

KPN reports robust Q4 results, delivers on FY 2020 outlook, and sees encouraging trend in mass-market service revenues

- Delivered on FY 2020 outlook: adjusted EBITDA AL of € 2,320m (+1.4% y-on-y), FCF of € 765m (+6.6% y-on-y)¹
- Consumer seeing continued growth postpaid base, further stabilizing broadband base driven by fiber
- Awards for fastest 5G network in NL, 5G Innovation, and best in mobile data²
- Accelerated fiber rollout provides solid foundation for coming years
- ROCE improved substantially to 10.1% (+80bps y-on-y)
- Continued progress on cost savings program in Q4 (€ 22m), € 278m since start of the program
- COVID-19 impact on revenues largely offset by cost opportunities; net effect on FY 2020 adj. EBITDA AL ~€ 6-10m negative
- Strong balance sheet and liquidity position (€ 2.1bn)
- More specific 2021 outlook: adj. EBITDA AL of ~€ 2,345m, Capex of € 1,200m, FCF of ~€ 765m, DPS of € 13.6 cents over 2021; 2023 ambitions reiterated

Message from the CEO, Joost Farwerck

“During 2020 we were able to make a valuable contribution to people, households, businesses, and government by keeping the Netherlands connected. At the same time we delivered on our financial ambitions in these dynamic times. The global pandemic has changed the way we live and work in ways nobody could imagine. This new reality has underlined the vital importance of a resilient digital infrastructure in which telcos play a crucial role. Our networks have proven to be able to successfully accommodate the significant increase in traffic. We adjusted the way we work to serve our customers and I am grateful to all our employees for making this possible.

During the year we saw encouraging base developments in our Consumer segment with growth in our postpaid base and a stabilizing broadband base driven by fiber. Encouragingly, this quarter fiber service revenue growth outweighed the loss on copper service revenues for the first time. Although we face COVID-19 related headwinds in the Business segment, we are on track to migrate our SME and LCE customers to a future-proof proposition and we see growth on our core products broadband and mobile. Supported by our open access policy, the Wholesale segment continues to show solid growth. Due to several factors, we have seen adverse customer satisfaction trends in both the Consumer and Business segment. This has our undivided attention and we have taken additional measures to ensure the service levels customers expect from the quality leader in the Netherlands.

To leverage and expand our superior network, we are accelerating the rollout of fiber, which is at the heart of our strategy to return to growth. In 2020, we added 319k households to our fiber footprint and we now cover more than one third of the country. We now modernized more than 2,800 mobile sites and I am excited our 5G network was recognized as the fastest and most innovative in the Netherlands. We were once again recognized as one of the global leaders on our sustainability efforts by several leading benchmarks.

At our Strategy Update last November we raised the bar and announced our plan to accelerate the expansion of our fiber network to half a million additional households per year, meaning we will cover half of the country with fiber in 2023. We aim to grow and strengthen our customer base by providing an outstanding digital experience and differentiated services for families and businesses. In order to streamline our organization we will further simplify and digitalize our company. Together, these strategic priorities support our ambition to connect the Netherlands to a sustainable future, to grow mass-market service revenues and EBITDA, and to provide attractive shareholder returns. With these strategic ambitions we capture the momentum of digitalization in the Netherlands.”

Key figures

Group financials (unaudited) (in € m, unless stated otherwise)	Q4 2019	Q4 2020	Δ y-on-y	Δ y-on-y excl. divestments	FY 2019	FY 2020	Δ y-on-y	Δ y-on-y excl. divestments
Adjusted revenues	1,393	1,354	-2.8%	-1.0%	5,486	5,275	-3.9%	-2.4%
Adjusted EBITDA AL	561	561	0.0%	+1.2%	2,317	2,320	+0.1%	+1.4%
As % of adjusted revenues	40.3%	41.4%			42.2%	44.0%		
Operating profit (EBIT)	202	223	+11%		1,041	912	-12%	
Net profit	84	174	>100%		614	561	-8.7%	
Capex	322	289	-10%		1,115	1,147	+2.9%	
Capex as % of adjusted revenues	23.1%	21.3%			20.3%	21.8%		
Operational Free Cash Flow	239	272	+14%	+17%	1,202	1,172	-2.5%	-0.6%
As % of adjusted revenues	17.2%	20.1%			21.9%	22.2%		
Free Cash Flow (excluding TEFD dividend)	284	268	-5.6%	-3.6%	726	765	+5.4%	+6.6%
As % of adjusted revenues	20.4%	19.8%			13.2%	14.5%		
Net debt					5,148	5,332		
ROCE					9.3%	10.1%		

¹ Year-on-year trend corrected for impact of divestments

² Source: Ookla Speedtest December 2020, Umlaut Connect test 2020

Improving operational performance

- **Consumer** net adds trend encouraging
 - Fixed: +20k fiber net adds (Q3 2020: +27k), -3k total broadband net adds (Q3 2020: -4k)³; ARPU at € 50 (+4.0% y-on-y)
 - Mobile: +1k postpaid net adds (Q3 2020: +9k); postpaid ARPU stable for 8th consecutive quarter at € 17 (-1.1% y-on-y)
 - Convergence: +22k fixed-mobile households (Q3 2020: -4k), 50% of broadband base; +81k fixed-mobile postpaid customers (Q3 2020: +2k), 65% of postpaid base
 - NPS declined to +11 (Q4 2019: +19), driven by increased customer usage and expectations, IPTV interface changes, and pressure on customer support capacity during lockdown
- **Business** customer migrations on track
 - 87% of SME and 76% of LCE customers migrated⁴
 - +7k broadband customers (Q3 2020: +8k); +26k postpaid customers (Q3 2020: +8k)
 - NPS improved to -2 (Q4 2019: -4); the sequential decline (Q3 2020: -1) was driven by increased customer expectations, and pressure on customer support capacity during lockdown
- **Wholesale** added +30k broadband lines (Q3 2020: +22k) and +8k postpaid SIMs (Q3 2020: +23k)
- **Network** delivered further acceleration of fiber rollout
 - Added 112k FttH households, +319k in 2020; upgraded 593 mobile network sites in the quarter, 2,803 since 2019
 - 5G network reaches ~70% of the country on 700MHz; recognized as fastest 5G network in NL, most innovative 5G network, leading mobile data category⁵
- Continued disciplined **cost control**
 - Net indirect opex savings of € 22m in the quarter, € 278m since the start of the program in 2019

Robust financial performance

- Q4 2020 **adjusted revenues** declined 1.0% y-on-y corrected for impact of divestments (-2.8% y-on-y without correction). Growth in Wholesale and Consumer Fixed was offset by lower revenues in Business and Consumer Mobile. FY 2020 adjusted revenues declined 2.4% y-on-y corrected for impact of divestments (-3.9% y-on-y without correction)
- Q4 2020 **adjusted EBITDA AL** increased 1.2% y-on-y corrected for impact of divestments (flat y-on-y without correction). The effect of lower revenues was offset by continued disciplined cost control. Adj. EBITDA AL margin increased to 41.4% (Q4 2019: 40.3%). FY 2020 adjusted EBITDA AL increased 1.4% y-on-y corrected for impact of divestments (+0.1% y-on-y without correction). The estimated net effect of COVID-19 on FY 2020 adj. EBITDA AL was ~€ 6-10m negative
- Q4 2020 **net profit** of € 174m, € 90m higher y-on-y, supported by a one-off € 67m positive revaluation of KPN's deferred tax asset and € 17m release of revenue related provisions in Wholesale, while Q4 2019 was impacted by € 48m positive DTA revaluation, € 95m finance expenses related to a bond tender, and € 29m book gain from the sale of International Network Services and Argeweb. Excluding such incidentals, net profit would have increased ~€ 12m net of tax. Excluding incidentals, FY 2020 net profit of € 466m would have been ~€ 42m higher y-on-y net of tax
- **Capex** of € 289m in Q4 2020. FY 2020 Capex increased € 33m y-on-y to € 1,147m driven by accelerated FttH rollout and mobile network modernization. Fiber rollout Capex increased € 167m, while other Capex was € 135m lower y-on-y
- Q4 2020 **Operational Free Cash Flow** of € 272m increased 17% y-on-y corrected for impact of divestments (14% y-on-y without correction), and FY 2020 Operational Free Cash Flow declined 0.6% y-on-y corrected for impact of divestments (-2.5% y-on-y without correction), due to higher Capex
- Q4 2020 **Free Cash Flow** decreased to € 268m (-3.6% y-on-y corrected for impact of divestments, -5.6% y-on-y without correction). FY 2020 FCF increased 6.6% y-on-y corrected for impact of divestments to € 765m (+5.4% y-on-y without correction). Higher Capex and increased investments in working capital were fully offset by lower cash interest paid and lower cash restructuring
- Strong **liquidity** of € 2,114m; € 864m cash & short-term investments and € 1.25bn undrawn revolving credit facility

Outlook 2021 and ambitions 2023

KPN specifies its FY 2021 adjusted EBITDA AL outlook to approximately € 2,345m with Capex of € 1,200m. The 2021 Free Cash Flow outlook is raised to approximately € 765m, in line with the FY 2020 realization. In addition, KPN expects to pay a dividend of € 13.6 cents per share over 2021, representing 4.6% growth y-on-y. KPN reiterates its 2023 ambitions as provided at the Strategy Update on 24 November 2020.

KPN intends to pay a regular dividend per share of € 13.0 cents in respect of 2020. The final regular dividend of € 8.7 cents per share is subject to shareholder approval at the Annual General Meeting of Shareholders on 14 April 2021. The provisional ex-dividend date is 16 April 2021 and the provisional payment date is 21 April 2021.

	Achievements FY 2020	Outlook FY 2021	Ambitions 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	€ 13ct	€ 13.6ct, +4.6% y-on-y	Progressive dividend, +3-5% annual growth

³ Corrected for migrations to, and new customers of, small business proposition (8k in Q4 2020, 5k in Q3 2020, 7k in Q2 2020, 6k in Q1 2020)

⁴ Eligible customers migrated from traditional fixed voice and legacy broadband services

⁵ Population coverage; source: Ookla Speedtest December 2020, Umlaut Connect test 2020

Financial review KPN Group Q4 and FY 2020

Market environment

Competitive activity continued in the Consumer fixed broadband market, with three nationwide operators focusing on converged customers and competition from local fiber operators in rural areas. The Consumer mobile market for entry-level propositions remains competitive, while in the premium segment all operators are now offering unlimited data. The fourth quarter saw seasonal promotional activity, driven by Black Friday and year-end promotions. The Business market remained competitive, especially in the mobile market and the LCE segment.

Key financial metrics

Group financials (unaudited) (in € m, unless stated otherwise)	Q4 2019	Q4 2020	Δ y-on-y	Δ y-on-y excl. divestments*	FY 2019	FY 2020	Δ y-on-y	Δ y-on-y excl. divestments*
Service revenues	1,271	1,224	-3.7%	-1.7%	5,090	4,874	-4.2%	-2.7%
Non-service revenues & other	122	130	+6.5%		397	401	+0.9%	
Adjusted revenues	1,393	1,354	-2.8%	-1.0%	5,486	5,275	-3.9%	-2.4%
Cost of goods & services	362	355	-1.9%	-0.3%	1,301	1,284	-1.3%	-2.1%
Personnel expenses	254	229	-10%	-6.5%	1,027	892	-13%	-10%
IT/TI	84	89	+5.5%	+7.2%	353	328	-7.3%	-4.6%
Other operating expenses	93	84	-9.1%	-8.8%	323	300	-7.1%	-4.5%
Total adjusted opex	793	757	-4.6%	-2.5%	3,004	2,803	-6.7%	-5.3%
Depreciation right-of-use asset	33	31	-5.6%	-2.4%	138	130	-5.6%	-1.2%
Interest lease liabilities	6	5	-9.9%	-9.4%	28	22	-21%	-12%
Total adjusted indirect opex after leases	470	438	-6.8%	-4.3%	1,868	1,671	-11%	-7.5%
Adjusted EBITDA AL	561	561	flat	+1.2%	2,317	2,320	+0.1%	+1.4%
As % of adjusted revenues	40.3%	41.4%			42.2%	44.0%		
Operating profit (EBIT)	202	223	+11%		1,041	912	-12%	
Net profit	84	174	>100%		614	561	-8.7%	
ROCE**					9.3%	10.1%		
FTE own personnel (#)					11,248	10,102	-10%	

* Q4 and FY 2019 corrected for impact of divestments to be found on page 12

** ROCE is calculated on a 4-quarter average rolling basis. The ROCE in KPN IAR 2019 was based on the Capital Employed as at 1 Jan 2019, thus using a different calculation method. The difference between these two methods amounts to 0.1%pt positive (ROCE FY 2019: 9.3%, instead of reported 9.2%)

Q4 2020

Adjusted revenues declined 1.0% y-on-y corrected for impact of divestments (-2.8% y-on-y without correction). Growth in Wholesale and Consumer Fixed was offset by lower revenues in Business and Consumer Mobile. In the fourth quarter, service revenues declined 1.7% y-on-y corrected for impact of divestments (-3.7% y-on-y without correction). Non-service revenues increased 6.5% y-on-y, driven by higher hardware-related revenues. Due to COVID-19, KPN saw lower roaming revenues and the Business segment saw additional revenue challenges due to delayed IT projects in the fourth quarter. Mass-market⁶ service revenues declined 0.1% y-on-y and showed an improving trend compared to prior quarters.

Cost of goods and services were 0.3% lower y-on-y corrected for impact of divestments (-1.9% lower y-on-y without correction). Personnel expenses declined 6.5% y-on-y corrected for impact of divestments (-10% y-on-y without correction), mainly driven by the ongoing digital transformation of KPN and lower costs due to COVID-19. IT/TI expenses increased 7.2% y-on-y corrected for impact of divestments (+5.5% y-on-y without correction). During Q4 KPN further supported its employees in working from home and increased capacity at its call centers to improve customer support, leading to additional costs. Further simplification and digitalization resulted in structural savings, while COVID-19 created additional cost opportunities, leading to total net indirect opex savings of € 22m in Q4 2020.

Adjusted EBITDA AL increased 1.2% y-on-y corrected for impact of divestments (flat y-on-y without correction). The effect of lower revenues was fully offset by continued disciplined cost control. Adjusted EBITDA AL margin increased to 41.4% from 40.3% in Q4 2019.

Operating profit (EBIT) of € 223m increased € 21m y-on-y, partly supported by a € 17m release of revenue related provisions in Q4 2020, while Q4 2019 was also impacted by incidentals (€ 29m book gain on the sale of International Network Services and

⁶ Mass market consists of Consumer, SME and Wholesale segments

Argeweb, and an incidental € 6m negative change in provisions). Excluding these incidentals, operating profit would have been € 27m higher y-on-y mainly driven by lower depreciation and amortization and lower P&L restructuring costs.

Net profit of € 174m was € 90m higher y-on-y, supported by € 67m positive revaluation of KPN's deferred tax asset and € 17m release of revenue related provisions in Wholesale in Q4 2020, while Q4 2019 was impacted by € 95m finance expenses related to a bond tender, € 29m book gain from the sale of International Network Services and Argeweb, and € 6m additional provisions. Excluding such incidentals, net profit would have increased with ~€ 12m net of tax, mainly driven by higher operating profit.

FY 2020

Adjusted revenues decreased 2.4% y-on-y corrected for impact of divestments (-3.9% y-on-y without correction). Ongoing competition, customer migrations, lower roaming revenues and lower IT project revenues due to COVID-19 further impacted performance. During 2020, service revenues declined 2.7% y-on-y corrected for impact of divestments (-4.2% y-on-y without correction) and non-service revenues increased 0.9% y-on-y.

Corrected for impact of divestments, cost of goods and services were 2.1% lower y-on-y (-1.3% y-on-y without correction). Personnel expenses declined 10% y-on-y (-13% y-on-y without correction), and IT/TI expenses declined 4.6% y-on-y (-7.3% without correction). Total net indirect opex savings FY 2020 were € 137m and € 278m since the start of the program in 2019. KPN expects to deliver € 375-400m savings in net indirect opex⁷ over the period 2019 – 2021.

The effect of lower revenues was fully offset by lower direct and indirect opex, resulting in adjusted EBITDA AL growth of 1.4% y-on-y corrected for impact of divestments (+0.1% y-on-y without correction). FY adjusted EBITDA AL margin increased from 42.2% to 44.0% y-on-y.

Operating profit (EBIT) of € 912m was € 129m lower y-on-y, impacted by incidentals in 2019 (€ 171m book gain on the sale of NLDC, € 29m book gain on the sale of International Network Services and Argeweb, € 6m negative change in provisions and € 20m release of a revenue related provision) and in 2020 (€ 11m book gain of KPN Consulting in Q2 2020 and € 17m release of revenue related provisions in Q4 2020). Excluding such incidentals, EBIT would have been € 57m higher y-on-y mainly driven by € 79m lower restructuring cost partly offset by € 15m higher depreciation and amortization.

Net profit of € 561m was € 54m lower compared to FY 2019. In addition to the incidentals that impacted operating profit, net profit was further impacted by a € 67m positive revaluation of KPN's deferred tax asset (€ 48m in 2019) and € 95m additional finance expenses related to a bond tender in Q4 2019. Excluding such incidentals, net profit would have increased by ~€ 42m net of tax, mainly driven by lower finance cost due to debt redemptions and refinancing.

ROCE was 10.1% in FY 2020, which compares to 9.3% in FY 2019. This improvement was driven by increased operational efficiency as a result of disciplined cost control and lower restructuring charges. Capital efficiency decreased due to lower revenues and higher capital employed, which was in turn mainly driven by acquired spectrum licenses.

⁷ Indirect opex after leases, adjusted for the impact of restructuring costs and incidentals and corrected for divestments

Financial position

Group financials (unaudited) (in € m, unless stated otherwise)	Q4 2019	Q4 2020	Δ y-on-y	Δ y-on-y excl. divestments*	FY 2019	FY 2020	Δ y-on-y	Δ y-on-y excl. divestments*
Operational Free Cash Flow	239	272	+14%	+17%	1,202	1,172	-2.5%	-0.6%
As % of adjusted revenues	17.2%	20.1%			21.9%	22.2%		
Free Cash Flow (excluding TEFD dividend)	284	268	-5.6%	-3.6%	726	765	+5.4%	+6.6%
As % of adjusted revenues	20.4%	19.8%			13.2%	14.5%		
Net debt					5,148	5,332		
Gross debt					6,188	6,197		
Cash & short-term investments					1,041	864		
Leverage ratio**					2.2x	2.3x		
Interest cover ratio***					7.7x	9.9x		
Credit ratings	Rating	Outlook						
Standard & Poor's	BBB	Stable						
Fitch Ratings	BBB	Stable						
Moody's	Baa3	Stable						

* Q4 and FY 2019 corrected for impact of divestments to be found on page 12

** Net debt (excl. leases) / LTM adj. EBITDA AL

*** LTM adj. EBITDA AL / LTM Net interest paid (excl. lease interest, incl. perpetual hybrid coupon)

FY 2020

FY Operational Free Cash Flow stood at € 1,172m, 0.6% lower y-on-y corrected for the impact of divestments (-2.5% y-on-y without correction) fully driven by higher Capex. Free Cash Flow of € 765m increased 6.6% corrected for divestments (+5.4% y-on-y without correction). This was the result of increased adjusted EBITDA AL, lower cash restructuring, and less cash interest paid due to debt redemptions and refinancing. These factors were partly offset by increased Capex, higher investments in working capital, and additions to provisions. FCF margin improved 130 basis points to 14.5%.

At the end of Q4 2020, net debt amounted to € 5,332m, € 251m lower compared to end Q3 2020. The decrease in net debt was mainly driven by Free Cash Flow generation during the quarter.

KPN had a strong balance sheet and liquidity position at the end of Q4 2020. KPN had € 6.8bn nominal debt outstanding including € 60m short term commercial paper. In 2021, € 613m long-term debt will mature. KPN's committed liquidity consisted of € 864m cash & short-term investments and a € 1.25bn undrawn revolving credit facility which covers debt maturities for the next three years. As at 31 December 2020, the net debt to EBITDA ratio was 2.3x (Q4 2019: 2.2x). KPN's interest cover ratio was 9.9x at the end of the fourth quarter (Q4 2019: 7.7x). At 31 December 2020, the weighted average cost of senior debt was 2.88%, 29 basis points lower y-on-y.

At the end of Q4 2020, Group equity amounted to € 2,622m, € 203m higher compared to the end of Q3 2020. This was mainly driven by net profit generated during the quarter.

Capex

Group financials (unaudited) (in € m, unless stated otherwise)	Q4 2019	Q4 2020	Δ y-on-y	FY 2019	FY 2020	Δ y-on-y
Fiber rollout ⁸				127	294	>100%
Other				987	852	-14%
Capex	322	289	-10%	1,115	1,147	+2.9%
As % of adjusted revenues	23.1%	21.3%		20.3%	21.8%	

Capex was € 289m in Q4 2020. Capex increased € 33m y-on-y to € 1,147m in FY 2020, mainly driven by the accelerated rollout of KPN's FttH network (€ 167m higher fiber rollout Capex compared to last year) and the mobile network modernization. Compared to FY 2019, KPN invested € 135m less in other Capex driven by lower inventory levels due to improved inventory management and significant simplification of the IT and network architecture in prior years.

⁸ Fiber rollout Capex includes FttH rollout in overlay and new built areas, M&A, active equipment, and rollout communication

Personnel

# FTE own personnel by segment at the end of the period (unaudited)	Q4 2019	Q4 2020	Δ y-on-y	Δ y-on-y
Consumer	2,591	2,538	-52	-2.0%
Business	3,804	2,877	-927	-24%
Wholesale	194	202	+8	+4.3%
Network, Operations & IT	3,612	3,478	-135	-3.7%
Other	1,048	1,007	-41	-3.9%
KPN Group	11,248	10,102	-1,146	-10%

At the end of Q4 2020, KPN employed 10,102 own personnel (in FTEs). This is 1,146 FTE lower compared with the end of Q4 2019, of which 838 related to divestments. The remainder is related to KPN's simplification and digitalization program and to natural attrition, while also having insourced more than 300 FTE external personnel.

The estimated net effect of COVID-19 on KPN's FY 2020 financial results

KPN continues to manage its business through COVID-19 by adjusting its cost base in line with developing economic circumstances and closely monitoring a number of business drivers including payment behavior, net working capital and credit quality. Lower revenues driven by roaming and delayed IT projects were partly offset by higher fixed and national mobile traffic. The total estimated net impact on KPN's adjusted indirect opex amounted to approximately € 10-15m positive, driven by lower cost related to travel, learning & development and facilities. The net effect on KPN Group adjusted EBITDA AL was ~€ 6-10m negative.

Reassuringly, the Dutch government announced that it would continue most of its support packages for businesses for the first half of 2021 and KPN saw limited impact from requests for extended payment terms in Q4 2020. KPN has not used any form of state aid in 2020.

Estimated financial net effect COVID-19 Group level

FY 2020

Adjusted revenues*	~€ 24-28m negative
Adjusted indirect costs	~€ 10-15m positive
Adjusted EBITDA AL	~€ 6-10m negative

* Excl. impact handset sales, as impact on contribution margin is nihil

The effect of COVID-19 cannot be estimated exactly. However, KPN observes substantial trend changes in some activities compared to the period before March 2020. The financial impact of these trend changes is used as a proxy for estimating the COVID-impact

Financial and operating review per segment Q4

Consumer

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q4 2019	Q4 2020	Δ q-on-q	Δ y-on-y	FY 2019	FY 2020	Δ y-on-y
Fixed revenues	480	484		+0.8%	1,916	1,918	+0.1%
Mobile revenues	254	248		-2.2%	999	944	-5.5%
Adjusted revenues	734	732		-0.3%	2,916	2,863	-1.8%
Adjusted EBITDA AL					1,879	1,866	-0.7%
<i>As % of adjusted segment revenues</i>					64.4%	65.2%	
Total Consumer NPS	+19	+11		-8			
Total Consumer fixed-mobile NPS ⁹	+30	+23		-7			
Convergence KPIs							
Fixed-mobile households (k)	1,402	1,406	+22	+4			
<i>Fixed-mobile penetration as % of broadband base</i>	49%	50%					
Fixed-mobile postpaid # SIMs (k)	2,254	2,347	+81	+93			
<i>Fixed-mobile penetration as % of postpaid base (all brands)</i>	63%	65%					
Fixed KPIs							
Total Fixed households (k)	3,236	3,091	-28	-145			
Total broadband base (k)	2,848	2,792	-3 ¹⁰	-29 ⁹			
Fixed ARPU (€)	48	50		+4.0%			
Mobile KPIs							
Mobile postpaid base (k)	3,588	3,584	+1	-5			
Postpaid ARPU (€)	17	17		-1.1%			

In Consumer, the ambition is to grow service revenues by end 2021. KPN aims to be the preferred digital partner for households through (i) the best digital access with fiber, 5G, and in-home WiFi; (ii) the best digital omni-channel experience with a mobile-first and app-centric customer approach; and (iii) the best digital third-party services through entertainment partnerships.

Q4 2020

Adjusted revenues declined 0.3% y-on-y, due to lower mobile revenues. Fixed revenues increased 0.8% y-on-y. Growing service revenues from KPN's fiber portfolio (+8.2% y-on-y) were partly offset by declining service revenues from the copper portfolio (-4.8% y-on-y) and a continued decline of legacy services (Traditional Voice and Digitenne). For the first time, the y-on-y improvement in fiber service revenues more than offset the decline in copper service revenues. Mobile service revenues declined 2.1% y-on-y, showing an improved trend, mainly driven by a growing postpaid base in the second half of the year.

KPN's converged household base increased 22k to 1,406k in Q4 2020, representing 50% of broadband customers. The converged postpaid customer base increased 81k in Q4 2020 compared to end of Q3 2020 reaching 2,347k, which represents 65% of postpaid customers. The increase of converged households and fixed-mobile customers was mainly driven by improved underlying fixed and mobile performance and the technical integration of Telfort customers.

KPN added 20k fiber customers in the quarter (Q3 2020: +27k) supported by the improved commercial strategy accompanying the fiber rollout. The growing fiber base is fueling stabilization of the broadband base with net adds of -3k¹⁰ q-on-q in Q4 2020 (Q3 2020: -4k¹⁰). Fixed ARPU increased 4.0% y-on-y to € 50 in Q4 2020, mainly driven by price adjustments effective from 1 July 2020, a higher inflow ARPU driven by increased fiber uptake, and a declining customer base for PSTN and Digitenne services.

KPN's postpaid base increased slightly with +1k customers in Q4 2020. Postpaid ARPU remained at € 17 for the eighth consecutive quarter and declined 1.1% y-on-y. The effect of lower roaming revenues as a result of COVID-19 related travel restrictions was partly offset by increased national out-of-bundle usage. KPN sees the underlying postpaid trend developing favorably with improving inflow ARPU following a higher demand for Unlimited bundles, the Telfort migration, and the effect of repricing wearing out.

In Q4 2020, Consumer NPS was +11 (Q4 2019: +19). The decline in NPS was impacted by increasing usage and rising customer expectations as people are working more from home, and technical issues with the changed interface of the IPTV product. This also put additional pressure on KPN's customer service centers. During Q4 we invested to increase capacity to improve customer satisfaction. KPN remains highly valued for its best-in-class network, converged services, and its fiber services. In Q4 2020, KPN introduced a new store format, aimed at optimizing the online and offline customer journey and improving the customer experience. This format was rolled out selectively as from November 2020 and will be rolled out further over the course of 2021.

⁹ Only refers to customers that have a fixed and mobile service at KPN or a fixed and mobile service at Telfort

¹⁰ Corrected for migrations to, and new customers of, small business proposition (8k in Q4 2020, 5k in Q3 2020, 7k in Q2 2020, 6k in Q1 2020)

FY 2020

Adjusted revenues declined 1.8% y-on-y, driven by lower mobile revenues. Fixed revenues grew 0.1% y-on-y. Price adjustments effective 1 July 2020 were mostly offset by a declining customer base. Mobile service revenues declined 4.7% y-on-y, mainly due to lower postpaid ARPU and lower revenues from prepaid services.

Adjusted EBITDA AL declined 0.7% y-on-y as the effect of lower revenues was partly offset by lower COGS as a result of lower handset sales, lower personnel expenses due to COVID-related shop closures, and lower marketing expenses.

Business

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q4 2019	Q4 2020	Δ y-on-y	Δ y-on-y excl. divestments*	FY 2019	FY 2020	Δ y-on-y	Δ y-on-y excl. divestments*
Communication Services	314	291	-7.3%	-4.8%	1,274	1,128	-11%	-9.5%
IT Services (security, cloud, workspace)	73	70	-3.9%	-2.4%	273	265	-2.8%	-0.8%
Professional Services	117	112	-4.6%		411	428	+4.1%	
KPN Consulting	18	-	-100%	n.m.	77	17	-78%	n.m.
Other	6	1	-89%		8	3	-58%	
Adjusted revenues	528	474	-10%	-5.3%	2,043	1,841	-9.9%	-5.7%
Adjusted EBITDA AL					983	878	-11%	-7.4%
<i>As % of adjusted segment revenues</i>					48.1%	47.7%		
Total Business NPS	-4	-2	+2					
Migrations¹¹								
SME customers	74%	87%						
LCE customers	53%	76%						

* Q4 and FY 2019 corrected for impact of divestments to be found on page 12

In Business, KPN has a clear segmented customer focus for SME, LCE and Tailored Solutions. In SME, KPN expects to stabilize service revenues by end 2021 through finalizing migrations and cross-sell opportunities from the KPN EEN platform. The LCE strategy is fully aligned with its Smart Combinations portfolio, but transformation is lagging SME by 1-2 years. For its largest - Tailored Solutions - customers KPN offers the full range of B2B services and focuses on sustainable customer relationships and value.

Q4 2020

Adjusted revenues decreased 5.3% y-on-y corrected for impact of divestments (-10% y-on-y without correction), driven by lower revenues from Communication Services, IT Services, and Professional Services.

Adjusted revenues from Communication Services decreased 4.8% y-on-y corrected for impact of divestments (-7.3% without correction). This was impacted by planned strategic actions, such as the migrations to a future-proof portfolio, and lower roaming revenues as a result of less international travel. These effects were partly offset by favorable base developments in mobile and fixed, and increased take-up of unlimited data bundles in mobile.

Adjusted revenues from IT Services decreased 2.4% y-on-y corrected for impact of divestments (-3.9% without correction). This was mainly the result of delayed IT projects, driven by COVID-19.

Adjusted revenues from Professional Services decreased 4.6% y-on-y (no impact from divestments). The fourth quarter is generally a seasonally strong quarter for Professional Services, but this year impacted by a different phasing over the quarters.

At the end of Q4 2020, 87% of eligible SME customers (Q3 2020: 86%) and 76% of eligible LCE customers (Q3 2020: 75%) have migrated from traditional fixed voice or legacy broadband services to KPN EEN and Smart Combinations. These are integrated portfolios offering up and cross-sell opportunities. The speed of migration has slowed somewhat in the last quarter as COVID-19 measures make it more difficult to migrate customers that require physical presence at customer premises.

Business NPS improved to -2 (Q4 2019: -4) mainly driven by customer migrations to target portfolio which have a higher NPS. KPN is mainly recognized for the stability and quality of its network and product quality. The sequential decline in NPS (Q3 2020: -1) was impacted by increasing customer expectations and additional pressure on KPN's customer service centers.

¹¹ Eligible customers migrated from traditional fixed voice or legacy broadband services

FY 2020

Adjusted revenues for the Business segment decreased 5.7% y-on-y corrected for impact of divestments (-9.9% y-on-y without correction), mainly driven by lower revenues from Communication Services.

Lower Business revenues were only partly offset by cost savings, mainly driven by lower personnel expenses. Adjusted EBITDA AL declined 7.4% y-on-y corrected for impact of divestments (-11% y-on-y without correction).

Wholesale

Segment financials (unaudited) (in € m, unless stated otherwise)	Q4 2019	Q4 2020	Δ y-on-y	Δ q-on-q	FY 2019	FY 2020	Δ y-on-y	Δ y-on-y excl. divestments*
Fixed revenues	110	126	+14%		489	484	-1.1%	+6.4%
Mobile service revenues	36	35	-3.5%		139	140	+0.2%	
Adjusted revenues	146	161	+10%		627	624	-0.5%	+5.3%
Adjusted EBITDA AL					481	497	+3.2%	+5.7%
As % of adjusted segment revenues					76.7%	79.6%		
# Customers (k)								
Fixed	1,055	1,119	+64	+27				
Mobile postpaid**	370	427	+57	+8				

* Q4 and FY 2020 corrected for impact of divestments to be found on page 12

** Full MVNO customers are not included

In Wholesale, KPN continues its open access policy to offer access to third-party operators. Fiber contributes to continued growth of broadband network penetration.

Q4 2020

Adjusted revenues increased 10% y-on-y. Mobile service revenues decreased 3.5% y-on-y, mainly driven by lower revenues from WeChat SIMs driven by COVID-19. This was partly offset by +8k postpaid net adds (+23k Q3 2020) during the quarter. Fixed revenues increased 14% driven by continued growth of KPN's WBA/VULA portfolio as KPN witnessed solid demand for its fiber wholesale portfolio. Wholesale added +30k broadband lines in Q4 2020. The sum of total broadband net adds between Consumer and Wholesale was +27k¹² in Q4 2020.

As the European Electronic Communications Code (EECC) needed to be implemented by EU member states as per 21 December 2020, BEREC published its guidelines for 'symmetrical access' on 15 December 2020. Symmetrical access obligations may be imposed to any network (including cable and local fiber networks) if there is no economically viable alternative. In KPN's view, the BEREC guidelines suggest that symmetrical access obligations cannot be used to replace nationally binding regulations (e.g. significant market power) and that it has a local focus, aimed at replicability of network elements in a specific situation. In addition, the guidelines indicate regulators should consider replication that has already taken place elsewhere in comparable conditions and that the retail price that an access seeker would optimally set should be considered as well.

KPN continues its open wholesale policy, built on reasonable and non-discriminatory terms. As such, KPN believes it offers an economically viable alternative for current and future wholesale partners, and therefore operates in line with this new legislation.

FY 2020

Adjusted revenues increased 5.3% y-on-y corrected for impact of divestments (-0.5% y-on-y without correction) driven by increased fixed and mobile revenues.

Adjusted EBITDA AL increased 5.7% y-on-y corrected for the impact of divestments (+3.2% without this correction) supported by higher revenues. Adjusted EBITDA AL margin increased to 79.6%, compared to 76.7% in FY 2019.

¹² Corrected for migrations to, and new customers of, small business proposition (8k in Q4 2020)

Network, Operations & IT

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	FY 2019	FY 2020	Δ y-on-y
Adjusted operating expenses after leases (€ m)	746	670	-10%
<i>As % of adjusted group revenues</i>	<i>13.6%</i>	<i>12.7%</i>	
FttH households own rollout (k)	2,465	2,784	+319
FttH households 3rd party access (k)	44	77	+33
FttH households total (k)	2,509	2,861	+352
Mobile sites modernized (#)	641	2,803	2,162
Legacy lines to be migrated (k)	~175	~45	~130

Over the past years, KPN has built an incredibly strong fiber foundation, covering one third of the Netherlands with fiber and adding 319k homes passed to its footprint in 2020. In the coming years, KPN will leverage and expand this superior network as it sees attractive returns from fiber investments with increased network penetration, more loyal customers with an increased willingness to pay for quality, and lower maintenance costs. To offer more households and businesses access to this best-in-class network, KPN will accelerate its fiber rollout to approximately 500k homes passed per year, crossing the 50% mark in 2023 and reaching approximately 65% of Dutch households by 2025. KPN's 5G strategy is focused on differentiated services for B2B customers in specific industries.

Q4 2020

In Q4 2020, KPN significantly accelerated the fiber rollout, adding a record 112k households to its fiber footprint, of which 6k were added through the acquisition of Coöperatie Sterk Midden-Drenthe. KPN is currently active in 97 areas throughout the country with approximately 650k homes passed in an announced or active construction phase. With an average of ~8,100 homes passed per week in Q4 and some weeks already exceeding 10k homes passed, KPN is at the required run rate to roll out fiber to ~500k homes passed in 2021.

In October, KPN announced to partner with Ericsson to renew its mobile core network. Following implementation of the new mobile core network and availability of 3.5GHz spectrum in the Netherlands, KPN will be able to offer the full promise of 5G over a standalone 5G network architecture. During the quarter, KPN upgraded approximately 590 sites with the latest mobile RAN equipment in the quarter, totaling more than 2,800 modernized sites to date. As a result of this modernization, KPN's 5G network reaches approximately 70% of the Dutch population using 700MHz spectrum. KPN's brand new 5G network has been recognized as the fastest in the Netherlands by Ookla® Speedtest®. The Umlaut Connect Mobile Benchmark rated the KPN mobile network "outstanding", leading the data category in the Netherlands, and granting KPN the 5G Innovation Award.

As of the end of the quarter, approximately 45k legacy lines are left to be migrated to IP-based infrastructure. Also, in the quarter, KPN finished the migration of Telfort Fixed customers to the new Operational Support System, reducing the lead time of new broadband customers and strongly improving the customer journey.

FY 2020

Adjusted operating expenses after leases declined 10% y-on-y, mainly driven by lower personnel expenses and lower IT/TI expenses. This was mainly the result of network simplification, IT rationalization, energy savings, and contract renegotiations with suppliers.

Analysis of adjusted results Q4 and FY 2020

The following table shows the reconciliation between reported revenues and adjusted revenues:

Revenues (in € m)	Q4 2019	Q4 2020	Δ y-on-y	FY 2019	FY 2020	Δ y-on-y
Consumer	734	732	-0.3%	2,916	2,863	-1.8%
Business	553	474	-14%	2,068	1,853	-10%
Wholesale	146	177	+22%	817	641	-22%
Network, Operations & IT	2	5	>100%	6	9	+65%
Other (incl. eliminations)	-17	-17	+2.3%	-105	-63	-40%
Total revenues	1,418	1,371	-3.3%	5,702	5,303	-7.0%
Revenue incidentals						
Consumer	-	-	n.m.	-	-	n.m.
Business	25	-	-100%	25	11	-54%
Wholesale	-	17	n.m.	190	17	-91%
Network, Operations & IT	-	-	n.m.	-	-	n.m.
Other (incl. eliminations)	-	-	n.m.	-	-	n.m.
Total revenue incidentals	25	17	-33%	215	28	-87%
Consumer	734	732	-0.3%	2,916	2,863	-1.8%
Business	528	474	-10%	2,043	1,841	-9.9%
Wholesale	146	161	+10%	627	624	-0.5%
Network, Operations & IT	2	5	>100%	6	9	+65%
Other (incl. eliminations)	-17	-17	+2.3%	-105	-63	-40%
Total adjusted revenues	1,393	1,354	-2.8%	5,486	5,275	-3.9%

The following table specifies the revenue incidentals in more detail:

Revenue incidentals (in € m)	Segment	Q4 2019	Q4 2020	FY 2019	FY 2020
Change in revenue related provision	Wholesale	-	17	20	17
Book gain on sale of KPN Consulting	Business	-	-	-	11
Book gain on the sale of INS	Business	25	-	25	-
Book gain on sale of NLDC	Wholesale	-	-	171	-
Total revenue incidentals		25	17	215	28

The following table shows the reconciliation between reported EBITDA and adjusted EBITDA AL:

(in € m)	Q4 2019	Q4 2020	Δ y-on-y	FY 2019	FY 2020	Δ y-on-y
EBITDA	598	606	+1.4%	2,578	2,464	-4.4%
Incidentals	-19	-17	-13%	-210	-28	-87%
Restructuring	22	8	-63%	115	36	-69%
Lease-related expenses						
Depreciation right-of-use asset	-33	-31	-5.6%	-138	-130	-5.6%
Interest lease liabilities	-6	-5	-9.9%	-28	-22	-21%
Adjusted EBITDA AL	561	561	flat	2,317	2,320	+0.1%

The following table specifies the EBITDA incidentals in more detail:

EBITDA incidentals (in € m)	Category	Q4 2019	Q4 2020	FY 2019	FY 2020
Change in revenue related provision	Revenues	-	17	20	17
Book gain on sale of KPN Consulting	Revenues	-	-	-	11
Book gain on the sale of INS	Revenues	25	-	25	-
Book gain on sale of NLDC	Revenues	-	-	171	-
Change in provisions	Other opex	-6	-	-6	-
Total EBITDA incidentals		19	17	210	28

Q4 and FY 2019 corrected for impact of divestments

The following table shows the estimated adjustments of Q4 2019 results for the combined impact of completed divestments of International Network Services (2 months), Argeweb (2 months), and KPN Consulting (3 months) as if the actual transfer of shares (closing) had taken place 12 months earlier:

Group financials (unaudited) (in € m, unless stated otherwise)	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%
Adjusted revenues	1,393	-25	1,368	1,354	-1.0%
Service revenues	1,271	-25	1,246	1,224	-1.7%
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%
Adjusted indirect opex after leases	470	-12	458	438	-4.3%
Adjusted EBITDA AL	561	-7	555	561	+1.2%
Operational Free Cash Flow	239	-6	233	272	+17%
Free Cash Flow (excl. TEFD dividend)	284	-6	277	268	+3.6%

The following table shows the estimated adjustments of FY 2019 results for the combined impact of completed divestments of NLDC (9 months), International Network Services (11 months), Argeweb (11 months), and KPN Consulting (9 months) as if the actual transfer of shares (closing) had taken place 12 months earlier:

Group financials (unaudited) (in € m, unless stated otherwise)	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%
Adjusted revenues	5,486	-81	5,405	5,275	-2.4%
Service revenues	5,090	-81	5,009	4,874	-2.7%
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%
Adjusted indirect opex after leases	1,868	-63	1,806	1,671	-7.5%
Adjusted EBITDA AL	2,317	-29	2,288	2,320	+1.4%
Operational Free Cash Flow	1,202	-23	1,179	1,172	-0.6%
Free Cash Flow (excl. TEFD dividend)	726	-8	718	765	+6.6%

All related documents can be found on KPN's website: ir.kpn.com

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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') are derived from EBITDA and are 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.

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.