Q4 & FY 2019 RESULTS

29 January 2020
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 2018. 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 2018 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 incidents. 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") are derived from EBITDA and are adjusted for the impact of restructuring costs and incidents ("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 excluding major changes in the composition of the Group (acquisitions and disposals). Free Cash Flow ("FCF") is defined as cash flow from continuing operating activities plus proceeds from real estate, minus capital expenditures (Capex), being expenditures on PP&E and software and adjusted for repayments of lease liabilities.

All market share information in this financial report is based on management estimates based on externally available information, unless indicated otherwise. For a full overview on KPN's non-financial information, reference is made to KPN's quarterly factsheets available on ir.kpn.com.

Forward-looking statements

Certain statements contained in this financial report constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the impact of regulatory initiatives on KPN's operations, KPN's and its joint ventures' share of new and existing markets, general industry and macro-economic trends and KPN's performance relative thereto and statements preceded by, followed by or including the words "believes", "expects", "anticipates", "will", "may", "could", "should", "intends", "estimates", "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 2018. 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 2018, unless stated otherwise.

Comparative figures regarding IFRS 16

The impact of the adoption of IFRS 16 is unaudited and may be subject to change until the publication of KPN's Financial Statements 2019.

Additional information regarding impact of divestments on Q4 and FY 2018 financial figures

KPN's Q4 2019 Press Release and Q4 2019 Analyst Presentation include additional information regarding impact of divestments on the Q4 and FY 2018 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 and Argeweb. 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.
Operational highlights FY 2019

The best converged smart infrastructure

Focus on profitable growth segments

Accelerating simplification & digitalization

Accelerated fiber roll-out strategy
Mobile network modernization
Migration legacy lines to all-IP

Consumer: focus on households and convergence
Business: focus on stabilizing end-to-end Adj. EBITDA AL
Wholesale: grow WBA/VULA portfolio

Digital transformation
IT rationalization
Sustainable opex reductions
Focus on core activities
The best converged smart infrastructure
2019 – 2021 strategy

Fiber roll-out acceleration
+1 million FttH households by end 2021

Full mobile network modernization
100% 5G ready by end 2021

Moving to All-IP
100% by end 2021

Stable Capex envelope € 1.1bn
substantial shift in mix from ~35% to ~50% access investments (2019-2021)
## Fiber roll-out acceleration
progress made in 2019

<table>
<thead>
<tr>
<th><strong>FttH</strong> roll-out in progress</th>
<th><strong>FttC</strong> roll-out nearly finalized</th>
</tr>
</thead>
<tbody>
<tr>
<td>~120k additional households</td>
<td>~390k additional households¹</td>
</tr>
<tr>
<td>&gt;70 new projects up and running</td>
<td></td>
</tr>
</tbody>
</table>

Future proof technology

Deploying latest technologies **G-PON & XGS-PON**

1Gbps proposition will become available on fiber as of March 2020

¹ Technically ready
**FttH access investments**

Driving higher returns in Consumer

- **NPS\(^1\)** +2
- **Fixed ARPU** +6€
- **Convergence penetration** +6%pt
- **Churn** -40%

**Fiber vs. Copper customers Q4 2019**

KPN brand

1 Source: Kantar TNS
Full mobile network modernization
progress made in 2019

Strong start to mobile network modernization...

...using latest technologies...

640 sites modernized since September 2019

Massive MIMO

5G ready

...significantly improving download speed

>30% higher download speed on modernized sites
Moving to all-IP
progress made in 2019

Migration legacy lines well on track

Shutting down legacy networks

PSTN SDH ISDN 3G
Copper in fiber areas
Consumer: targeted household approach

2019 – 2021 strategy

Grow converged households... 
+300k by end 2021

...and SIMs per household...
+10% by end 2021

...to drive higher converged postpaid base (all brands)
70% by end 2021
Consumer convergence
progress made in 2019

+59K converged households

+4.6% SIMs per household

+189k converged postpaid base

Converged household base (k)

Convergence penetration all brands

SIMs per household

% growth vs. FY 2018

Converged postpaid base (k)

Convergence penetration all brands
Consumer: strategic actions in 2019
executing our convergence strategy

Convergence strategy

Brand strategy

One strong brand: KPN
Strengthen household relationships
Drive simplification

Launch of KPN Hussel
Fully flexible household proposition
Consumer Fixed and Mobile KPIs
quarterly trends in 2019

Fixed KPIs

<table>
<thead>
<tr>
<th>Fixed ARPU (€)</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>46</td>
<td>46</td>
<td>48</td>
<td>48</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Broadband net adds' (k)</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>-24</td>
<td>-17</td>
<td>-16</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mobile KPIs

<table>
<thead>
<tr>
<th>Postpaid ARPU (€)</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KPN brand postpaid net adds</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY '19</td>
<td>-1k</td>
<td>+17k</td>
<td>+36k</td>
<td>+28k</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Postpaid net adds all brands (k)</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY '19</td>
<td>-6</td>
<td>0</td>
<td>-3</td>
<td>-14</td>
</tr>
</tbody>
</table>

1 Corrected for migrations to and new customers of small business propositions (Q1: 8k, Q2: 7k, Q3: 7k, Q4: 7k)
Stable broadband network share

Market share KPN Consumer + SoHo + Wholesale

KPN invests in a future-proof network, benefitting all our customers

Significant Wholesale market share adds to KPN’s strong position in the Dutch fixed market

<table>
<thead>
<tr>
<th>Quarter</th>
<th>KPN Consumer</th>
<th>KPN Wholesale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2019</td>
<td>+1</td>
<td>+9</td>
</tr>
<tr>
<td>Q2 2019</td>
<td>-24</td>
<td>+28</td>
</tr>
<tr>
<td>Q3 2019</td>
<td>-17</td>
<td>+29</td>
</tr>
</tbody>
</table>

1 Source: Telecompaper, company reported data, management estimates; Q4 2019 market share data not available
2 Corrected for migrations to and new customers of small business propositions (Q1: 8k, Q2: 7k, Q3: 7k)
3 Wholesale includes MDF, ODF and WBA/VULA
Business: stabilizing end-to-end Adj. EBITDA AL
2019 – 2021 strategy

Transformation of operating platform

100% customer migrations from legacy portfolio
SME and LE in 2020

Value over volume strategy

LE & Corporate

Future-proof, simplified product portfolio
Standardized converged solutions
Up- and cross-sell opportunities

Customer retention
Increase share of wallet
Improve customer lifetime value

Lean & digital operations

Simplifying IT infrastructure

>25% lower cost to serve KPN EEN by 2021

-75% of IT systems by 2021

Simplified end-to-end organization

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1 Traditional fixed voice and legacy broadband eligible for migration
Business transformation
along customer segments

1 Small business (SoHo)
KPN small business
+30k net adds in 2019
small business proposition

2 SME
KPN EEN SME
+158k net adds in 2019

3 LE & Corporate
KPN smart combinations
launched in 2019

1 Incl. migrations from Consumer
Business: strategic actions in 2019
strong progress in operational transformation

Migrations from legacy portfolio

Value over volume strategy

Data-Driven Pricing model introduced to maximize value per order

Hardware only in combination with recurring services contract

Lean & digital operations

>25% lower cost to serve
KPN EEN realized

IT integration ongoing

Post-merger integration
Activities of telco and IT subsidiaries integrated into KPN organization

1 Migrated from traditional fixed voice and legacy broadband services

<table>
<thead>
<tr>
<th></th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME</td>
<td>25%</td>
<td>33%</td>
<td>45%</td>
<td>53%</td>
</tr>
<tr>
<td>LE &amp; Corporate</td>
<td>50%</td>
<td>59%</td>
<td>68%</td>
<td>74%</td>
</tr>
</tbody>
</table>

1. Migrated from traditional fixed voice and legacy broadband services
## Business revenue trend

strategic actions considerably impacted 2019 revenue

### Adjusted revenues y-on-y growth trend

<table>
<thead>
<tr>
<th></th>
<th>Q4 2019</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication Services</td>
<td>-9.1%</td>
<td>-8.4%</td>
</tr>
<tr>
<td>Mobile service revenues</td>
<td>-11%</td>
<td>-9.1%</td>
</tr>
<tr>
<td>IoT</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>Broadband &amp; Network Services</td>
<td>-7.9%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Fixed voice</td>
<td>-25%</td>
<td>-19%</td>
</tr>
<tr>
<td>Other</td>
<td>27%</td>
<td>0.5%</td>
</tr>
<tr>
<td>IT Services (a.o. security, cloud, workspace)</td>
<td>7.8%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Professional Services</td>
<td>4.1%</td>
<td>4.3%</td>
</tr>
<tr>
<td>KPN Consulting</td>
<td>-7.1%</td>
<td>2.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-3.7%</td>
<td>-4.4%</td>
</tr>
</tbody>
</table>

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1. Revenues for FY 2017, FY 2018 and FY 2019 excluding M&A and additional hardware
Customer experience & recognition

Consumer NPS<sup>1</sup>

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td>17</td>
<td>13</td>
<td>18</td>
<td>19</td>
</tr>
</tbody>
</table>

Business NPS<sup>1</sup>

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td>3</td>
<td>1</td>
<td>-1</td>
<td>-4</td>
</tr>
</tbody>
</table>

Awards

**#1 reputation**<sup>2</sup>

**Best mobile provider**<sup>3</sup>

**Strongest Dutch brand**<sup>4</sup>

**Best retail chain**<sup>5</sup>

**Global Microsoft Security & Compliance Partner of the Year 2019**

KPN EEN nominated **best offer** for SME customers<sup>6</sup>

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1. Source: Kantar TNS
2. Industry adjusted, source: Reputation institute
3. Source: Consumentenbond (Dutch Consumers’ Association)
4. Source: Brand Finance
5. Category Telecoms, source: Retailer of the Year (Q&A)
6. Source: Computable awards
Acceleration of simplification & digitalization

From **20 to 2** converged IT stacks

From **5 core networks to 1**

**Simplified end-to-end organization**

~€ **350 million**

2019-2021 net opex savings program

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1. Indirect opex after leases adjusted for the impact of restructuring costs, incidentals
€141 million net indirect opex savings in 2019
contributing strategic actions

Digital transformation
Agile based operating model
Simplified organization
Right sizing
Skill-based management
B2B transformation

Opex reduction
Portfolio rationalization
Brand rationalization
Contract (re)negotiations
Resource optimization
Energy and cost management

IT rationalization
TV platform optimization
Mobile IT consolidation following brand integration
Decommissioning legacy IT
Doing business in a sustainable manner

A-list CDP and #2 in Dow Jones Sustainability Index

Secure future-proof infrastructure – SDG 9

Facilitate private and public partners

Drive future-proof innovation across various sectors

Social and digital inclusion – SDG 11

Improve life in cities and remote areas

Stimulate diversity and social inclusion

Avoid social exclusion of groups due to digital transformation

Environmental impact – SDG 12

Commit to circular economy principles

Enable customers to reduce energy consumption
Financial highlights FY 2019

**Adjusted revenues**

€ 5,486m

-2.7% y-on-y¹

2018: € 5,639m¹

**Adjusted EBITDA after leases**

€ 2,317m

+1.2% y-on-y¹

2018: € 2,290m¹

**Free Cash Flow (excl. TEFD dividend)**

€ 726m

-8.6% y-on-y¹

2018: € 795m¹

¹ Key figures for FY 2018 and y-on-y trend are not corrected for impact of closed divestments (NLDC, International Network Services and Argeweb). For information purposes only, FY 2018 corrected for impact of divestments to be found in the Appendix
Financial performance Q4 and FY 2019

<table>
<thead>
<tr>
<th>€ m</th>
<th>Q4 2018</th>
<th>Q4 2019</th>
<th>Δ y-on-y</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>Δ y-on-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>756</td>
<td>734</td>
<td>-2.9%</td>
<td>2,986</td>
<td>2,916</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Business</td>
<td>548</td>
<td>528</td>
<td>-3.7%</td>
<td>2,137</td>
<td>2,042</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>158</td>
<td>146</td>
<td>-7.6%</td>
<td>623</td>
<td>628</td>
<td>0.7%</td>
</tr>
<tr>
<td>Other</td>
<td>-26</td>
<td>-15</td>
<td>-42%</td>
<td>-107</td>
<td>-100</td>
<td>-6.7%</td>
</tr>
<tr>
<td><strong>Adjusted revenues</strong></td>
<td><strong>1,436</strong></td>
<td><strong>1,393</strong></td>
<td><strong>-3.0%</strong></td>
<td><strong>5,639</strong></td>
<td><strong>5,486</strong></td>
<td><strong>-2.7%</strong></td>
</tr>
<tr>
<td>Adjusted direct costs</td>
<td>354</td>
<td>362</td>
<td>2.1%</td>
<td>1,332</td>
<td>1,301</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Adjusted indirect costs after leases</td>
<td>512</td>
<td>470</td>
<td>-8.1%</td>
<td>2,017</td>
<td>1,868</td>
<td>-7.4%</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA after leases</strong></td>
<td><strong>570</strong></td>
<td><strong>561</strong></td>
<td><strong>-1.6%</strong></td>
<td><strong>2,290</strong></td>
<td><strong>2,317</strong></td>
<td><strong>1.2%</strong></td>
</tr>
<tr>
<td><strong>Reported</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>571</td>
<td>598</td>
<td>4.7%</td>
<td>2,353</td>
<td>2,578</td>
<td>9.6%</td>
</tr>
<tr>
<td>EBIT</td>
<td>185</td>
<td>202</td>
<td>9.2%</td>
<td>820</td>
<td>1,041</td>
<td>27%</td>
</tr>
<tr>
<td>Net profit</td>
<td>-47</td>
<td>84</td>
<td>n.m.</td>
<td>292</td>
<td>614</td>
<td>&gt;100%</td>
</tr>
</tbody>
</table>

Key figures for Q4 2018 and FY 2018 and y-on-y trend are not corrected for impact of closed divestments (NLDC, International Network Services and Argeweb). For information purposes only, Q4 and FY 2018 corrected for impact of divestments to be found in the Appendix.
Adjusted revenues declined in Q4 and FY 2019

FY 2019 € 5,486
-2.7% y-on-y
FY 2018: € 5,639m

€ 2m negative impact from divestments¹

¹ For information purposes only, Q4 and FY 2018 corrected for impact of divestments to be found in the Appendix
Slightly growing Adjusted EBITDA AL in FY 2019 supported by simplification and digitalization

FY 2019: € 2,317
+1.2% y-on-y
FY 2018: € 2,290m

€ 6m negative impact from divestments

Adj. EBITDA after leases Q4 2018: € 570
Revenues: € 43
Cost of goods & services: € 7
Personnel expenses: € 18
IT/TI: € 17
Other operating expenses: € 6
Adj. EBITDA after leases Q4 2019: € 561

1. Incl. lease-related expenses
2. For information purposes only, Q4 and FY 2018 corrected for impact of divestments to be found in the Appendix
## Financial performance Q4 and FY 2019 – FCF

<table>
<thead>
<tr>
<th>€ m</th>
<th>Q4 2018</th>
<th>Q4 2019</th>
<th>Δ y-on-y</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>Δ y-on-y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted EBITDA after leases</strong></td>
<td>570</td>
<td>561</td>
<td>-1.6%</td>
<td>2,290</td>
<td>2,317</td>
<td>1.2%</td>
</tr>
<tr>
<td>Interest lease liabilities</td>
<td>8</td>
<td>6</td>
<td>-27%</td>
<td>33</td>
<td>28</td>
<td>-16%</td>
</tr>
<tr>
<td>Depreciation right-of-use asset</td>
<td>36</td>
<td>33</td>
<td>-6.6%</td>
<td>146</td>
<td>138</td>
<td>-6.0%</td>
</tr>
<tr>
<td>Restructuring</td>
<td>-27</td>
<td>-22</td>
<td>-18%</td>
<td>-101</td>
<td>-115</td>
<td>13%</td>
</tr>
<tr>
<td>Incidents</td>
<td>-16</td>
<td>19</td>
<td>n.m.</td>
<td>-16</td>
<td>210</td>
<td>n.m.</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>571</td>
<td>598</td>
<td>4.7%</td>
<td>2,353</td>
<td>2,578</td>
<td>9.6%</td>
</tr>
<tr>
<td>Interest paid / received</td>
<td>-77</td>
<td>-64</td>
<td>-17%</td>
<td>-339</td>
<td>-329</td>
<td>-2.9%</td>
</tr>
<tr>
<td>Tax paid / received</td>
<td>16</td>
<td>-</td>
<td>n.m.</td>
<td>-9</td>
<td>-7</td>
<td>-16%</td>
</tr>
<tr>
<td>Change in provisions</td>
<td>21</td>
<td>-19</td>
<td>n.m.</td>
<td>56</td>
<td>-51</td>
<td>n.m.</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>90</td>
<td>148</td>
<td>64%</td>
<td>-8</td>
<td>-9</td>
<td>16%</td>
</tr>
<tr>
<td>Other movements (incl. TEFD dividend)</td>
<td>2</td>
<td>-30</td>
<td>n.m.</td>
<td>46</td>
<td>-176</td>
<td>n.m.</td>
</tr>
<tr>
<td><strong>Net CF from operating activities</strong></td>
<td>622</td>
<td>632</td>
<td>1.7%</td>
<td>2,099</td>
<td>2,005</td>
<td>-4.5%</td>
</tr>
<tr>
<td>Capex</td>
<td>-368</td>
<td>-322</td>
<td>-13%</td>
<td>-1,106</td>
<td>-1,115</td>
<td>0.8%</td>
</tr>
<tr>
<td>Proceeds from real estate</td>
<td>-</td>
<td>1</td>
<td>n.m.</td>
<td>5</td>
<td>1</td>
<td>-74%</td>
</tr>
<tr>
<td>Repayments of lease liabilities</td>
<td>-33</td>
<td>-27</td>
<td>-18%</td>
<td>-149</td>
<td>-141</td>
<td>-5.3%</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>220</td>
<td>284</td>
<td>29%</td>
<td>849</td>
<td>750</td>
<td>-12%</td>
</tr>
<tr>
<td>TEFD dividend</td>
<td>-</td>
<td>-</td>
<td>n.m.</td>
<td>54</td>
<td>24</td>
<td>-56%</td>
</tr>
<tr>
<td><strong>Free cash flow (excl. TEFD dividend)</strong></td>
<td>220</td>
<td>284</td>
<td>29%</td>
<td>795</td>
<td>726</td>
<td>-8.6%</td>
</tr>
</tbody>
</table>

1. For information purposes only, Q4 and FY 2018 Free cash flow (excl. TEFD dividend) corrected for impact of divestments to be found in the Appendix.
FCF development in FY 2019

<table>
<thead>
<tr>
<th>€ m</th>
<th>Adj. EBITDA AL FY 2019</th>
<th>Lease-related expenses</th>
<th>Restructuring &amp; incidentals</th>
<th>EBITDA FY 2019</th>
<th>Interest paid</th>
<th>Taxes paid</th>
<th>Change in provisions</th>
<th>Change in working capital</th>
<th>Capex</th>
<th>Other</th>
<th>FCF (excl. TEFD dividend) FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,317</td>
<td>165</td>
<td>95</td>
<td>2,578</td>
<td>329</td>
<td>7</td>
<td>51</td>
<td>9</td>
<td>1,115</td>
<td>340</td>
<td>726</td>
</tr>
</tbody>
</table>

FY 2019

-8.6% y-on-y

FY 2018: € 795m

€ 4m negative impact from divestments

1. Incl. € 171m book profit from the sale of NLDC in Q3 2019 and € 25m book profit from the sale of International Network Services in Q4 2019
2. Incl. € 20m release of revenue related provisions in Q3 2019
3. Incl. € 141m repayments of lease liabilities and € 5m book profit from the sale of Argeweb in Q4 2019
4. For information purposes only, Q4 and FY 2018 corrected for impact of divestments to be found in the Appendix
Solid financial position

Refinancing in 2019 leading to ~€ 67m lower cash interest payments in 2020

- Q1 2019, € 465m 7.5% bond redeemed
- Q2 2019, £ 96m 6.0% bond redeemed
- Q4 2019, $ 405m 8.375% senior bond repurchased

Other refinancing in 2019

- Q2 2019, € 300m EIB facility signed (undrawn)
- Q4 2019, € 500m 2.0% perpetual hybrid bond issued
  - To replace £ 400m 6.875% hybrid bond which will be called in March 2020

1 Swapped to € 123m with a fixed rate of 4.58%
2 The perpetual hybrid bond is accounted for as equity under IFRS. The coupon is treated as a dividend payment and interest expense is not accrued through the P&L. Therefore the coupon payment is not part of KPN’s Free Cash Flow definition
## Outlook 2020 and 2019 – 2021 ambitions

<table>
<thead>
<tr>
<th></th>
<th><strong>Outlook 2020</strong></th>
<th><strong>2019 – 2021 ambitions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted EBITDA AL</strong></td>
<td>Stable to slightly growing compared to 2019&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Organic growth</td>
</tr>
<tr>
<td><strong>Capex</strong></td>
<td>€ 1.1bn</td>
<td>Stable at € 1.1bn annually</td>
</tr>
<tr>
<td><strong>FCF (excl. TEFD dividend)</strong></td>
<td>At least mid-single digit percentage growth compared to 2019&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Three-year mid-single digit CAGR&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Regular DPS</strong></td>
<td>€ 13.0 cents</td>
<td>Progressive dividend, supported by FCF</td>
</tr>
</tbody>
</table>

Outlook is based on composition of the Group as per 31 December 2019, also taking into account the completion of the sale of KPN Consulting, which is planned in Q1 2020. Outlook is based on comparable basis corrected for divestments<sup>12,3</sup>

The historical comparable basis figures are based on management estimates and are not audited.

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<sup>1</sup> FY 2019 Adjusted EBITDA AL of € 2,287m, corrected for divestments. This is € 30m lower compared to € 2,317m as reported for FY 2019

<sup>2</sup> FY 2019 FCF (excl. TEFD dividend) of € 718m, corrected for divestments. This is € 8m lower compared to € 726m as reported for FY 2019

<sup>3</sup> Three-year CAGR calculated from the end of 2018 to the end of 2021, based on FY 2018 FCF of € 772m, corrected for divestments. This is € 23m lower compared to € 795m as reported for FY 2018
INFORMATION PACK

Q4 & FY 2018 corrected for divestments
Tax
Debt portfolio
Treatment of hybrid bonds
Fixed infrastructure
Spectrum
Business go-to-market strategy
## Q4 & FY 2018 corrected for divestments

Divestments: NLDC, International Network Services and Argeweb

<table>
<thead>
<tr>
<th>€ m</th>
<th>Q4 2018</th>
<th>Impact divestments</th>
<th>Q4 2018 excl. divestments</th>
<th>FY 2018</th>
<th>Impact divestments</th>
<th>FY 2018 excl. divestments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>756</td>
<td>-</td>
<td>756</td>
<td>2,986</td>
<td>-</td>
<td>2,986</td>
</tr>
<tr>
<td>Business</td>
<td>548</td>
<td>-3</td>
<td>545</td>
<td>2,137</td>
<td>-3</td>
<td>2,134</td>
</tr>
<tr>
<td>Wholesale</td>
<td>158</td>
<td>-12</td>
<td>146</td>
<td>623</td>
<td>-12</td>
<td>611</td>
</tr>
<tr>
<td>Network. Operations &amp; IT</td>
<td>5</td>
<td>-</td>
<td>5</td>
<td>14</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td>Other</td>
<td>-31</td>
<td>13</td>
<td>-18</td>
<td>-121</td>
<td>13</td>
<td>-108</td>
</tr>
<tr>
<td><strong>Adjusted revenues</strong></td>
<td><strong>1,436</strong></td>
<td><strong>-2</strong></td>
<td><strong>1,434</strong></td>
<td><strong>5,639</strong></td>
<td><strong>-2</strong></td>
<td><strong>5,636</strong></td>
</tr>
<tr>
<td>Cost of goods &amp; services (direct costs)</td>
<td>354</td>
<td>11</td>
<td>365</td>
<td>1,332</td>
<td>11</td>
<td>1,343</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>272</td>
<td>-2</td>
<td>271</td>
<td>1,103</td>
<td>-2</td>
<td>1,101</td>
</tr>
<tr>
<td>IT/TI</td>
<td>101</td>
<td>-1</td>
<td>100</td>
<td>412</td>
<td>-1</td>
<td>410</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>137</td>
<td>-1</td>
<td>136</td>
<td>439</td>
<td>-1</td>
<td>439</td>
</tr>
<tr>
<td>Lease-related expenses</td>
<td>44</td>
<td>-3</td>
<td>40</td>
<td>179</td>
<td>-3</td>
<td>176</td>
</tr>
<tr>
<td>Incidents</td>
<td>16</td>
<td>-</td>
<td>16</td>
<td>16</td>
<td>-</td>
<td>16</td>
</tr>
<tr>
<td>Restructuring</td>
<td>27</td>
<td>-</td>
<td>27</td>
<td>101</td>
<td>-</td>
<td>101</td>
</tr>
<tr>
<td><strong>Adjusted indirect costs after leases</strong></td>
<td><strong>555</strong></td>
<td><strong>-7</strong></td>
<td><strong>505</strong></td>
<td><strong>2,017</strong></td>
<td><strong>-7</strong></td>
<td><strong>2,010</strong></td>
</tr>
<tr>
<td>Adjusted EBITDA AL</td>
<td><strong>570</strong></td>
<td><strong>-6</strong></td>
<td><strong>564</strong></td>
<td><strong>2,290</strong></td>
<td><strong>-6</strong></td>
<td><strong>2,284</strong></td>
</tr>
<tr>
<td>Free cash flow (excl. TEFD dividend)</td>
<td><strong>220</strong></td>
<td><strong>-4</strong></td>
<td><strong>216</strong></td>
<td><strong>795</strong></td>
<td><strong>-4</strong></td>
<td><strong>790</strong></td>
</tr>
</tbody>
</table>

1. Estimated adjustments of Q4 and FY 2018 results for the combined impact of completed divestments of NLDC, International Network Services and Argeweb, as if the actual transfer of shares (closing) had taken place 12 months earlier.
The effective tax rate for Q4 2019 was mainly influenced by the participation exemption, the tax rate changes and the Innovation Box facility. Without one-off effects\(^1\), the effective tax rate would have been ~22% in Q4 2019.

For 2019, the effective tax rate was ~22%, excluding one-off effects\(^1\)

---

\(^1\) Among others, tax law changes, settlements with tax authorities, impairments, revaluations
Debt portfolio

Nominal debt\(^1\) by type

- Eurobonds: 71%
- Global bonds: 21%
- Hybrid bonds: 7%
- Other: 1%

Nominal debt\(^1\) by currency

- EUR: 58%
- GBP\(^2\): 28%
- USD\(^3\): 14%

Fixed vs. floating interest\(^3\)

- Fixed: 81%
- Floating: 19%

Bond redemption profile

- USD hybrid (1st call): 0.5€ bn
- GBP hybrid (1st call): 0.4€ bn
- EUR hybrid (1st call): 0.6€ bn

**Notes:**
1. Based on the nominal value of interest-bearing liabilities after swap to EUR
2. Foreign currency amounts hedged into EUR
3. Excludes bank overdrafts
## Treatment of hybrid bonds

**KPN & credit rating agencies**

Hybrid bonds are recognized as 50% equity and 50% debt by the rating agencies. The GBP tranche is considered 100% debt as it has been replaced by the EUR NC2025 tranche.

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, hence not expensed through P&L, not included in FCF, but in financing cash flow.

GBP and 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 Details

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Nominal</th>
<th>KPN net debt</th>
<th>Maturity</th>
<th>Rates</th>
<th>IFRS principal</th>
<th>IFRS coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>GBP 0.4bn 6.875%</td>
<td>€ 460m</td>
<td>€ 230m</td>
<td>60 years (1st-call Mar-2020)</td>
<td>6.777%</td>
<td>Liability</td>
<td>Interest paid (incl. in FCF)</td>
</tr>
<tr>
<td>USD 0.6bn 7.000%</td>
<td>€ 465m</td>
<td>€ 233m</td>
<td>60 years (1st-call Mar-2023)</td>
<td>6.344%</td>
<td>Liability</td>
<td>Interest paid (incl. in FCF)</td>
</tr>
<tr>
<td>EUR 0.5bn 2.000%</td>
<td>€ 500m</td>
<td>€ 250m</td>
<td>Perpetual (1st-call Feb 2025)</td>
<td>2.000%</td>
<td>Equity</td>
<td>Financing cash flows (not incl. in FCF)</td>
</tr>
</tbody>
</table>

**Total**

| | € 1,425m | € 713m |

---

1. Cash flow item ‘Paid coupon perpetual hybrid bonds’
2. Rates after swaps. GBP tranche has annual coupon payments in March; 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
## Fixed infrastructure

<table>
<thead>
<tr>
<th>Download speed</th>
<th>Active in network</th>
</tr>
</thead>
<tbody>
<tr>
<td>~50Mbps</td>
<td>✓</td>
</tr>
<tr>
<td>~100Mbps</td>
<td>✓</td>
</tr>
<tr>
<td>~120Mbps</td>
<td>✓</td>
</tr>
<tr>
<td>~240Mbps</td>
<td>✓</td>
</tr>
<tr>
<td>~400Mbps</td>
<td>✓</td>
</tr>
<tr>
<td>~1Gbps</td>
<td>✓</td>
</tr>
</tbody>
</table>

![Diagram showing fixed infrastructure options](image)

- **CO**: Central Office
- **SC**: Service Center
- **PoP**: Point of Presence
- **Fiber**: Fiber optic cable
- **Copper**: Copper wire

### Vectoring Options
- **VDSSL2**: VDSL2
- **VDSSL2 pair bonding**: VDSL2 pair bonding
- **Vectoring**: Vectoring
- **Bonded vectoring**: Bonded vectoring
- **Bonded VPlus**: Bonded VPlus

### FttH Options
- **FttH – P2P**: FttH – P2P
- **FttH – G-PON**: FttH – G-PON
- **FttH – XGS-PON**: FttH – XGS-PON

- **Up to 10Gbps**: Up to 10Gbps

---

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### Spectrum in the Netherlands

<table>
<thead>
<tr>
<th>Frequency (MHz)</th>
<th>T-Mobile</th>
<th>Vodafone</th>
<th>KPN</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>800MHz</strong> (Paired)</td>
<td>2*10</td>
<td>2*10</td>
<td>2*10</td>
<td>2*30</td>
</tr>
<tr>
<td><strong>900MHz</strong> (Paired)</td>
<td>2*10</td>
<td>2*10</td>
<td>2*15</td>
<td>2*35</td>
</tr>
<tr>
<td><strong>1.8GHz</strong> (Paired)</td>
<td>2*20</td>
<td>2*20</td>
<td>2*30</td>
<td>2*70</td>
</tr>
<tr>
<td><strong>2.1GHz</strong> (Paired)</td>
<td>2*14.6</td>
<td>2*14.8</td>
<td>2*10</td>
<td>2*5</td>
</tr>
<tr>
<td><strong>2.6GHz</strong> (Unpaired)</td>
<td>25</td>
<td></td>
<td>30</td>
<td>5</td>
</tr>
<tr>
<td><strong>2.6GHz</strong> (Paired)</td>
<td></td>
<td>2*30</td>
<td>2*5</td>
<td>2*10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>169.6MHz</td>
<td>179.2MHz</td>
<td>230MHz</td>
<td>578.8MHz</td>
</tr>
</tbody>
</table>
Business go-to-market strategy
smartly positioned solutions for every customer