FINANCIALS

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Chief Financial Officer
ORGANIC SUSTAINABLE EBITDA & FCF GROWTH
KPN today

Financial performance

-2.2% Revenues
In line Adj. EBITDA
~€ 1.1bn Capex
+10% FCF

Financial profile

€ 6.2bn Net debt
2.7x Leverage

Shareholder remuneration

€ 12ct Regular DPS

Revenues YTD Q3 '18 y-on-y growth, Financial profile Q3 2018, EBITDA, Capex, FCF (excl. TEFD dividend) and shareholder remuneration based on 2018 outlook
Convergence & value focus driving revenue stabilization.

New multi-year sustainable opex reduction supports organic Adj. EBITDA growth.

Stable Capex envelope: substantial shift in the mix.

FCF growth drives progressive dividend and a solid financial profile.
Convergence & value focus

driving revenue stabilization

**Consumer**
Grow base and value of converged households

**Business**
Accelerate growth in convergence
Selective growth in IT
Value over volume

**Wholesale**
Grow WBA/VULA
Maintain disciplined strategy
Accelerate multi-year sustainable opex reductions

Realized ~€ 190m run-rate savings 2nd wave Simplification¹

5% Capex
95% Opex

New opex reduction program

~€ 350m
2019 - 2021 net savings²

¹ Realized: end Q3 ’18 vs. end Q4 ’16
² Indirect opex adjusted for the impact of restructuring costs and incidentals
Acceleration of simplification
Digitalization & virtualization

1. Rationalization and simplification of portfolio.

2. End-to-end digitalization and automation front-end and back-end.

3. All-IP network and virtualization.

4. IT landscape rationalization.

5. Organizational effectiveness.

opex reductions
Portfolio rationalization and end-to-end digitalization

1

- Standardize portfolio, selective growth in IT
- Migrate to target portfolio platforms
- Reduce complexity

2

- Lean operating model
- Digital customer journeys
- Automate back-end tasks
All-IP network and virtualization

3

Migrate customers to all-IP network

Decommission legacy networks and systems

Virtualized and software defined networks

Example

**Customer:** Delivery of one new location

<table>
<thead>
<tr>
<th>Current IP-VPN</th>
<th>New SD-WAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical delivery</td>
<td>OTT delivery</td>
</tr>
<tr>
<td>&gt;12 weeks</td>
<td>&lt;1 day</td>
</tr>
<tr>
<td>21 manual actions</td>
<td>1 manual action (shipping)</td>
</tr>
</tbody>
</table>

**Customer:** 100 routers need updating

<table>
<thead>
<tr>
<th>Current IP-VPN</th>
<th>New SD-WAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 hours (~30 min per router)</td>
<td>4 hours</td>
</tr>
<tr>
<td>100 on-premise actions</td>
<td>1 remote action</td>
</tr>
</tbody>
</table>

Improved customer satisfaction
Improved flexibility
Substantially lower roll-out cost
Serve more customers in less time
IT rationalization and organizational effectiveness

4

- Consolidate IT platforms and decommission legacy
- Standardized solutions and hardware
- Vendor optimization

5

- Clear end-to-end responsibilities
- Delayer management and organizational simplification
- Automate processes
Restructuring accretive benefits back-end loaded

Impact on FCF

1. Restructuring recorded in P&L
2. Restructuring cash out
3. Restructuring accretive to financials
Capex planning supported by data and zero-based budgeting

Smarter investments supported by data-driven decision making process

Stacked ranking based on ROCE and NPV of proposed investments

Reallocation of investments enabling step-up in access investments
Strong improvement FttH return profile

**Lower roll-out spend** due to reduced average costs per home passed

**Better utilization rate** supported by data driven smart regional approach

**Strong commercial benefits**

- **+15%** NPS\(^2\)
- **+€ 6** ARPU
- **-34%** Churn
- **+9%\(^{ opt}\)** Broadband market share

Payback period reduced by ~50\(^3\)

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1. Q3 2018, >200Mbps households vs. <200Mbps households
2. KPN brand, source: Kantar TNS
Stable Capex envelope
€ 1.1bn per annum in 2019-2021

Substantial shift in the mix enabling higher investments in access
Committed to solid financial profile

Solid investment grade credit profile

Moody’s: Baa3 / Stable
S&P Global Ratings: BBB- / Positive
Fitch Ratings: BBB / Stable

Optimized balance sheet position

Interest payments: ~55%
2014: [Graph showing interest payments]
2018: [Graph showing interest payments]

Medium-term leverage

Net debt / EBITDA: <2.5x
## Organic and sustainable

### Adj. EBITDA & FCF growth

<table>
<thead>
<tr>
<th></th>
<th>2018 outlook</th>
<th>2019 - 2021 ambitions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>In line with 2017</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>~€ 800m</td>
<td>Sustainable growth, driven by EBITDA</td>
</tr>
<tr>
<td><strong>Dividend</strong></td>
<td>€ 12ct per share</td>
<td>Progressive dividend, supported by FCF</td>
</tr>
</tbody>
</table>
Convergence & value focus driving revenue stabilization.

Accelerate multi-year sustainable opex reduction.

Stable Capex envelope: substantial shift in the mix.

Organic sustainable Adj. EBITDA and FCF growth contributing to progressive dividend and deleveraging.