Q2 2018 Results

26 July 2018

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 2017. 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 report 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.

KPN defines EBITDA as operating result before depreciation (including impairments) of PP&E and amortization (including impairments) of intangible assets. Note that KPN's definition of EBITDA deviates from the literal definition of earnings before interest, taxes, depreciation and amortization and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS as adopted by the European Union. In the Net Debt / EBITDA ratio, KPN defines Net Debt as the nominal value of interest bearing financial liabilities excluding derivatives and related collateral, representing the net repayment obligations in Euro, taking into account 50% of the nominal value of the hybrid capital instruments, less net cash and short-term investments, and defines EBITDA as a 12 month rolling total excluding restructuring costs, incidentals and major changes in the composition of the Group (acquisitions and disposals). Free Cash Flow 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. Operating free cash flow is defined as adjusted EBITDA minus Capex. Revenues are defined as the total of revenues and other income unless indicated otherwise. Adjusted revenues and adjusted EBITDA are derived from revenues (including other income) and EBITDA, respectively, and are adjusted for the impact of restructuring costs and incidentals. The term service revenues refers to wireless service revenues.

All market share information in this financial report is based on management estimates based on externally available information, unless indicated otherwise. For a full overview on KPN's non-financial information, reference is made to KPN's quarterly factsheets available on 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 and speak only as of the date they are made. A number of these factors are described (not exhaustively) in the Integrated Annual Report 2017.

Highlights Q2

Services & Innovation

- Improving customer satisfaction[1]
  - NPS Consumer: +14 (Q2 '17: +13)
  - NPS Business: -5 (Q2 '17: -6)
- Targeted household approach leading to increased convergence penetration and lower churn
- Value focus reflected in more-for-more portfolio adjustments Consumer Residential
- #1 Business service provider according to Dutch CIOs for 2nd consecutive year[2]
- Highest ISS QualityScore for new Environmental and Social benchmark

Operational

- Ongoing success of convergence and value strategy in Consumer
  - +46k fixed-mobile postpaid customers
  - +19k fixed-mobile households
- Competitive pressure on single play services
  - KPN brand postpaid net adds flat, no frills brands -10k
  - -5k broadband net adds[3]
  - +10k IPTV net adds
- Business transformation taking shape
  - Continued growth of multi play seats[4] in SME, +33k net adds
  - Growth in Professional Services, driven by order intake in prior quarters

Financial[5]

€ m	Q2 '18	H1 '18
Adjusted revenues	**1,402**	**2,803**
y-on-y %	*-1.5%*	*-2.5%*
Adjusted EBITDA	**577**	**1,146**
y-on-y %	*1.3%*	*1.8%*
FCF (excl. TEFD dividend)	**224**	**347**
y-on-y %	*2.4%*	*40%*

- Q2 '18 adjusted revenues excl. regulation +0.5% y-on-y
- Q2 '18 adjusted EBITDA excl. regulation +2.3% y-on-y
- € 8.6ct per share paid to shareholders
  - € 7.3ct final dividend over 2017
  - € 1.3ct pass through TEFD dividend

- Second wave Simplification program: ~€ 175m run-rate savings realized[6]

1 Source: Kantar TNS, Consumer (all brands), Business (KPN brand)
2 Source: Dutch IT Partner Preference Survey
3 Corrected for migrations to and new customers of small business proposition (6k) launched in Q4 2017
4 Multi play seats consist of the total number of fixed voice lines plus the total number of mobile SIMs in multi play
5 All figures in this presentation are based on continuing operations, unless stated otherwise
6 End Q2 '18 vs. end Q4 '16

Simplification and digitalization embedded in organization

Driving revenue opportunities and lower spend

Digitalize

Use data & analytics
- Targeted household marketing
- Optimized customer service
- Smarter network investments

Rationalize

Simplify portfolio and operations
- Fewer propositions
- Creation of uniform digital layer
- BSS / OSS IT integration

Decentralize

Provide services closer to customers
- Improved (metro) core network
- First 5G technology use cases
- Higher network efficiency

SDN NfV

Virtualize

Increase network efficiency and effectiveness
- Flexible on-demand capacity and services
- Self-healing and self-optimizing networks

ENABLING IMPROVED CUSTOMER EXPERIENCE

Removing complexity for customers
- Single ID, omnichannel experience, e-care

On-demand virtualized services
- Instant provisioning, real-time scaling

DRIVING PERFORMANCE

€

Revenue opportunities
- Fixed-mobile-IT convergence
- Additional value added services (incl. partnerships such as Netflix and WeChat)
- Infrastructure as a Service
- Data & Analytics as a Service

Lower spend
- Marketing, call center, engineers
- Personnel, IT/TI, maintenance, energy
- Connection fees, traffic
- Cheaper generic hardware

Targeted household approach yielding tangible results

Smart analytics driving increased convergence penetration and lower churn

Step 1: Created uniform digital layer

Step 2:
Started using Data & Analytics to optimize
- Customer service
- Up- and cross-sell
- Network investments

while preserving privacy

Client situation + **Data pool**

Unique targeted client advice
(shown to customer service)

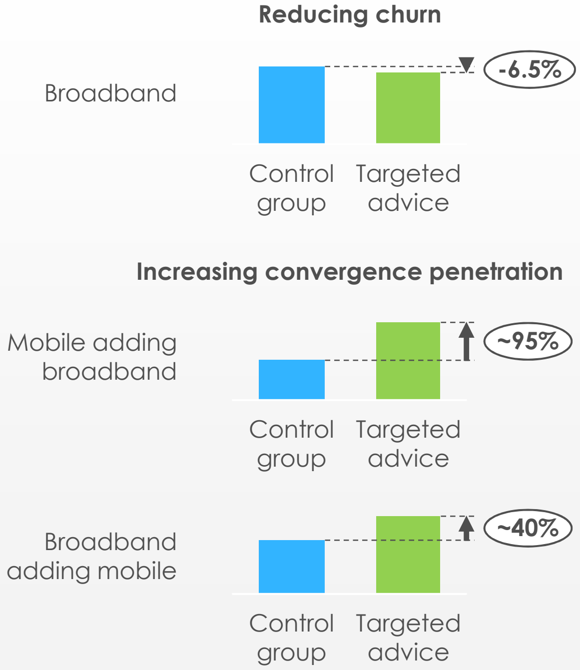
New (3) | Offered (0)

Customer can upgrade connection to fiber

Customer has KPN fixed and mobile services, but has not activated converged benefits

We can enhance the customer's WiFi connection (speed/stability) by switching channels

Step 3:
Reaping the benefits[1]

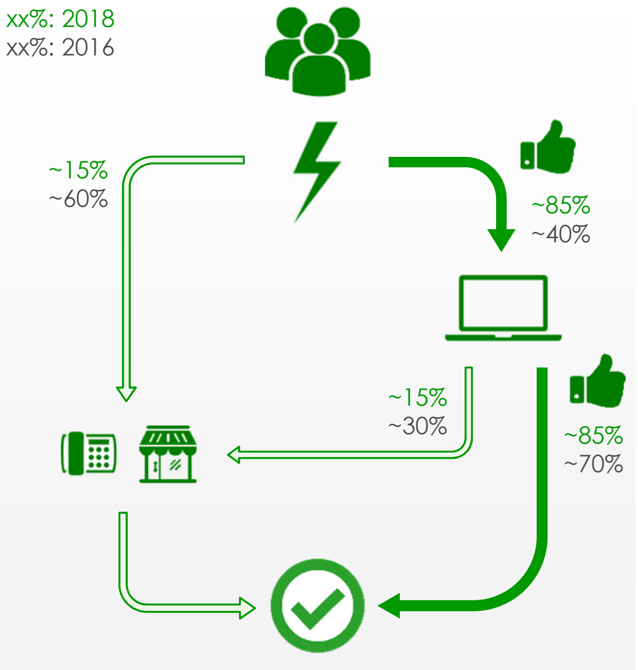


1 Measured in Q1 2018

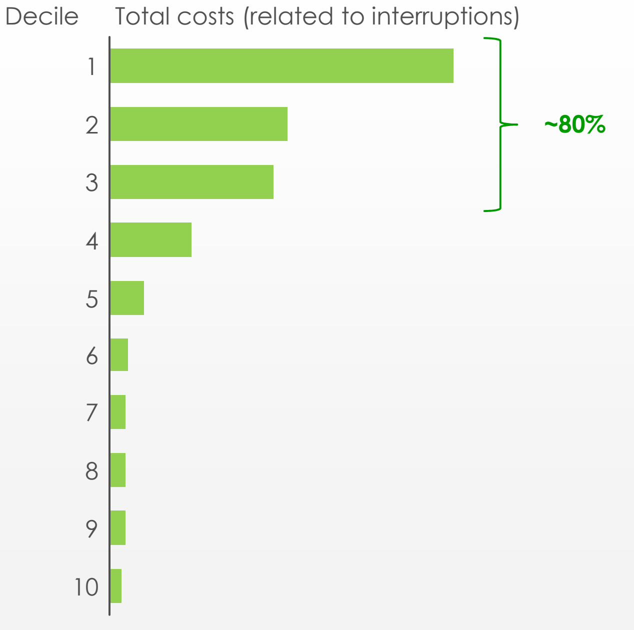
Optimizing customer journey

Using Data & Analytics to prevent online-to-offline leakage and deploy best call center agents

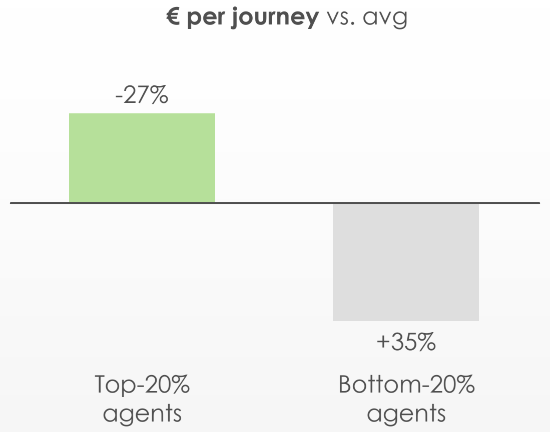
Facilitating online self-help



30% of interruption calls cause 80% of costs



Routing calls to most suitable agents



Main drivers:

Use of mechanics

Hardware swaps

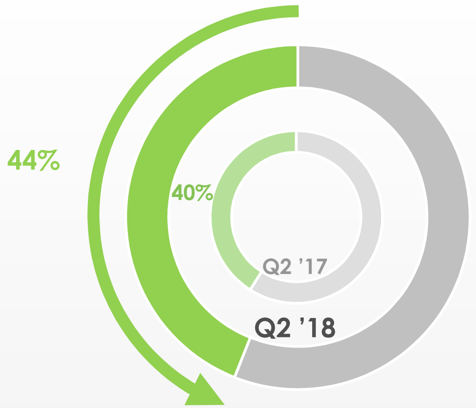
- Expected annual savings from optimized customer journey: ~€ 10m

Successful up- and cross-sell further strengthening convergence position

Increasing SIMs per household leading to lower churn

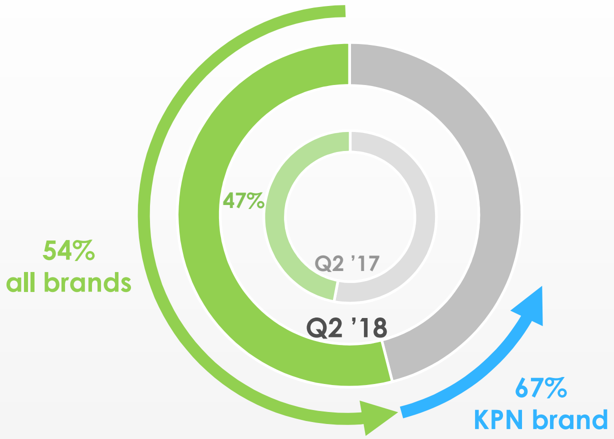
Customers in fixed-mobile bundles

Households[1]



Q2 '18:
19k net adds

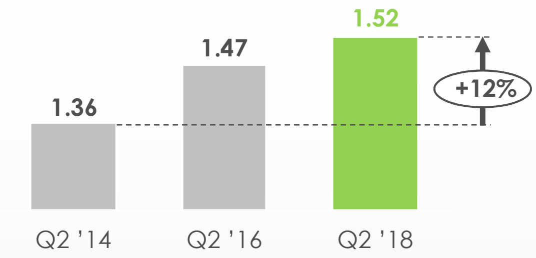
Postpaid customers



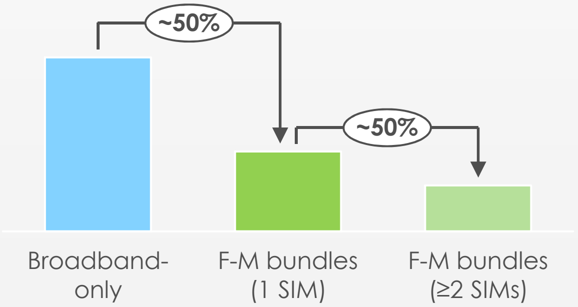
Q2 '18:
46k net adds

More SIMs lead to lower churn

Increasing SIMs per household[2]



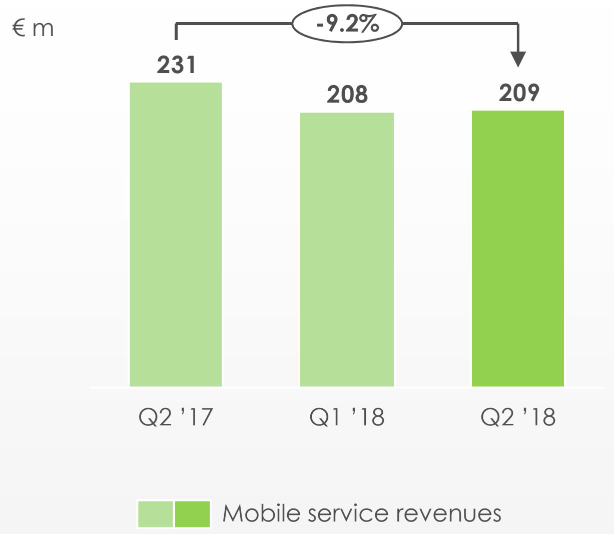
Lower churn[3] (Q2 '18)



1 As % of broadband customers
2 Based on fixed-mobile households
3 KPN brand

Continued focus on value in competitive Consumer environment

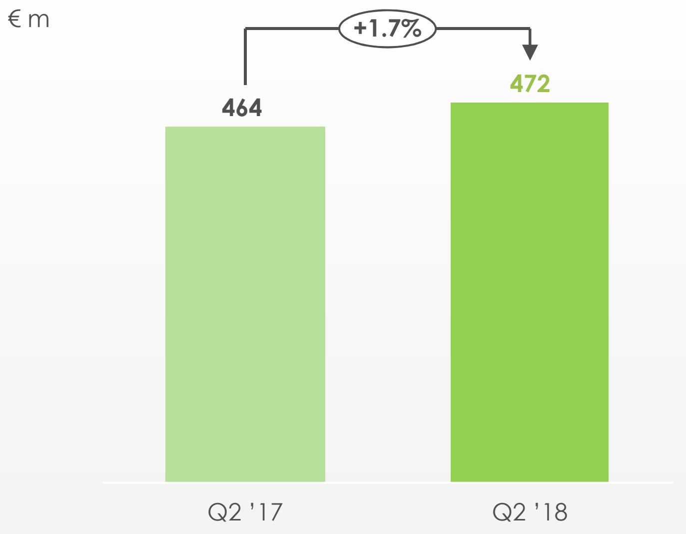
Mobile service revenues impacted by regulation and price pressure in mobile-only



-3.5%

Growth of mobile service revenues
(Excluding regulation)

Continued fixed revenue growth



New Consumer fixed propositions reflecting value focus

More-for-more at KPN brand[1]

kpn

Internet only	Internet & TV Basic	Internet & TV Standard	Internet & 4K TV Premium
+ € 2.50			
+10/1Mbps to 50/5 Mbps	+10/1Mbps to 50/5 Mbps	+20/2Mbps to 100/10 Mbps	+50/5Mbps to 150/15 Mbps

New Telfort propositions focus on convergence[1]

Telfort

Internet	Internet & TV	All-in-1
+ € 5	+ € 5	+ € 7.50

Converged benefits

2x data — Standard per SIM

+

€ 5[2] or FOX SPORTS or TV — Additional benefit

1 KPN brand as per 1 July 2018, Telfort brand as per 16 April 2018

2 € 5/month discount on fixed subscription

Business transformation taking shape

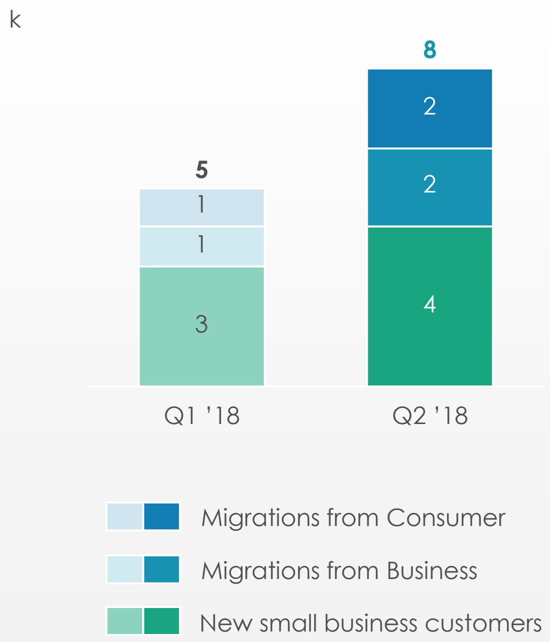
Business revenue growth drivers

	Q2 ’18 adjusted y-on-y growth	H1 ’18 adjusted y-on-y growth
Communication Services	**-7.3%**	**-8.0%**
Mobile service revenues	-6.2%	-7.0%
IoT	8.3%	22%
Broadband & Network services	-1.4%	-1.4%
Fixed voice	-15%	-15%
Other	-13%	-18%
IT Services (a.o. security, cloud, workspace)	**28%**	**23%**
Professional Services & Consultancy	**9.1%**	**7.0%**
Business total	**0.3%**	**-1.1%**

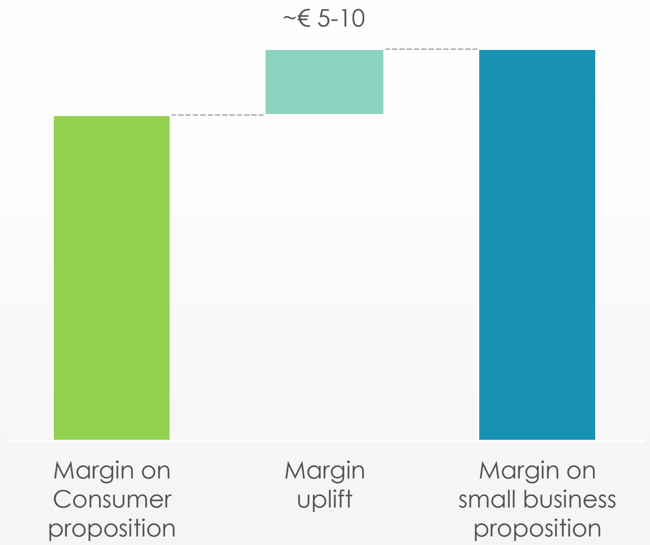
KPN well positioned to cater to smaller businesses

Encouraging take-up of new small business proposition

Good broadband inflow



Migrations margin accretive



Several landmark corporate deals in converged communication & IT services

KPN recognized as #1 Business service provider in The Netherlands for second consecutive year[1]

Amongst others

- Telecom
- Mobility
- Datacenters
- IT Services Management
- IT Development
- IT Infrastructure

Connectivity

IT Workspace Management

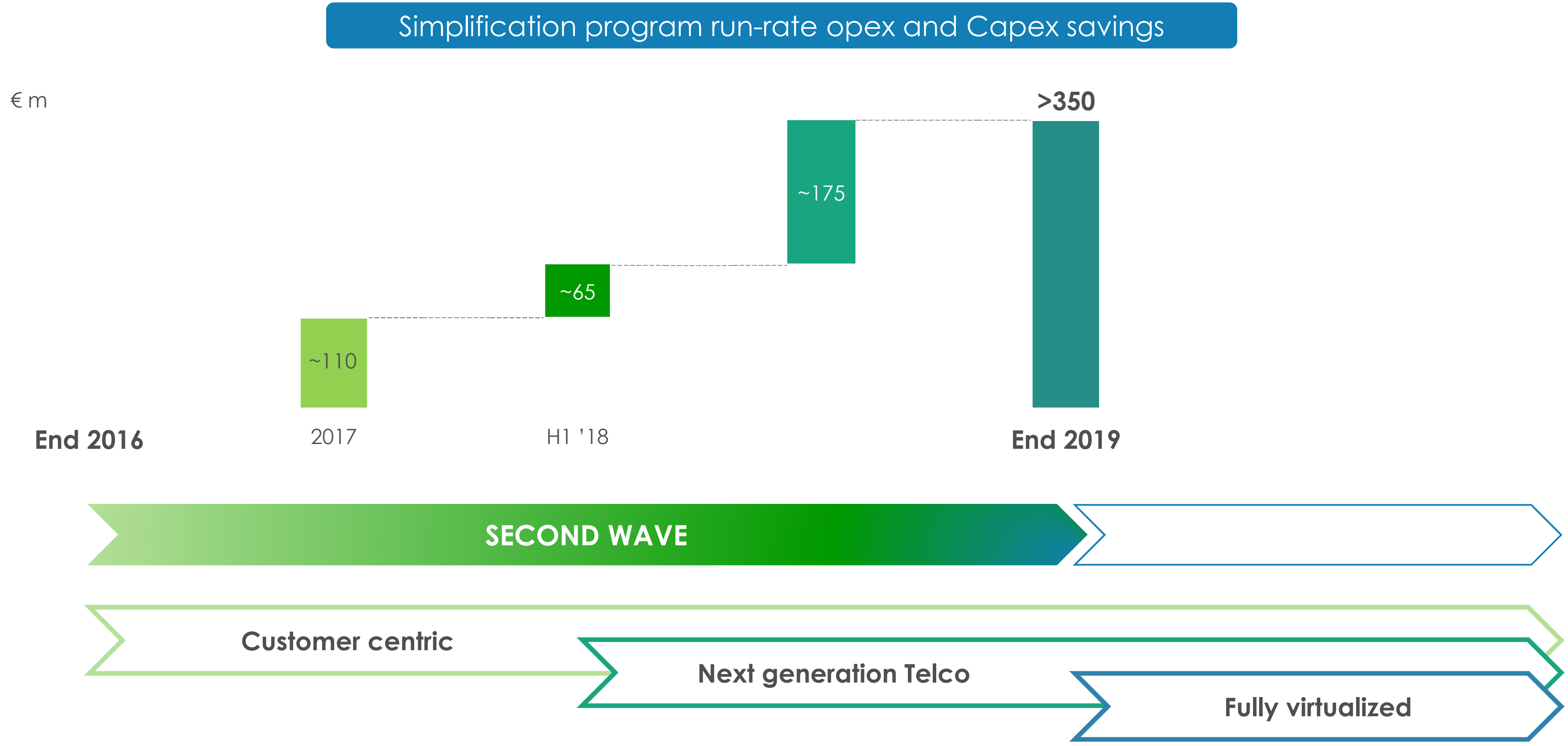
IT Workspace Management

Network & Security services

1 Source: Dutch IT Partner Preference Survey

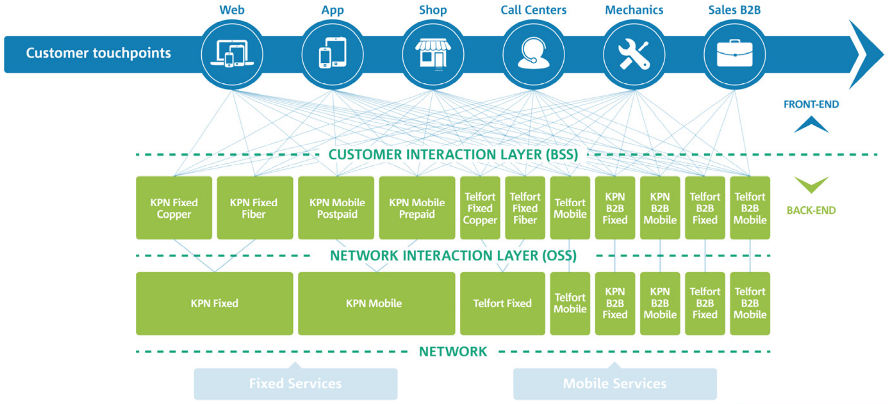
Second wave Simplification program on track

Run-rate savings realized of ~€ 175m



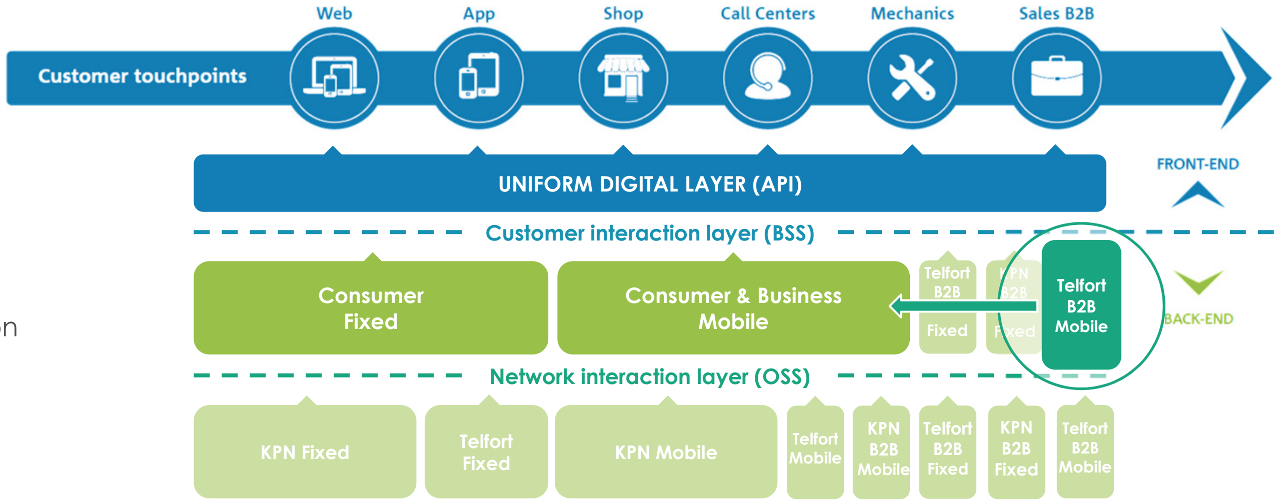
More flexible and simplified network and operating model

Mobile BSS integration completed with migration of Telfort mobile base



End 2013

H1 2018



BSS integration

~€ 80m run-rate savings[1] from KPN Consumer Fixed and Mobile IT rationalization

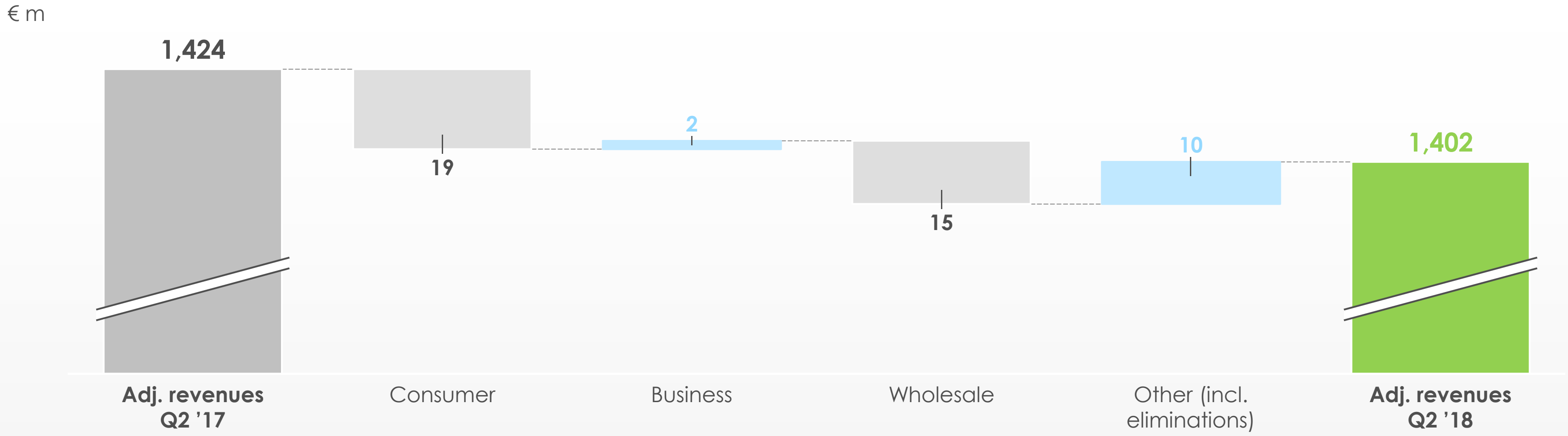
OSS integration

~€ 30m run-rate savings[1] from consolidation of network interaction layer

1 Run-rate savings per end 2019

Adjusted revenue trend improving compared to Q1 ’18

Adjusted revenues declined by 1.5%[1]



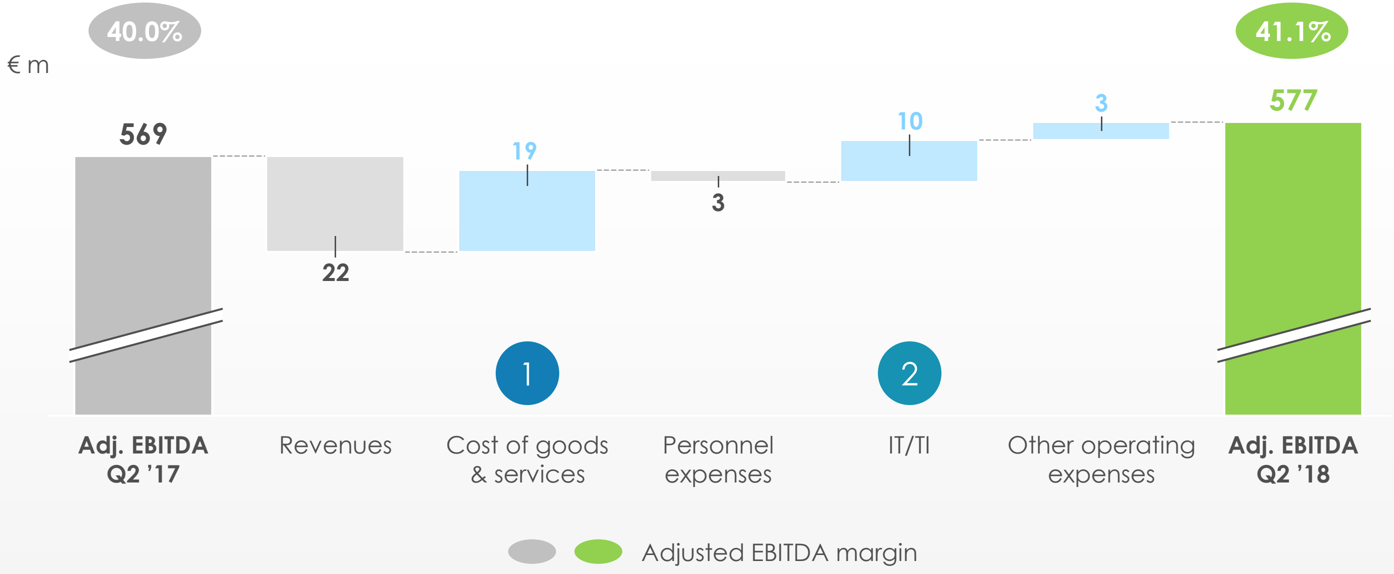
+0.5%

Growth of adjusted revenues, excluding € 29m regulation impact
(roaming & MTA / FTA)

1 vs. Q1 2018: -3.4%

Adjusted EBITDA growth driven by Simplification and digitalization

Adjusted EBITDA increased by 1.3%



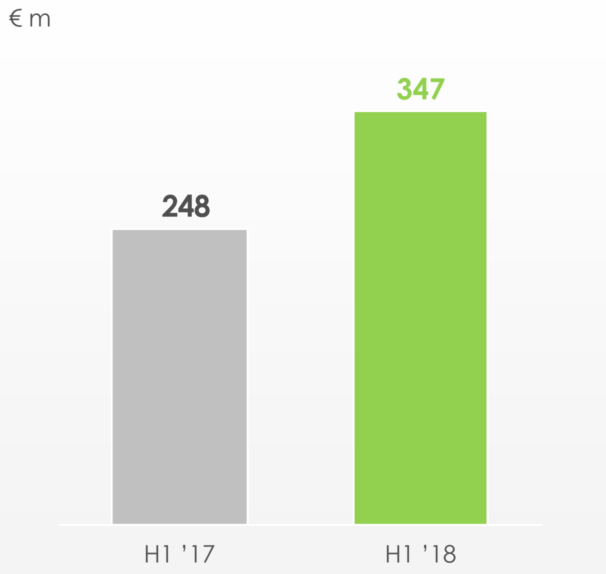
+2.3%

Growth of adjusted EBITDA, excluding € 5m regulation impact
(roaming & MTA / FTA)

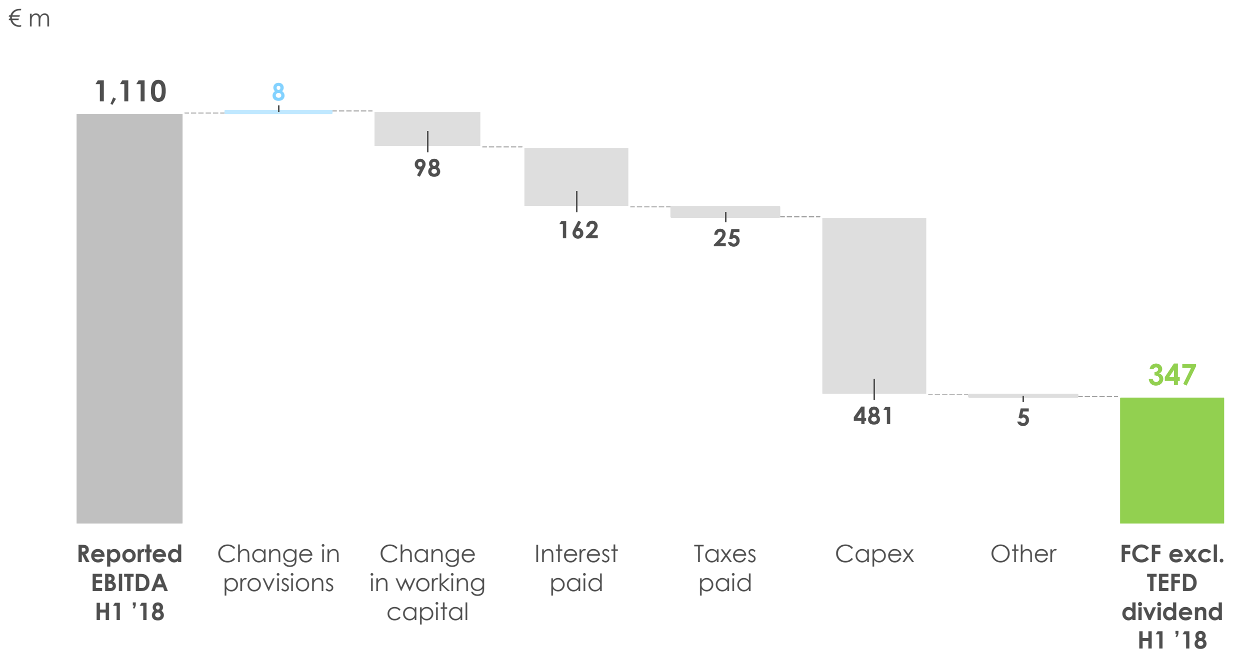
1. Lower traffic costs due to reduction MTA tariffs
2. Ongoing Simplification and digitalization savings

Free cash flow growth driven by lower interest paid and higher EBITDA

Growing free cash flow[1]



Free cash flow components

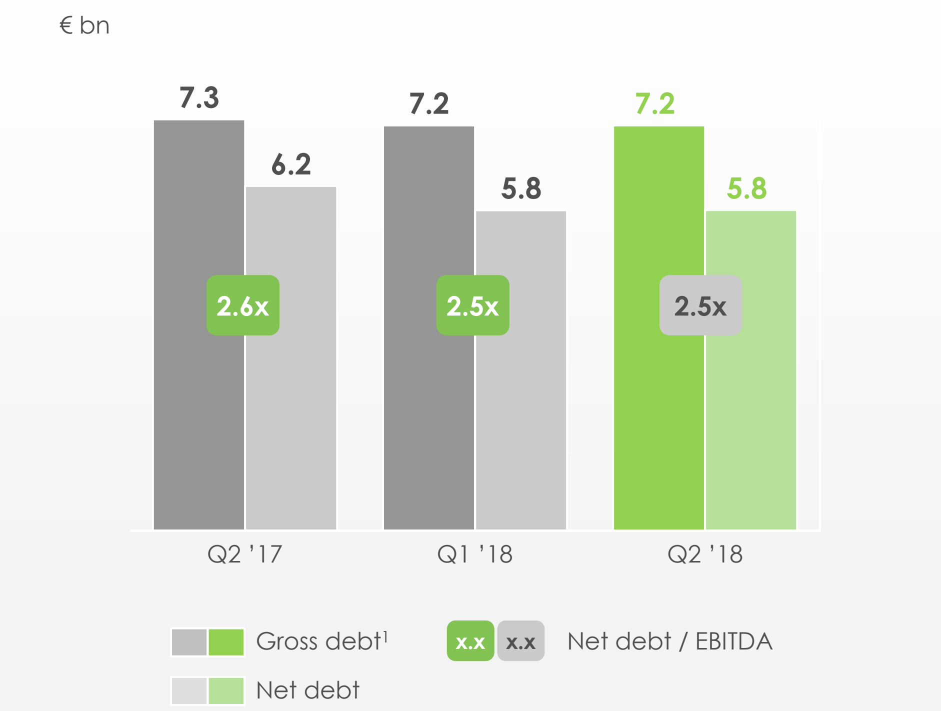


1 Excluding TEFD dividend

Solid financial position

Intention to redeem € 1.1bn hybrid bond from existing cash

Lower debt level



Hybrid redemption at first call date[2]

- Successful execution of strategy since issuance in 2013
- Realignment proportion hybrid capital to balance sheet
- Saving € 67m annual coupon from 2019 onwards

Debt portfolio

- Net debt in line with Q1 '18
  - Free cash flow generated in Q2 '18
  - Partial sale of TEFD stake

  Offset by
  - Final dividend over 2017 paid to shareholders
- Average coupon senior bonds 3.8% (Q2 '17: 4.1%)

1 Gross debt defined as the nominal value of interest bearing financial liabilities, excluding derivatives and related collateral, representing the net repayment obligations in Euro, taking into account 50% of the nominal value of the hybrid capital instruments

2 First call date: 14 September 2018

Outlook 2018

Outlook 2018[1]

- Adjusted EBITDA in line with 2017
- Capex ~€ 1.1bn
- Free cash flow (excl. TEFD dividend) growing

Shareholder remuneration

- Intended regular DPS of € 12ct in respect of 2018
  - Interim dividend of € 4ct to be paid on 2 August 2018
- Intention to grow regular DPS in line with FCF growth profile
- Excess cash could be utilized for
  - Operational / financial flexibility
  - (Small) in-country M&A
  - Shareholder remuneration

1 Based on continuing operations

Q&A

Key priorities on track

- Accelerate up and cross-sell in bundles
- Grow in TV and IT services
- Finalize Business transformation
- Finalize build of flexible and simplified integrated network and operating model
- Expand superior access position by deploying innovative technologies and increasing fiber penetration
- Optimize financial framework and grow dividend

Simplify | **Grow** | **Innovate**

Q2 2018 – Information Pack

For further information please contact

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KPN ADR program

KPN has a sponsored Level 1 ADR program

Bloomberg ticker	KKPNY
Trading platform	Over-the-counter (OTC)
CUSIP	780641205
Ratio	1 ADR : 1 Ordinary Share
Depositary bank	Deutsche Bank Trust Company Americas
Depositary bank contact	Jonathan Montanaro
ADR broker helpline	+1 212 250 9100 (New York) +44 207 547 6500 (London)
E-mail	adr@db.com
ADR website	www.adr.db.com
Depositary bank's local custodian	Deutsche Bank, Amsterdam

Contents

Leading in Corporate Social Responsibility

Successful CSR strategy[1]

2017

Employee Engagement	Environment	Privacy & Security
80%	**24%**	**70%**
vs. 77% in 2016	Less energy consumption vs. 2010	of Dutch people believe their data is safe with KPN

Recognition

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

CDP A List 2017

NYSE EURONEXT vigeo

ISS QualityScore SOCIAL 1

ISS QualityScore ENVIRONMENTAL 1

Social and environmental achievements in Q2 '18

- KPN received highest ISS QualityScore for new Environmental and Social benchmarks
- KPN KlasseContact had 248 new placements in Q2 2018, bringing the total number of users of KPN KlasseContact to 781
- KPN's charity fund supports the Dirk Kuyt Foundation, which started a pilot to transport disabled persons to sports accommodation and sport events
- KPN's charity fund and Foundation Papageno launched music therapy app for autistic children

1 As disclosed in KPN's Integrated Annual Report 2017

Contents

Group results Q2 ’18 (continuing operations)

(€ m)	Q2 ’18	Q1 ’18	Q2 ’17	y-on-y %
Revenues	1,402	1,402	1,427	-1.7%
Adjusted revenues	**1,402**	**1,402**	**1,424**	**-1.5%**
Operating expenses (excl. D&A)	**847**	**847**	**877**	**-3.5%**
EBITDA	555	555	550	1.0%
Adjusted EBITDA	**577**	**569**	**569**	**1.3%**
Depreciation	240	242	249	-3.5%
Amortization	105	105	103	1.9%
Operating expenses	**1,192**	**1,194**	**1,229**	**-3.0%**
Operating profit	**210**	**208**	**198**	**6.3%**
Net finance costs	-25	-81	5	n.m.
Share of profit of associates and joint ventures	-	-	-	n.m.
Profit before taxes	**185**	**127**	**203**	**-8.9%**
Income tax	-48	-28	-41	16%
Profit after taxes	**137**	**98**	**162**	**-15%**

Group results YTD ’18 (continuing operations)

(€ m)	YTD ’18	YTD ’17	y-on-y %
Revenues	2,803	2,878	-2.6%
Adjusted revenues	**2,803**	**2,875**	**-2.5%**
Operating expenses (excl. D&A)	**1,693**	**1,799**	**-5.9%**
EBITDA	1,110	1,079	2.9%
Adjusted EBITDA	**1,146**	**1,126**	**1.8%**
Depreciation	482	495	-2.6%
Amortization	210	209	0.5%
Operating expenses	**2,385**	**2,503**	**-4.7%**
Operating profit	**418**	**375**	**11%**
Net finance costs	-106	-77	39%
Share of profit of associates and joint ventures	-	1	-30%
Profit before taxes	**312**	**299**	**4.3%**
Income tax	-76	-64	19%
Profit after taxes	**236**	**235**	**0.4%**

Group cash flow Q2 ’18 (continuing operations)

(€ m)	Q2 ’18	Q2 ’17	y-on-y %
EBITDA	**555**	**550**	***1.0%***
Interest paid/received	-43	-42	*2.6%*
Tax paid/received	-20	-13	*54%*
Change in provisions[1]	-1	19	*n.m.*
Change in working capital[1]	-15	-61	*-76%*
Other movements	47	71	*-34%*
Net cash flow from operating activities	**523**	**525**	***-0.4%***
Capex	-245	-235	*4.1%*
Proceeds from real estate	-	-	*n.m.*
Free cash flow	**278**	**289**	***-3.8%***
Coupon on perpetual hybrid	-	-	*n.m.*

1 Excluding changes in deferred taxes

Group cash flow YTD '18 (continuing operations)

(€ m)	YTD '18	YTD '17	*y-on-y %*
EBITDA	**1,110**	**1,079**	***2.9%***
Interest paid/received	-162	-196	*-17%*
Tax paid/received	-25	-13	*87%*
Change in provisions[1]	8	27	*-71%*
Change in working capital[1]	-98	-154	*-37%*
Other movements	43	75	*-42%*
Net cash flow from operating activities	**877**	**818**	***7.3%***
Capex	-481	-499	*-3.8%*
Proceeds from real estate	5	-	*n.m.*
Free cash flow	**401**	**318**	***26%***
Coupon on perpetual hybrid	-	-	*n.m.*

1 Excluding changes in deferred taxes

Dutch mobile service revenues

Service revenues (€ m)	Q2 '18	Q2 '17	y-on-y %
Consumer	209	231	-9.2%
Business[1]	141	148	-5.0%
Other[2]	41	36	15%
KPN The Netherlands	**391**	**414**	**-5.6%**

1 Includes M2M service revenues
2 Includes amongst others Wholesale mobile service revenues and visitor roaming

Tax YTD '18

Regions (€ m)	P&L YTD '18	P&L YTD '17	Cash flow YTD '18	Cash flow YTD '17
The Netherlands	-76	-64	-25	-13
Other	-3	-2	-3	1
Total reported tax	**-79**	**-66**	**-28**	**-12**
Of which discontinued operations	*-3*	*-2*	*-3*	*1*
Reported tax from continuing operations	**-76**	**-64**	**-25**	**-13**
Effective tax rate continuing operations	*24.4%*	*21.4%*		

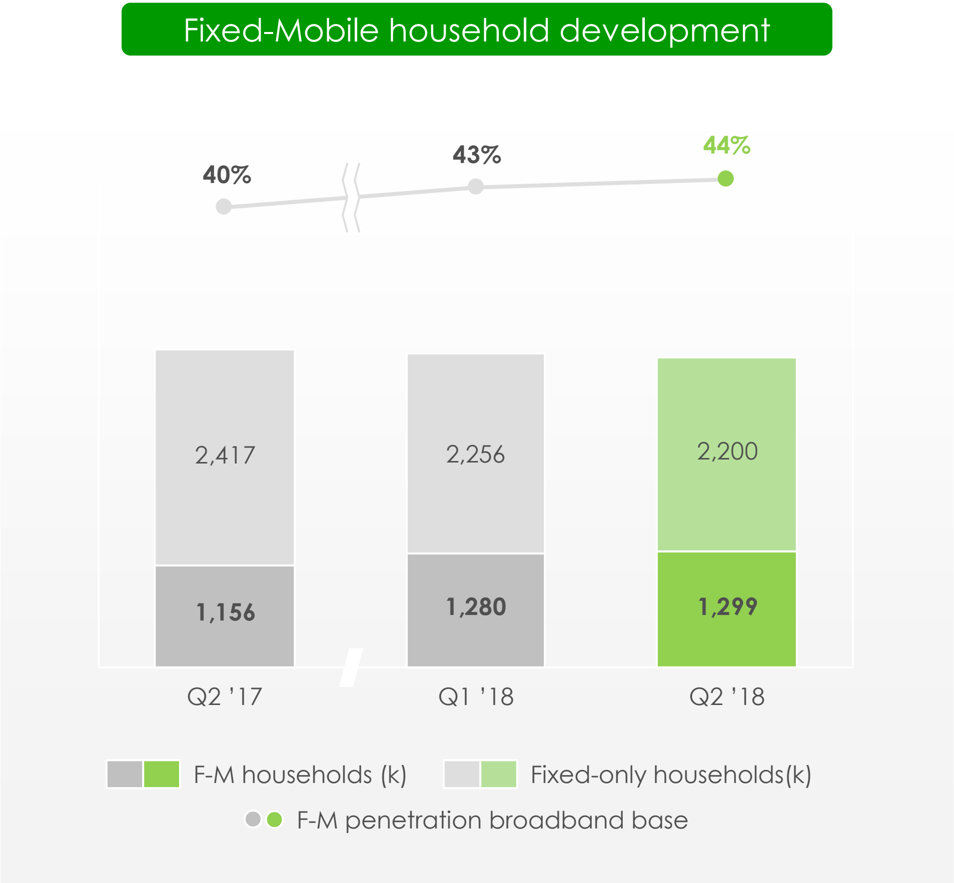
- The effective tax rate for H1 '18 is mainly influenced by one-off effects
  - Without one-off effects[1] the effective tax rate would have been ~23% in H1 '18
- For the 2018-2019 period, the effective tax rate is expected to be ~23%. This effective tax rate does not take into account planned changes to the Dutch corporate tax rate as this change has not yet been formalized in law

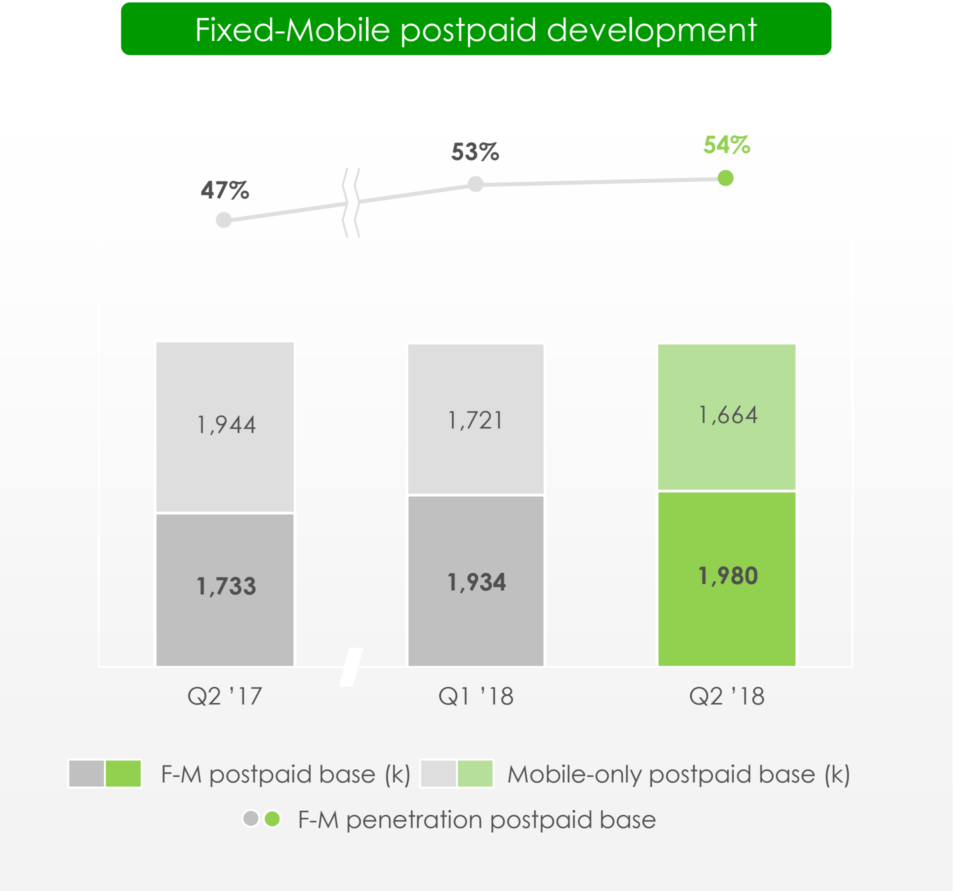
1 Amongst others, tax law changes, settlements with tax authorities, impairments, revaluations

Contents

Consumer

Fixed-Mobile KPIs

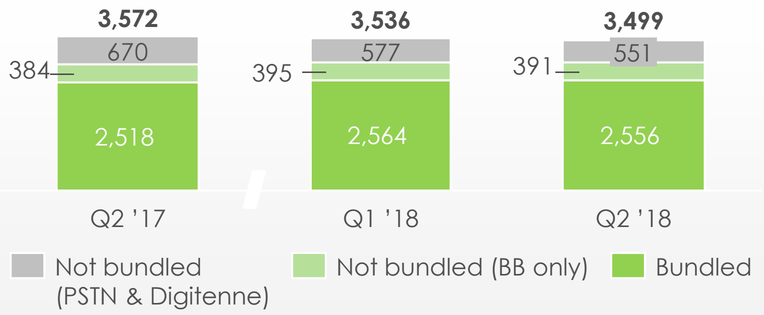




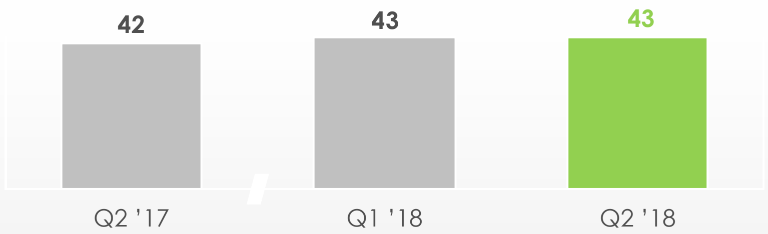
Consumer (cont'd)

Residential KPIs

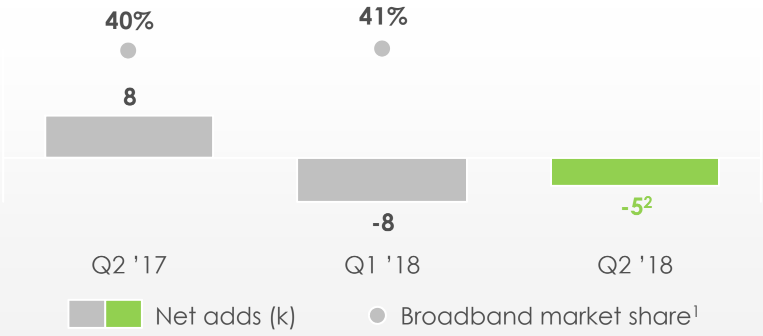
Household base (k)



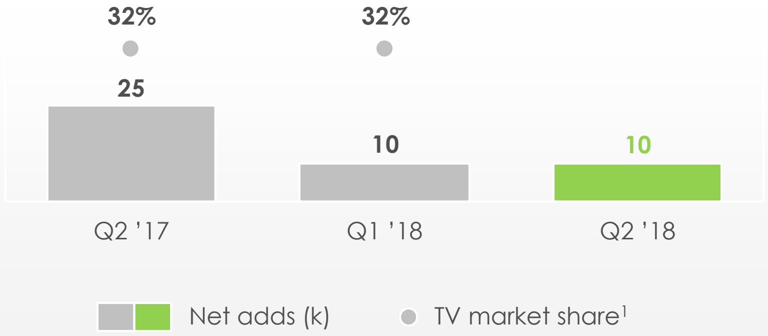
ARPU per household (€)



Broadband



IPTV

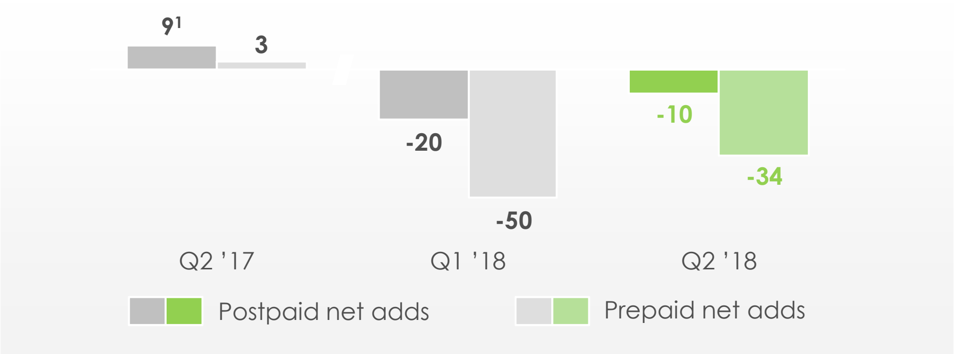


1 Source: Telecompaper
2 Corrected for migrations to and new customers of small business proposition (6k) launched in Q4 2017

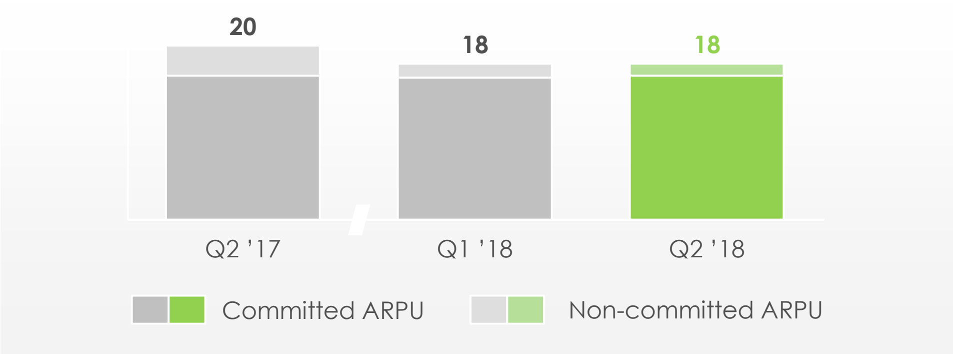
Consumer (cont'd)

Mobile KPIs

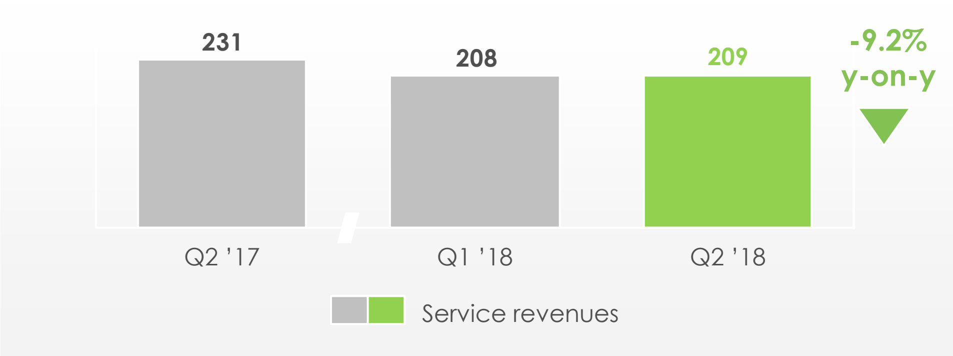
Mobile net adds (k)



Mobile postpaid ARPU (€)



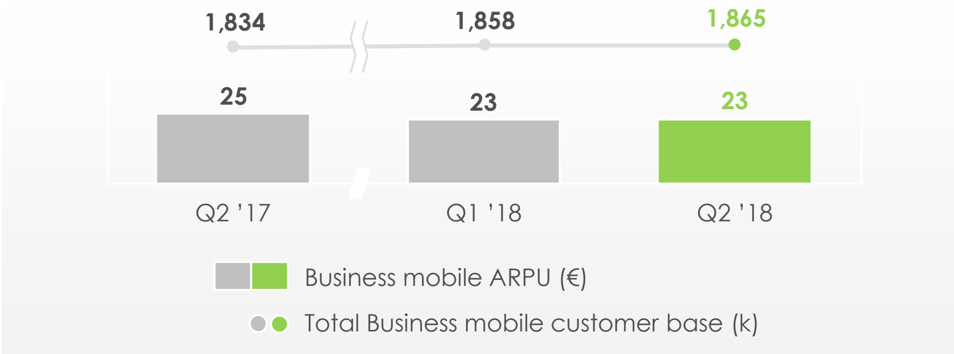
Wireless service revenues (€ m)



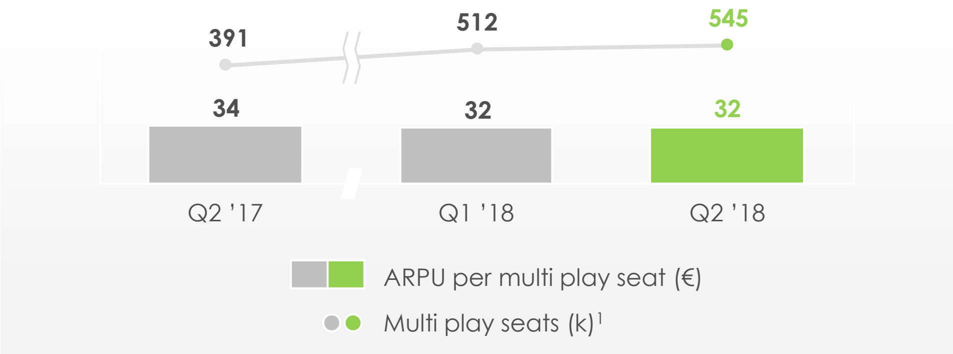
1 Adjusted for 15k migration to Business

Business

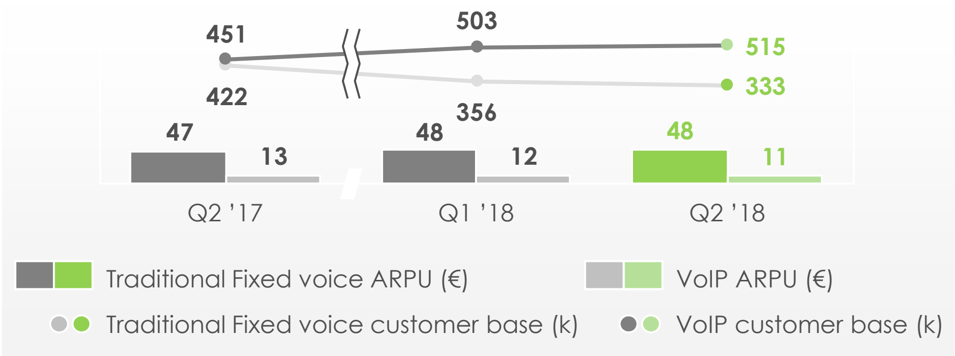
Total Mobile



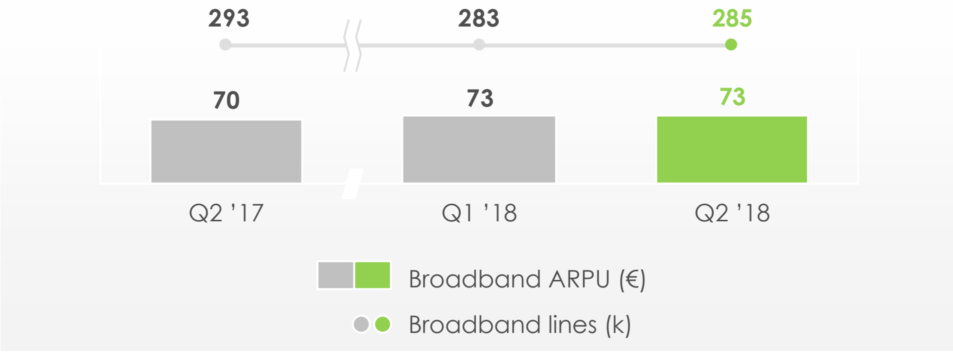
Multi play (mainly SME)



Fixed voice



Broadband

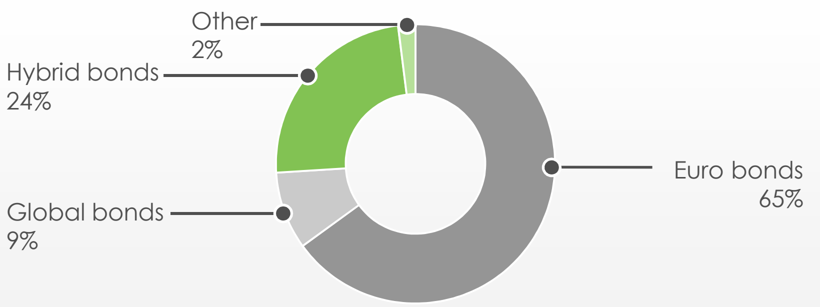


1 Multi play seats consist of the total number of fixed voice lines plus the total number of mobile SIMs in multi play

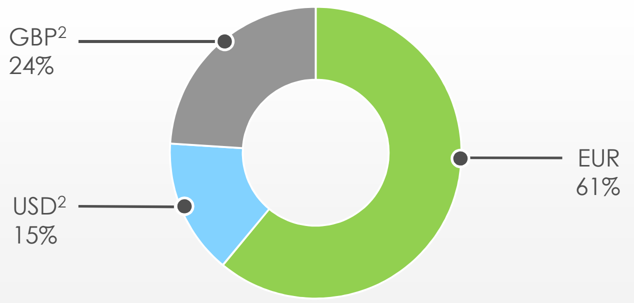
Contents

Debt portfolio

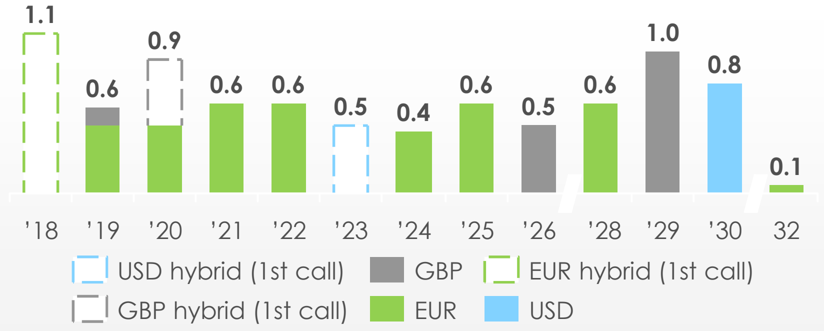
Breakdown nominal debt[1] (total € 8.3bn)



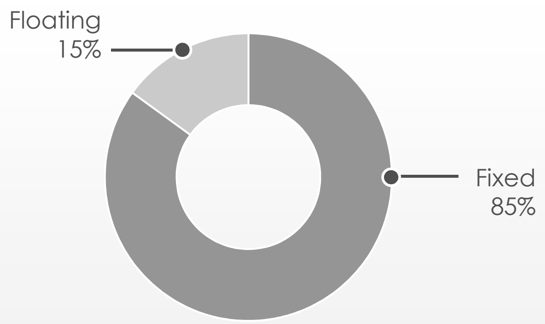
Nominal debt by currency



Bond redemption profile (€ bn)



Fixed vs. floating interest[3]



1 Based on the nominal value of interest bearing liabilities after swap to EUR, including EUR 1.1bn hybrid bond, GBP 400m hybrid bond and USD 600m hybrid bond
2 Foreign currency amounts hedged into EUR
3 Excludes bank overdrafts

Treatment of hybrid bonds

KPN & Credit rating agencies

- Each tranche of the hybrid bonds is 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, 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[1,2]
- 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	Nominal	KPN net debt	Maturity	Rates (swapped)[1]	IFRS principal	IFRS coupon
EUR 1.1bn 6.125%	€ 1,100m	€ 550m	Perpetual (first-call Sept-2018)	6.125%	Equity	Financing cash flow[2] (not incl. in FCF)
GBP 0.4bn 6.875%	€ 460m	€ 230m	60 years (first-call Mar-2020)	6.777%	Liability	Interest paid (incl. in FCF)
USD 0.6bn 7.000%	€ 465m	€ 233m	60 years (first-call Mar-2023)	6.344%	Liability	Interest paid (incl. in FCF)
Total	**€ 2,025m**	**€ 1,013m**				

1 EUR tranche had short first coupon payment (0.5 years was payable in September 2013), annual coupon payments in September thereafter; USD tranche has semi-annual coupon payments (March / September); GBP tranche has annual coupon payments in March

2 Cash flow item 'Paid coupon perpetual hybrid bonds'

Contents

IFRS 15 changed revenue recognition rules

Example 1: Handset sales via own channels

Contract components (€)	Value	Revenue / cost
Contract duration (months)	24	
Monthly subscription	50	1,200
Initial handset payment	48	48
Handset value	528	-528
EBITDA contract lifetime		**720**

Under IFRS 15:

- Handset delivery at purchase is accounted for as non-service revenues
- Handset revenues consist of:
  - Initial payment (€ 48)
  - Amount to be recovered over the contract period (€ 480)
- No impact on free cash flow from accounting change
  - Higher EBITDA in month 1 (€ 460) is offset by change in working capital

Accounting for this example

IFRS 15 – P&L

(€)	Month 1	Month 2	…	Month 24	Total
Non-service revenue (handset)	528	-	…	-	528
Service revenues	30	30	…	30	720
Total revenues	**558**	**30**	**…**	**30**	**1,248**
Opex (SAC)	-528	-	…	-	-528
EBITDA	**30**	**30**	**…**	**30**	**720**

IFRS 15 – Balance Sheet

Contract asset (working capital)	Month 1	Month 2	…	Month 24	Total
Add: handset receivable	480	-	…	-	480
Less: monthly billing	-20	-20	…	-20	-480
Closing balance	**460**	**440**	**…**	**-**	**-**

IAS 18 – P&L

(€)	Month 1	Month 2	…	Month 24	Total
Non-service revenues (handset)	48	-	…	-	48
Service revenues	50	50	…	50	1,200
Total revenues	**98**	**50**	**…**	**50**	**1,248**
Opex (SAC)	-528	-	…	-	-528
EBITDA	**-430**	**50**	**…**	**50**	**720**

IFRS 15 changed revenue recognition rules (cont'd)

Example 2: Handset sales via third parties

Contract components (€)	Value	Revenue / cost
Contract duration (months)	24	
Monthly subscription	50	1,200
Dealer fee (handset)	480	-480
Dealer fee (subscription)	120	-120
EBITDA contract lifetime		**600**

Under IFRS 15:

- At purchase, dealer fees are recognized on the balance sheet
  - Handset revenues and handset dealer fee are no longer included in revenue and SAC
- Dealer subscription fee is spread over the contract lifetime as SAC
- No impact on free cash flow from accounting change
  - Higher EBITDA in month 1 (€ 575) is offset by change in working capital (contract asset) and change in provisions (non-current assets)

Accounting for this example

IFRS 15 – P&L

(€)	Month 1	Month 2	…	Month 24	Total
Service revenues	30	30	…	30	720
Total revenues	**30**	**30**	…	**30**	**720**
Opex (SAC)	-5	-5	…	-5	-120
EBITDA	**25**	**25**	…	**25**	**600**

IFRS 15 – Balance Sheet

Contract asset (working capital)	Month 1	Month 2	…	Month 24	Total
Add: handset receivable	480	-	…	-	480
Less: monthly billing	-20	-20	…	-20	-480
Closing balance	**460**	**440**	…	**-**	**-**
Contract cost (non-current)	**Month 1**	**Month 2**	…	**Month 24**	**Total**
Add: contract cost	120	-	…	-	120
Less: amortization	-5	-5	…	-5	-120
Closing balance	**115**	**110**	…	**-**	**-**

IAS 18 – P&L

(€)	Month 1	Month 2	…	Month 24	Total
Service revenues	50	50	…	50	1,200
Total revenues	**50**	**50**	…	**50**	**1,200**
Opex (SAC)	-600	-	…	-	-600
EBITDA	**-550**	**50**	…	**50**	**600**

Contents

Spectrum in The Netherlands

800MHz (Paired)	Tele2 2*10	VodZig 2*10	KPN 2*10				2*30
900MHz (Paired)	VodZig 2*10	KPN 2*10	T-Mob 2*15				2*35
1.8GHz (Paired)	KPN 2*20	VodZig 2*20	T-Mob 2*30				2*70
2.1GHz (Paired)	VodZig 2*14.6	KPN 2*14.8	T-Mob 2*10	KPN 2*5	VodZig 2*5	T-Mob 2*10	2*59.4
2.6GHz (Unpaired)	T-Mob 25	KPN 30	Tele2 5				1*60
2.6GHz (Paired)	VodZig 2*30	T-Mob 2*5	KPN 2*10	Tele2 2*20			2*65
Total	KPN 169.6MHz	VodZig 179.2MHz	T-Mob 165MHz	Tele2 65MHz			578.8MHz

Contents

Fixed infrastructure

		Download speed	*Active in Network*
CO	**VDSL2**	~50Mbps	✓
CO	**VDSL2 pair bonding**	~100Mbps	✓
SC	**Vectoring**	~120Mbps	✓
SC	**Bonded vectoring**	~240Mbps	✓
SC	**Bonded VPLUS**	~400Mbps	
SC	**NG.PON**	>1Gbps	
ODF	**FttH**	~1Gbps	✓

Fiber Copper

Contents

Telefónica Deutschland stake

Accounting treatment

Balance sheet

- Stake included as financial asset[1]
- Fair value of KPN's stake based on Telefónica Deutschland's share price and adjusted quarterly
  - Fair value movements recorded in *other comprehensive income*
  - Due to IFRS 9, as of 1 January 2018, fair value movements are no longer recycled to the P&L (neither at sale nor at impairments)

P&L

- Dividends received reported as finance income within *net finance costs*

Cash flow statement

- Dividends received part of operating cash flow and free cash flow as *dividends received*

Tax

- Dividends, not qualifying as specific capital repayments, received and/or capital gains realized (proceeds above tax book value) on KPN's stake are subject to Dutch corporate income tax
- Deferred tax asset can be utilized to offset income related to KPN's stake

1 Defined under IFRS as available-for-sale financial asset