

FINANCIALS

Jan Kees de Jager

Chief Financial Officer

Eindhoven



CAPITAL
MARKETS
DAY **2018**

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

STRATEGIC FOCUS 2019 2021

Convergence & value
focus driving **revenue
stabilization.**

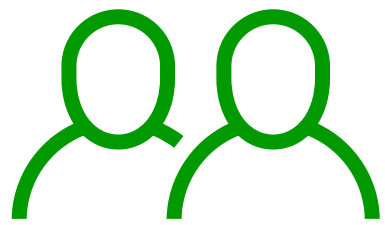
New multi-year sustainable
opex reduction supports
organic Adj. EBITDA growth.

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

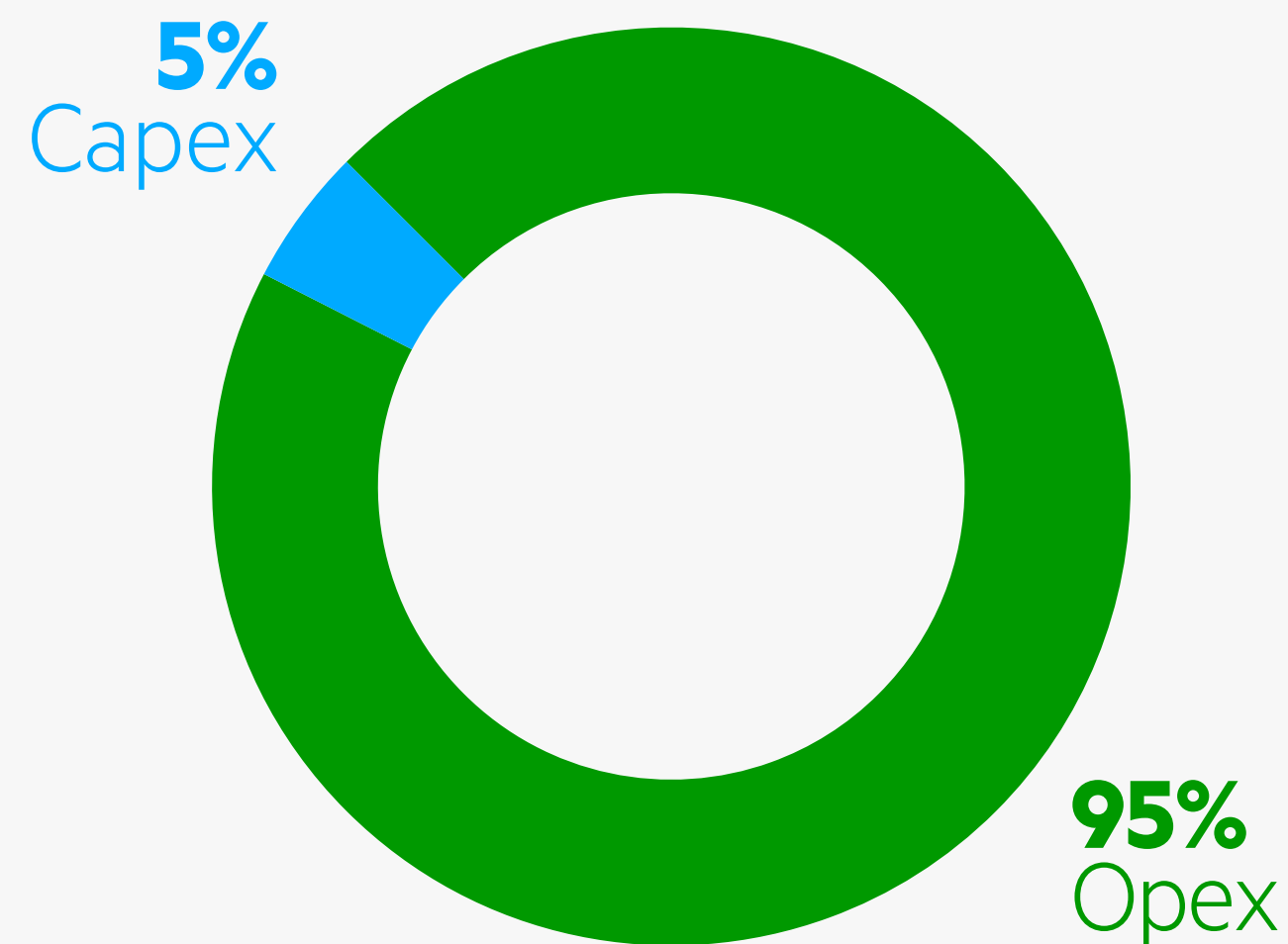


Wholesale

Grow WBA/VULA
Maintain disciplined strategy

Accelerate multi-year sustainable opex reductions

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



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

**opex
reductions**

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.**

Portfolio rationalization and end-to-end digitalization

1



Standardize portfolio, selective growth in IT



Migrate to target portfolio platforms



Reduce complexity

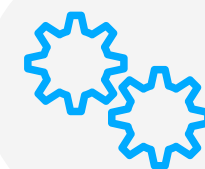
2



Lean operating model



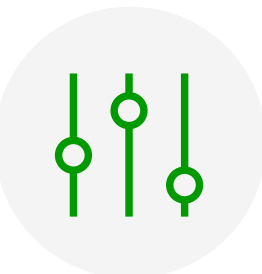
Digital customer journeys



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

Current IP-VPN	New SD-WAN
Physical delivery	OTT delivery
>12 weeks	<1 day
21 manual actions	1 manual action (shipping)

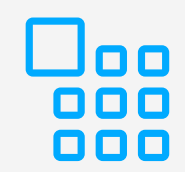
Customer: 100 routers need updating

Current IP-VPN	New SD-WAN
50 hours (~30 min per router)	4 hours
100 on-premise actions	1 remote action

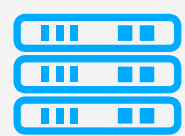
- Improved customer satisfaction
- Improved flexibility
- Substantially lower roll-out cost
- Serve more customers in less time

IT rationalization and organizational effectiveness

4



Consolidate IT platforms and decommission legacy



Standardized solutions and hardware



Vendor optimization

5



Clear end-to-end responsibilities



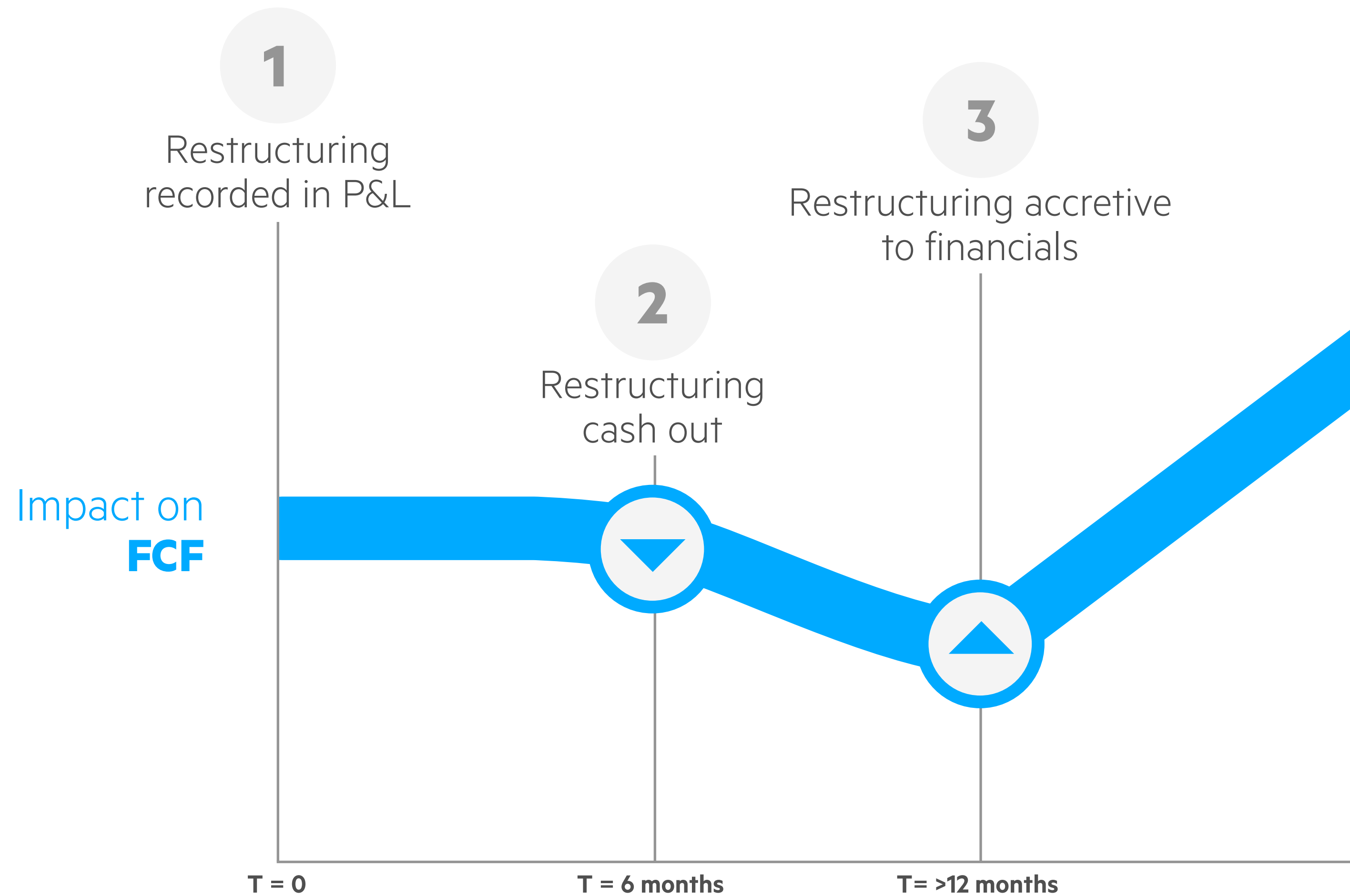
Delayer management and organizational simplification



Automate processes

Restructuring accretive

benefits back-end loaded



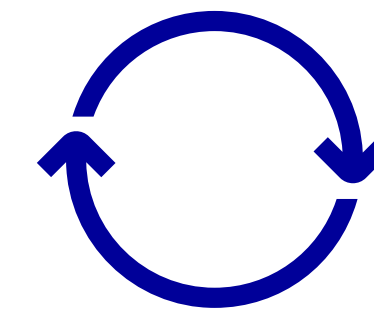
Capex planning supported by data and zero-based budgeting



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 benefits¹

+15%

NPS²

+€ 6

ARPU

-34%

Churn

+9%_{opt}

Broadband
market share

**Payback period
reduced by ~50%³**

1 Q3 2018, >200Mbps households vs. <200Mbps households

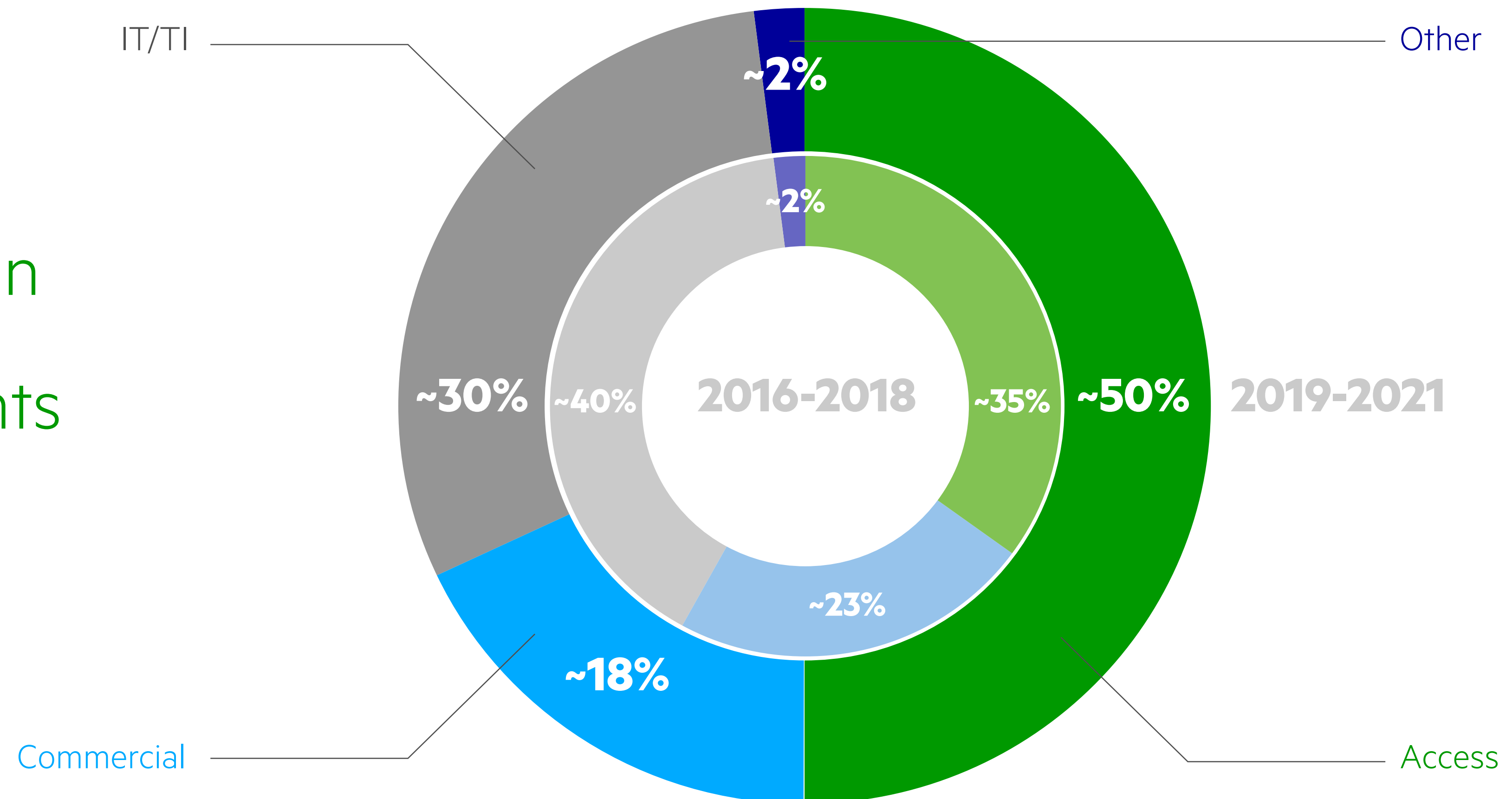
2 KPN brand, source: Kantar TNS

3 2019 - 2021 vs. 2012

Stable Capex envelope

€ 1.1bn per annum in 2019-2021

Substantial shift in the mix enabling higher investments in access

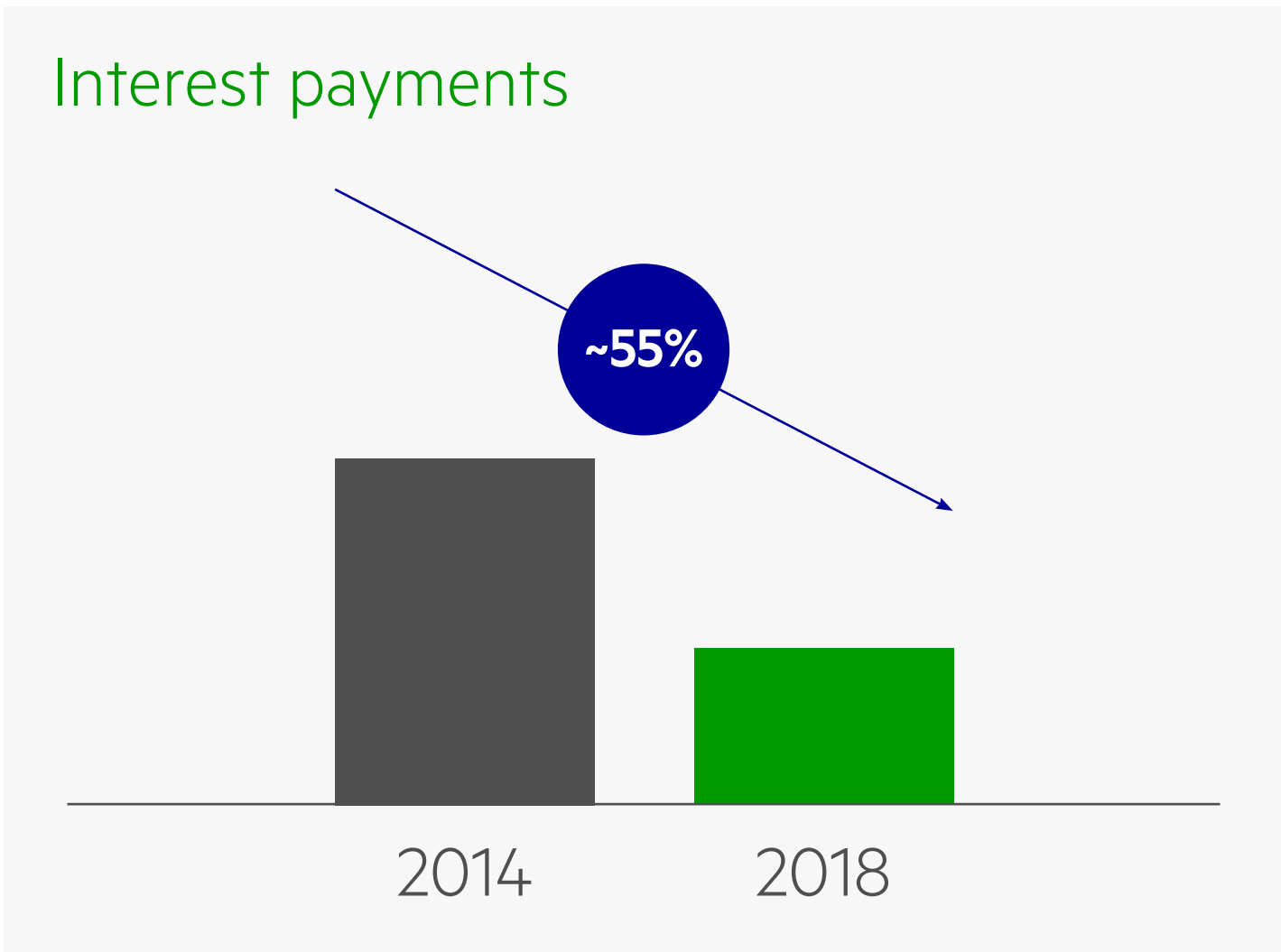


Committed to solid financial profile

Solid investment grade credit profile

MOODY'S	Baa3 / Stable
S&P Global Ratings	BBB- / Positive
FitchRatings	BBB / Stable

Optimized balance sheet position



Medium-term leverage



Organic and sustainable

Adj. EBITDA & FCF growth

	2018 outlook	2019 - 2021 ambitions
Adjusted EBITDA	In line with 2017	Organic growth
Capex	~€ 1.1bn	Stable at € 1.1bn annually
FCF (excl. TEFD dividend)	~€ 800m	Sustainable growth, driven by EBITDA
Dividend	€ 12ct per share	Progressive dividend, supported by FCF

ORGANIC SUSTAINABLE GROWTH

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.**