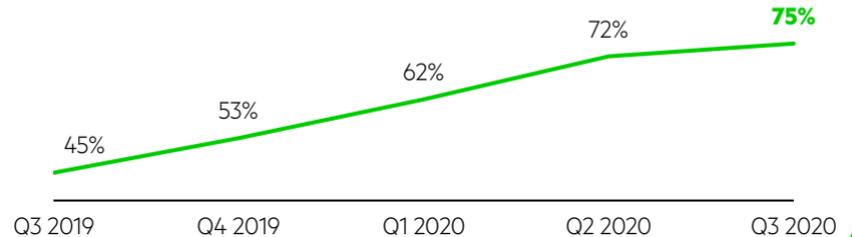
# Business – KPIs Q3 2020

## SME customer migrations<sup>1</sup>



- 86% of eligible SME customers have migrated
  - Pace of migrations affected by COVID-19 measures
- KPN EEN platform offering opportunities for up and cross-sell
  - Introduced Unlimited, 4G backup and Business TV

## LE/Corporate customer migrations<sup>1</sup>



- 75% of eligible LE customers have migrated
  - Pace of migrations affected by COVID-19 measures
- Continuing to add services to Smart Combinations / Smart Integration propositions
  - Introduced 5G services, Cloud Communications and Secure Networking

<sup>1</sup>: Eligible customers migrated from traditional fixed voice and legacy broadband services

# Wholesale – Delivery and KPIs Q3 and YTD 2020

## Key messages

- Solid performance in fixed (WBA/VULA); added 22k broadband lines
- Long-term MVNO contract renewed
- Continuing open wholesale policy based on voluntary offers and long-term contracts
- Wholesale adds to KPN's strong position in the Dutch broadband market with a stable market share of ~52% (Q2 2020)

## Broadband customers (k)



## Mobile customers (k)<sup>1</sup>



1: Full MVNO customers are not included  
2: Excluding the impact of NLDC

## Revenue trend



## Last Twelve Months y-on-y



Segment financials (€ m)	Q3 2019	Q3 2020	Δ y-on-y	Δ y-on-y (excl. divestments <sup>2</sup> )	YTD '19	YTD '20	Δ y-on-y	Δ y-on-y (excl. divestments <sup>2</sup> )
Fixed revenues	130	125	-3.7%	+5.6%	379	358	-5.5%	+4.0%
Mobile revenues	35	36	+1.9%		103	105	+1.6%	
<b>Adjusted revenues</b>	<b>165</b>	<b>161</b>	<b>-2.5%</b>	<b>+4.7%</b>	<b>481</b>	<b>463</b>	<b>-3.7%</b>	<b>+3.7%</b>

# Doing business in a sustainable manner

## Milestones & ambitions

**2011** ✓  
100% green energy

**2015** ✓  
Carbon neutral for own operations

**2025**  
~100% circular

**2030**  
Carbon neutral without offsets

**2040**  
-50% CO<sub>2</sub>e emission in the supply chain vs 2014

## UN SDG Achievements in Q3 2020

### SDG9: Secure future-proof infrastructure

- KPN is expanding KPN Veilig, the online security program for internet-connected devices, with more devices
- KPN is one of the participants in the '5G Blueprint' consortium that will conduct research into the technology, organization and business case for remote-controlled logistics and transport in the border region

### SDG 11: Social and digital inclusion

- KPN Teletolk, a service that converts a phone call for people with hearing loss into text or sign language, or vice versa; hit a record number of interpreted calls

### SDG 12: Environmental impact

- KPN started a pilot scheme for fiber-optic cable made from 90% recycled plastic
- Pilot to store renewable energy in backup batteries of local telephone exchanges

## Rankings and awards in 2020



1. HIGHLIGHTS

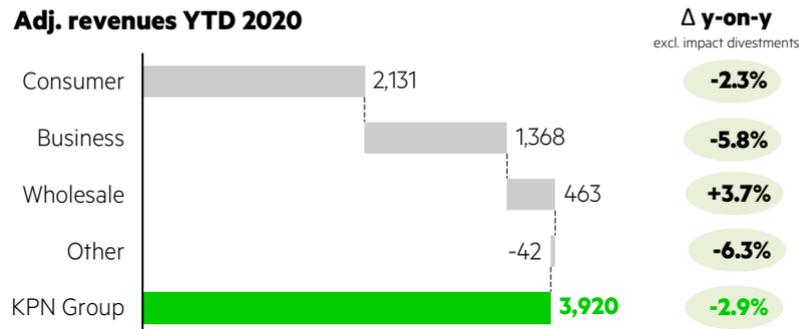
2. BUSINESS PERFORMANCE UPDATE

**3. FINANCIAL RESULTS**

# Group financials

(€ m)	YTD 2019	YTD 2020	Δ y-on-y	Δ y-on-y <small>excl. impact M&amp;A</small>
Service revenues	3,819	3,650	-4.4%	-3.0%
Non-service & other	274	270	-1.2%	
<b>Adjusted revenues</b>	<b>4,093</b>	<b>3,920</b>	<b>-4.2%</b>	<b>-2.9%</b>
Total adjusted opex	2,211	2,046	-7.4%	-6.3%
Lease related expenses	126	115	-8.8%	-2.6%
Adjusted indirect opex after leases	1,398	1,232	-12%	-8.5%
<b>Adjusted EBITDA after leases</b>	<b>1,756</b>	<b>1,759</b>	<b>+0.2%</b>	<b>+1.5%</b>
<i>As % of adj. revenues</i>	42.9%	44.9%		
<i>As % of adj. revenues Last Twelve Months</i>	42.1%	43.7%		
Operating profit (EBIT)	839	690	-18%	-17%
Net profit	530	386	-27%	
Capex	793	859	+8.3%	
<i>Capex as % of adj. revenues</i>	19.4%	21.9%		
<b>Operational free cash flow</b>	<b>963</b>	<b>900</b>	<b>-6.5%</b>	<b>-4.9%</b>
<i>As % of adj. revenues</i>	23.5%	23.0%		
<i>As % of adj. revenues Last Twelve Months</i>	21.6%	21.4%		
<b>Free cash flow (excl. TEFD div)</b>	<b>442</b>	<b>498</b>	<b>+13%</b>	<b>+13%</b>
<i>FCF as % of adj. revenues</i>	10.8%	12.7%		

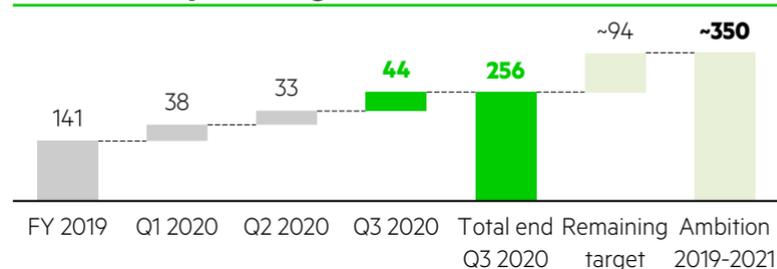
## Adj. revenues YTD 2020



# Strong and disciplined cost control

- € 256m net indirect opex savings realized since start in 2019<sup>1</sup>
- Reduction driven by ongoing digitalization and simplification
- Confident to exceed target of ~€ 350m by the end of 2021

## Net indirect opex savings (€ m)



Adjusted indirect opex AL (€ m)	YTD 2019	YTD 2020	Δ y-on-y	Δ y-on-y
				(excl. divestments)
Personnel expenses	773	663	-14%	-11%
IT/TI	269	239	-11%	-8.3%
Other operating expenses	230	215	-6.3%	-2.7%
Lease-related expenses	126	115	-8.8%	-2.6%
<b>Adjusted indirect opex after leases</b>	<b>1,398</b>	<b>1,232</b>	<b>-12%</b>	<b>-8.5%</b>

<sup>1</sup>: Net indirect opex savings are corrected for the impact of divestments

# Strong underlying cash generation

(€m)	YTD 2019	YTD 2020	Δ y-on-y
<b>Adjusted EBITDA after leases</b>	<b>1,756</b>	<b>1,759</b>	<b>+0.2%</b>
<i>As % of adj. revenues</i>	42.9%	44.9%	
Capex	793	859	+8.3%
<b>Operational free cash flow</b>	<b>963</b>	<b>900</b>	<b>-6.5%</b>
<i>As % of adj. revenues</i>	23.5%	23.0%	
Cash restructuring	-96	-48	-50%
Incidentals	190	11	-94%
Change in provisions excl. restructuring	-29	-25	-12%
Interest received/(paid) excl. lease interest	-243	-190	-22%
Taxes received/(paid)	-7	-1	-93%
Change in working capital	-157	-128	-19%
Other income	-172	-17	-90%
Other movements	-5	-4	-20%
<b>Free cash flow (excl. TEFD dividend)</b>	<b>442</b>	<b>498</b>	<b>+13%</b>
<i>As % of adj. revenues</i>	10.8%	12.7%	
TEFD dividend received	24	-	-100%
Acquisitions & disposals	200	28	-86%
Change in short-term investments	50	275	>100%
Other investing cash flow	340	-419	n.m.
Dividends paid	-512	-529	+3.3%
Other financing cash flow	-579	173	n.m.
Total cash flow from discontinued operations	37	-1	n.m.
<b>Change in net cash &amp; cash equivalents</b>	<b>3</b>	<b>25</b>	<b>&gt;100%</b>
<b>Cash &amp; short term investments at end of period</b>	<b>615</b>	<b>792</b>	
Bank overdrafts	10	4	
Cash classified as held for sale	-1	-	
Short-term investments	-	-	
<b>Cash &amp; cash equivalents (balance sheet)</b>	<b>624</b>	<b>796</b>	

## Highlights

- Lower operational free cash flow fully driven by different Capex phasing
- Free cash flow of € 498m, 13% higher y-on-y
  - Lower cash restructuring driven by COVID-19 related delay of new reorganization requests until 1 June
  - Lower cash interest paid due to debt redemptions
  - Lower investments in working capital
  - Lower cash taxes
- Strong cash position at the end of Q3 2020

# Change in working capital

Working capital (€ m)	Q4 2019	YTD 2020	Effect delta working capital
<b>Current assets</b>			
Inventories	54	49	+5
Trade and other receivables	508	448	+60
Prepayments and accrued income	246	404	-158
Contract assets and contract costs	37	49	-13
<b>Current liabilities</b>			
Trade payables	-550	-487	-63
Accruals and deferred income	-729	-619	-110
Contract liabilities	-204	-179	-25
<b>Total working capital</b>	<b>-639</b>	<b>-334</b>	<b>-305</b>
o/w change in accrued interest			+34
Other cash flow adjustments			+142
<b>Change in working capital (cash flow statement)</b>			<b>-128</b>

## Highlights

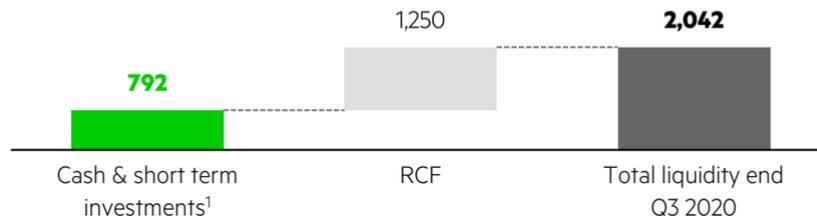
- Main effects that impacted working capital movement in YTD 2020
  - Lower trade receivables following lower sales levels partly due to lower handset sales
  - Higher prepayments due to a prepayment related to the spectrum auction
  - Lower trade payables, mainly driven by payment of end-of-year peak of incoming invoices
  - Lower accruals driven by settlements, lower interest accruals and bonus payments related to 2019
  - Correction for accrued interest, being part of accrued expenses on balance sheet but not part of working capital
  - Correction mainly due to prepayment related to the spectrum auction

# KPN has a strong liquidity position

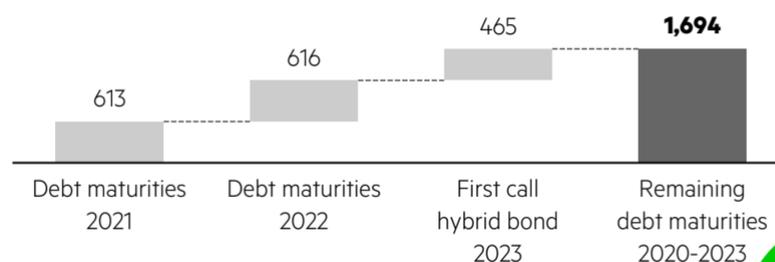
## Liquidity considerations

- Total committed liquidity of € 2.0bn
  - € 792m in cash<sup>1</sup>
  - € 1.25bn of committed unused credit lines (RCF)
- Issued € 600m 12-year Eurobond with 0.875% coupon in September 2020
- Senior bond (€ 461m) with 3.75% coupon redeemed in September<sup>2</sup>
- Final spectrum payment (€ 381m) paid in July 2020
- Interim dividend payment (€ 4.3 cents per share, total € 180m) paid in August 2020
- Liquidity covers debt maturities until the end of 2023

## Liquidity schedule (€ m)



## Debt maturity schedule (€ m)

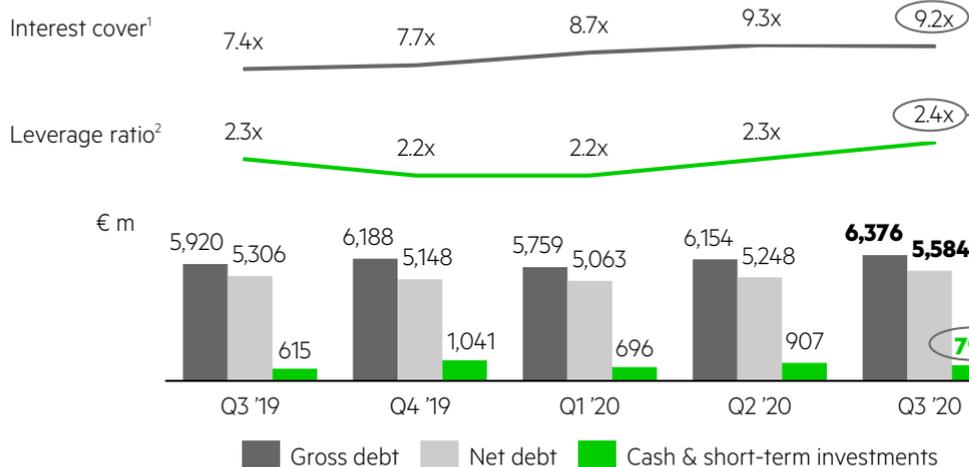


1: As of 30 September 2020, KPN had € 210m outstanding under its €1bn STEP-labelled Euro Commercial Paper program

2: Swapped to fixed rate of 1.04%

# Robust balance sheet

## Financial position



## Highlights

- Interest cover ratio was 9.2x at the end of the quarter (Q3 2019: 7.4x)
- KPN's leverage ratio was 2.4x (Q3 2019: 2.3x)
- Strong liquidity position at € 2.0bn
  - € 792m cash
  - € 1.25bn undrawn RCF
- Net debt increased €336m quarter on quarter due to final spectrum and interim dividend payments partially offset by FCF during the quarter
- The weighted average cost of senior debt was 2.81% in Q3 2020, 65bps lower y-on-y

## Credit ratings

	Rating	Outlook
Standard & Poor's	BBB	Stable
Fitch ratings	BBB	Stable
Moody's	Baa3	Stable

1: LTM Adjusted EBITDA AL / LTM Net interest paid (excl. lease interest, incl. perpetual hybrid coupon)

2: Net debt (excl. leases) / LTM Adj. EBITDA AL

# Disclosure agenda going forward: committed to continuously improving

## Consumer

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- New revenue breakdown to reflect focus on convergence
  - Fixed-mobile service revenues
  - Fixed-only broadband service revenues
  - Mobile-only postpaid service revenues
  - Legacy / non-service revenues
- New KPIs to reflect focus on households rather than individuals
  - # households replacing # RGUs
  - Average Revenue Per Address (ARPA) accompanying Average Revenue Per User (ARPU)

## Business

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- Disclose end-to-end adjusted EBITDA after leases

## Delivered in YTD 2020

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- ROCE and segment Adjusted EBITDA after leases ✓
  - Published with H1 and FY results
- More insight and additional KPIs in fiber activities ✓
- Revenue breakdown per B2B customer segment, accompanying current product segmentation ✓
- Operational free cash flow ✓
- Detailed insight in drivers of net cash position ✓
- Working capital details ✓

# Closing remarks

- Adjusted EBITDA after leases +1.3% y-on-y and FCF +7.3% y-on-y<sup>1</sup>
- Continued strong progress on cost savings program in Q3 (€ 44m), € 256m since start of the program, on track to exceed cost savings target
- Postpaid base back to growth, strong fiber uptake fuels stabilizing broadband base
- Limited impact from COVID-19: revenue pressure mostly offset by cost control
- Robust balance sheet and liquidity position; successful senior bond issuance lowering average cost of debt
- More specific 2020 outlook; expect adj. EBITDA AL of ~€ 2,320m and FCF of ~€ 750m
- Strategy update planned on 24 November 2020

<sup>1</sup>: Year-on-year trend corrected for impact of divestments



# Q&A

## Appendices

- I Q3 & YTD 2019 financials corrected for impact of divestments
- II Tax
- III Debt portfolio
- IV Treatment of hybrid bonds
- V Fixed infrastructure
- VI Mobile infrastructure
- VIII Spectrum

# I: Q3 2019 financials corrected for impact of divestments

Income statement (€ m)	Q3 2019	Impact divestments	Q3 2019 excl. divestments	Q3 2020	Δ y-on-y excl. divestments
Consumer	731	-	731	713	
Business	502	-25	476	439	-7.9%
Wholesale	165	-11	154	161	+4.7%
Network, Operations & IT	1	-	1	2	
Other (incl. eliminations)	-27	14	-14	-16	+18%
<b>Adjusted revenues</b>	<b>1,372</b>	<b>-23</b>	<b>1,349</b>	<b>1,299</b>	<b>-3.7%</b>
o/w Service revenues	1,280	-23	1,257	1,210	-3.7%
o/w Non-service revenues & other	92	-	92	88	
Cost of goods & services (direct opex)	328	4	331	317	-4.4%
Personnel expenses	244	-11	233	197	-15%
IT/TI	85	-3	82	75	-9.1%
Other operating expenses	75	-3	72	74	+1.7%
Lease-related expenses	41	-2	39	38	-4.0%
<b>Adjusted indirect opex after leases</b>	<b>446</b>	<b>-19</b>	<b>427</b>	<b>384</b>	<b>-10%</b>
<b>Adjusted EBITDA after leases</b>	<b>599</b>	<b>-8</b>	<b>591</b>	<b>598</b>	<b>+1.3%</b>
<b>Operational free cash flow</b>	<b>337</b>	<b>-5</b>	<b>332</b>	<b>312</b>	<b>-6.0%</b>
<b>Free cash flow (excl. TEFD dividend)</b>	<b>226</b>	<b>-2</b>	<b>225</b>	<b>241</b>	<b>+7.3%</b>

This table shows the estimated adjustments of Q3 2019 results for the combined impact of completed divestments of **NLDC** (3 months), **International Network Services** (3 months), **Argeweb** (3 months), and **KPN Consulting** (3 months) as if the actual transfer of shares (closing) had taken place 12 months earlier

# I: YTD 2019 financials corrected for impact of divestments

Income statement (€ m)	YTD 2019	Impact divestments	YTD 2019 excl. divestments	YTD 2020	Δ y-on-y excl. divestments
Consumer	2,182	-	2,182	2,131	
Business	1,515	-62	1,452	1,368	-5.8%
Wholesale	481	-34	446	463	+3.7%
Network, Operations & IT	4	-	4	4	
Other (incl. eliminations)	-88	40	49	-46	-5.0%
<b>Adjusted revenues</b>	<b>4,093</b>	<b>-57</b>	<b>4,036</b>	<b>3,920</b>	<b>-2.9%</b>
o/w Service revenues	3,819	-57	3,763	3,650	-3.0%
o/w Non-service revenues & other	274	-	274	270	
Cost of goods & services (direct opex)	939	17	956	929	-2.8%
Personnel expenses	773	-25	748	663	-11%
IT/TI	269	-9	261	239	-8.3%
Other operating expenses	230	-9	221	215	-2.7%
Lease-related expenses	126	-8	118	115	-2.6%
<b>Adjusted indirect opex after leases</b>	<b>1,398</b>	<b>-50</b>	<b>1,348</b>	<b>1,232</b>	<b>-8.5%</b>
<b>Adjusted EBITDA after leases</b>	<b>1,756</b>	<b>23</b>	<b>1,733</b>	<b>1,759</b>	<b>+1.5%</b>
<b>Operational free cash flow</b>	<b>963</b>	<b>17</b>	<b>946</b>	<b>900</b>	<b>-4.9%</b>
<b>Free cash flow (excl. TEFD dividend)</b>	<b>442</b>	<b>2</b>	<b>441</b>	<b>498</b>	<b>+13%</b>

This table shows the estimated adjustments of YTD 2019 results for the combined impact of completed divestments of **NLDC** (9 months), **International Network Services** (9 months), **Argeweb** (9 months), and **KPN Consulting** (6 months) as if the actual transfer of shares (closing) had taken place 12 months earlier

## II: Tax Q3 and YTD 2020

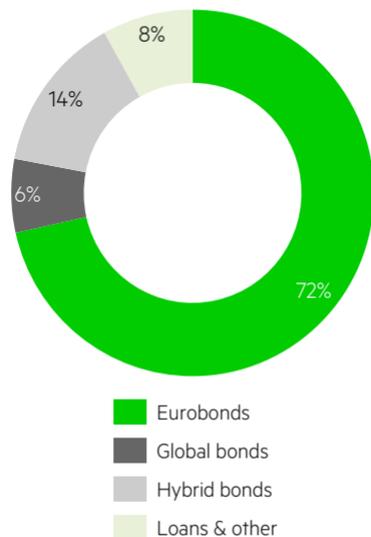
Regions (€ m)	P&L		Cash flow		P&L		Cash flow	
	Q3 2019	Q3 2020	Q3 2019	Q3 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020
The Netherlands	-42	-47	-	-	-103	-114	-7	-1
Other	-	1	-	-	-	1	-	-
<b>Total reported tax</b>	<b>-42</b>	<b>-46</b>	<b>-</b>	<b>-</b>	<b>-103</b>	<b>-113</b>	<b>-7</b>	<b>-1</b>
Of which discontinued operations	-	-	-	-	-	-	-	-
<b>Reported tax from continuing operations</b>	<b>-42</b>	<b>-46</b>	<b>-</b>	<b>-</b>	<b>-103</b>	<b>-113</b>	<b>-7</b>	<b>-1</b>
Effective tax rate continuing operations	11.7%	26.0%			16.2%	22.9%		

- The effective tax rate for Q3 2020 was mainly influenced by the Innovation Box facility and one-off effects
  - Excluding one-off effects<sup>1</sup> the effective tax rate would have been ~22% in Q3 2020
- The effective tax rate YTD 2020 was mainly influenced by the participation exemption and the Innovation Box facility and one-off effects
- For 2020, the effective tax rate is expected to be ~22% excluding one-off effects<sup>1</sup>

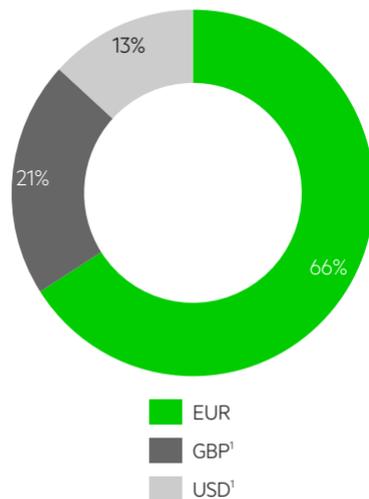
<sup>1</sup>: Among others, tax law changes, settlements with tax authorities, impairments, revaluations

# III: Debt portfolio

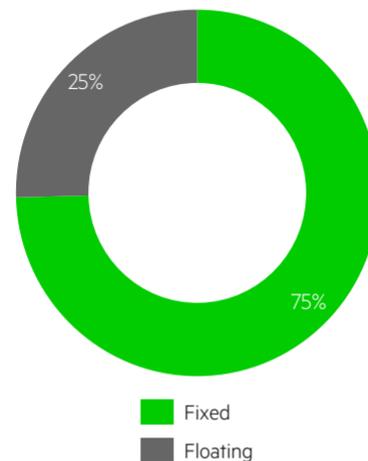
### Nominal debt by type<sup>1</sup>



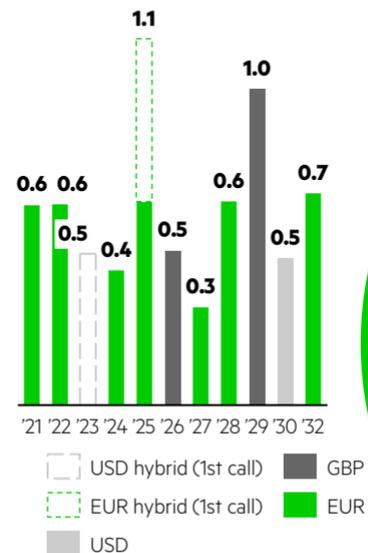
### Nominal debt by currency<sup>1</sup>



### Fixed vs. floating interest<sup>2</sup>



### Debt redemption profile<sup>3</sup> (€ bn)



1: Based on the nominal value of interest-bearing liabilities after swap to EUR

2: Excludes bank overdrafts. Including commercial paper

3: Includes outstanding bonds and loans, excluding commercial paper

# IV: Treatment of hybrid bonds

## KPN & credit rating agencies

- Hybrid bonds are 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

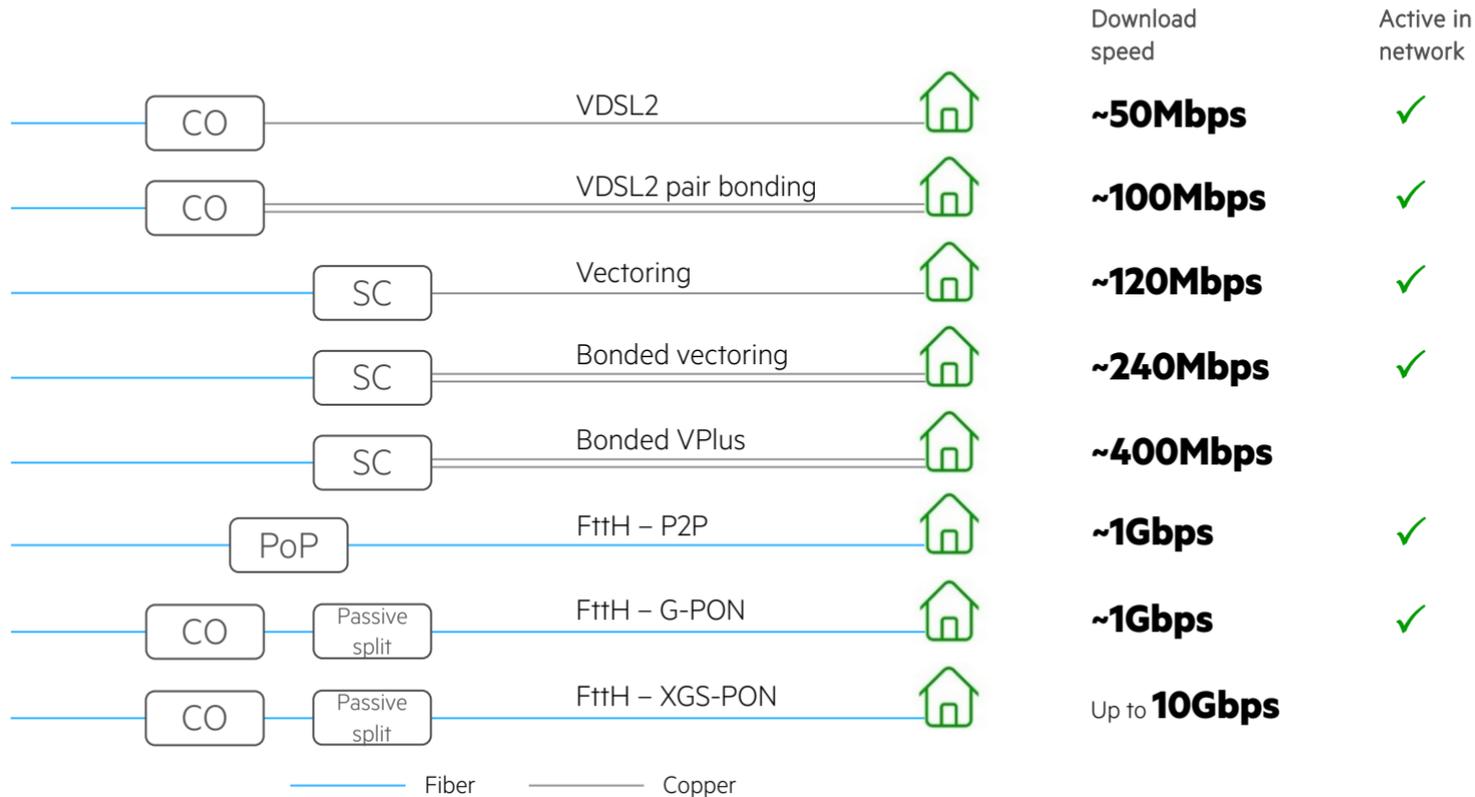
- EUR tranche is a perpetual instrument, accounted for as equity  
Coupon payments treated as equity distribution (dividend), hence not expensed through P&L, not included in FCF, but in financing cash flow<sup>1</sup>
- USD tranche have 60 years specified maturity, accounted for as financial liability
  - 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: Fixed infrastructure



# VI: 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)

# VII: Spectrum in the Netherlands



1: 2.1GHz as per 1 January 2021



KPN Investor Relations

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