

# CAPITAL MARKETS DAY 2018

28 November 2018  
Rotterdam





# Program



**13:00**

**WELCOME, GROUP STRATEGY**

Maximo Ibarra  
CEO



**13:30**

**NETWORK, OPERATIONS & IT**

Joost Farwerck  
COO



**14:00**

**CONSUMER**

Jean-Pascal van Overbeke  
Chief Consumer Market



**14:15**

**BUSINESS**

Maximo Ibarra  
CEO and  
a.i. Chief Business Market



**14:30**

**BREAK**



**15:00**

**FINANCIALS**

Jan Kees de Jager  
CFO



**15:30**

**FINAL REMARKS**

Maximo Ibarra  
CEO



**15:40 - 17:30**

**Q&A**

# 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 financial 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.

Financial information is based on KPN's interpretation of IFRS as adopted by the European Union as disclosed in the Integrated Annual Report 2017 and do not take into account the impact of future IFRS standards or interpretations. 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](http://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 2017. Forward-looking financial information do not take into account the impact of new IFRS standards or interpretations effective for future reporting periods (such as IFRS 16 Leasing). All forward-looking statements and ambitions stated in this financial report that refer to a growth or decline, refer to such growth or decline relative to the situation per 31 December 2018, unless stated otherwise.



# GROUP STRATEGY

**Maximo Ibarra**

Chief Executive Officer

Amsterdam



CAPITAL  
MARKETS  
DAY 2018



# ORGANIC SUSTAINABLE GROWTH

ORGANIC  
SUSTAINABLE  
GROWTH

**Value  
over  
volume.**

**Lean  
operating  
model.**

# ORGANIC SUSTAINABLE GROWTH

## **Consumer**

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Converged  
customer base  
growth

## **Business**

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Stabilize EBITDA  
and service  
revenues

## **Lean**

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New multi-year  
opex reduction  
program

# STRATEGY 2019 2021

The best **converged smart infrastructure**.

Focus on **profitable growth** segments.

Acceleration of **simplification and digitalization**.



# EXTERNAL ENVIRONMENT



**The  
Netherlands.  
Ecosystem.  
Telecom  
market.**



# The Netherlands:

## strong external environment



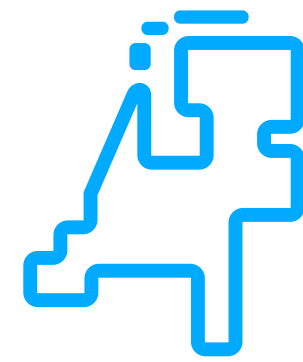
### Strong economy

High GDP growth **2.8%**  
Low unemployment rate **3.9%**

Ranked

# #6

on The Global Competitiveness  
Index in 2018



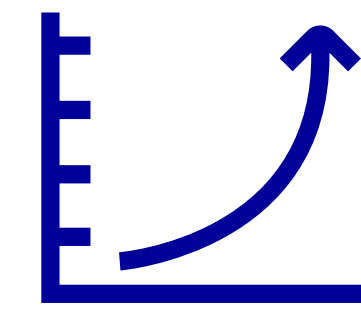
### Excellent infrastructure

Dense and small geography  
Well connected to core Internet

Home of

# #1

largest Internet exchange  
hub in Europe



### Tech savvy

Country of early  
adopters

Highest smartphone and Internet  
penetration in Europe

# +225%

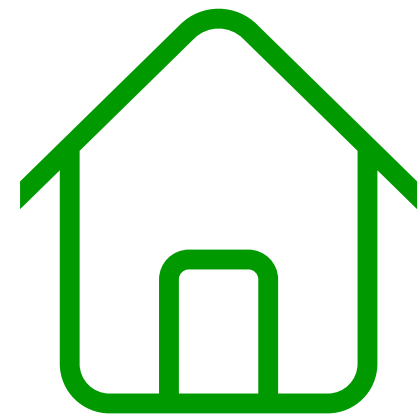
mobile data usage growth  
(2015 - 2017)

Sources: CBP, September 2018 - World Economic Forum, Global Competitiveness Report 2018 - Digital Gateway to Europe, 2017 Report - Deloitte, GMCS 2017 - CBS, February 2018 - ACM, May 2018



# The ecosystem is evolving:

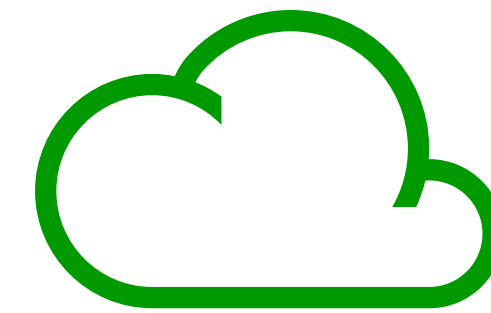
integrated converged propositions



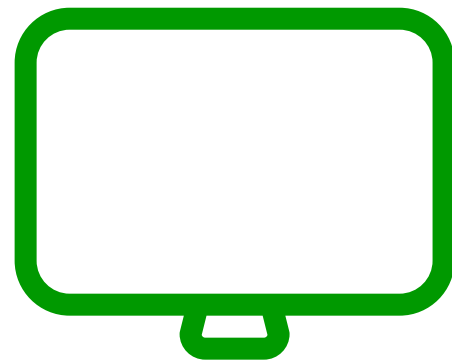
Household



Business



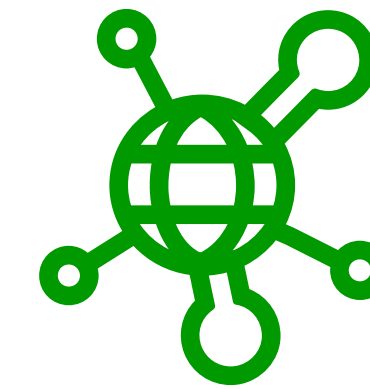
Cloud



TV



Security



IoT

**ONE STOP SHOP**



# The ecosystem is evolving:

key enabling technologies



Fiber



4G/5G



Virtualization  
& Cloud

## HYBRID NETWORKS & PLATFORMS



# The Dutch telecom market:

mature and dynamic

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## Leading broadband performance in Europe

Average 4G throughput of **42Mbps**

>98% of population has at least  
**100Mbps** capable broadband  
connection

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## Highly regulated market



Fixed access regulation

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## One of the most **competitive** markets

Revenue growth:

▲ Europe: +0.3%

▼ Netherlands: -2.0%

# KPN today:

## stronger and more flexible

Broadband footprint

**~80%**

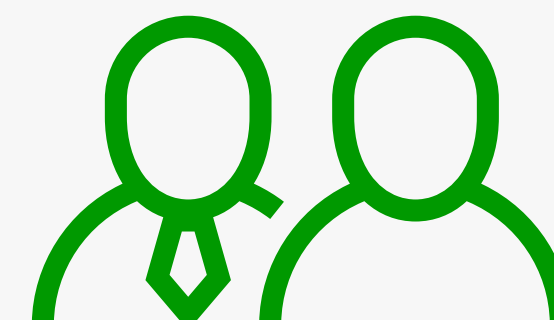
FttH/FttC  
penetration

Market position

**>40%**

Market share in  
mobile & broadband<sup>1</sup>

Innovative & skilled  
workforce



High employee  
engagement

Customer satisfaction

**+12**<sup>NL</sup>  
NPS<sup>2</sup>

FMC leadership in  
Consumer & Business

Q3 2018

<sup>1</sup> Mobile based on Q4 2017, broadband based on Q3 2018

<sup>2</sup> Source: Kantar TNS (NPS)



# KPN today:

## solid financial performance

Adjusted EBITDA

**In line**

Capex

**~€1.1bn**

Free Cash Flow

growth driven by  
Capex & interest

**+10%**

Adjusted EBITDA, Capex and FCF (excl. TEFD dividend) based on 2018 outlook

# Doing business in a sustainable manner



100% green energy

**2011**



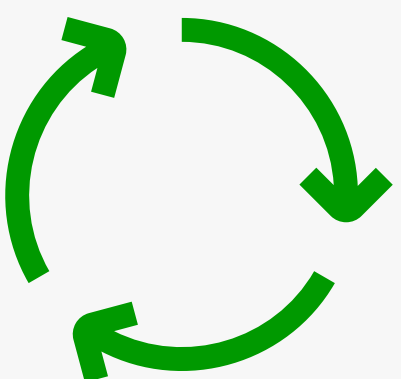
Climate neutral

**2015**

**25%**

Energy reduction<sup>1</sup>

**2020**



Circular

**2025**

## Leading position in benchmarks



MEMBER OF  
**Dow Jones**  
**Sustainability Indices**  
In Collaboration with RobecoSAM

Reputation ranking  
**TOP 3** European  
Telcos  
RepTrak Pulse 2017

<sup>1</sup> Compared to 2010



# ORGANIC SUSTAINABLE GROWTH

The best **converged  
smart infrastructure.**

Focus on **profitable  
growth** segments.

Acceleration of  
**simplification** and  
**digitalization.**

# The best converged smart infrastructure

digital highway of the Netherlands

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Fiber roll-out  
acceleration

**+1 million**

FttH households  
by end 2021

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Full mobile network  
modernization

**100%**

**5G** ready  
by end 2021

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Moving to  
All-IP

**100%**

by end 2021

**Stable Capex envelope:** substantial shift in mix



# Focus on profitable growth segments

## Consumer

**+300k**

converged households  
by end 2021

**70%**

postpaid base  
converged in 2021

## Business

SME base

**100%**

on KPN EEN<sup>1</sup>  
by mid 2020

LE & Corporate

**Value over  
volume**

**Stabilized**

**end-to-end Adjusted EBITDA<sup>2</sup>**  
mid 2020

<sup>1</sup> Traditional fixed voice and legacy broadband

<sup>2</sup> End-to-end Adjusted EBITDA refers to the new segment reporting after the change in the organizational structure per 1 January 2019

# Acceleration of simplification & digitalization

From **20 to 2**  
converged IT  
stacks

From **5** core  
networks **to 1**

**Simplified**  
end-to-end  
organization

**~€350 million**

2019 - 2021 new net  
opex savings program<sup>1</sup>

1 Indirect opex adjusted for the impact of restructuring costs and incidentals



**Premium.**

**Value.**

**Focus.**

**Lean.**

**Innovative  
operating  
model.**

**&  
commercial  
approach.**

**ORGANIC  
SUSTAINABLE  
GROWTH**