Analyst round table session

Topic: Improving quality, reducing spend

Jan Kees de Jager, CFO
11 November 2016
Execution of strategy on track

Further strengthening our Company

**SIMPLIFY**
- Digital & simple service and delivery

**GROW**
- Converged Telco & IT services

**INNOVATE**
- Excellent user experience

**Commercial**
- Flexible & simplified networks and operating model
- Best-in-class secured integrated networks
- Applying innovative technologies

**Operational**
- Lean cost structure
- Value management & predictable cash generation
- Invested ahead of the curve

**Financial**

**CEO**

Shareholder value creation
Strong progress in reducing spend levels

Q3 ’16 YTD opex reduction (€ 111m) supporting margins

Solid Capex reduction

Cost of goods & services +0.6%  
- Traffic  
- Cost of goods sold  
- SAC/SRC

Personnel expenses -4.5%  
- Own personnel  
- External personnel

IT/IT expenses -4.0%  
- Savings mainly from decommissioned legacy IT systems

Other opex -14%  
- Marketing & Comm.  
- Billing & Collection  
- Housing Facilities

1 All figures based on continuing operations, unless stated otherwise  
2 The presented categories show adjusted numbers and differ from the opex breakdown as presented in KPN’s Integrated Annual Report 2015
Reduced personnel expenses in all layers of the organization
Quality programs in customer service driving down personnel expenses

Increased span of control BoM, reduction management layers NL

Old
CEO, CFO, CCO, COO
CM RSD, CM MOS, Business, NetCo
Sales CM, Sales BM, Marketing, Wholesale, Operations, Simplification

New
CCO, CEO, CFO, COO
Sales, Products & Marketing, Customer service
Operations, Wholesale, Simplification

Successful quality programs in place to prevent and handle Consumer calls

~135%
Dec '15 Oct '16
~15%
Dec '15 Oct '16
~10%
YTD '15 YTD '16
~20%
End-2015 Oct '16

Website traffic (avg. weekly views)
First call resolution Consumer
# calls Consumer
Total personnel customer service

1 Management estimates
Improving customer experience while rationalizing IT
Combining traditional and disruptive approaches in Simplification program

1. Improving customer experience
2. Fixed and mobile IT rationalization
A complete overhaul of our fixed and mobile IT landscape
Leading to significant benefits for customers and organization

Simplified operating model

KPN Fixed  | Telfort Fixed  | KPN Mobile

RATIONALIZE IT CUSTOMER INTERACTION LAYER

Benefits
(1=€ 80m for KPN Consumer Fixed and Mobile IT rationalization)

Faster time-to-market
(e.g. implementing minor change to mobile proposition reduced from 6 weeks to 3 days)

Consumer fixed IT systems

€m

- Cumulative cash flow
- Project benefits
- Project costs


Consumer mobile IT systems

€m

- Cumulative cash flow
- Project benefits
- Project costs

2014 2015 2016e 2017e 2018e

Analyst round table  |  IT / TI expenses  |  6
Lower marketing, billing and housing expenses

Driven by increased loyalty, improved processes and less floor space

Reduced marketing costs due to lower churn levels

~12% 
Fixed customer churn

~9%

~20%
Mobile customer churn

~9%

~4-5%
Fixed-mobile household churn

Improved billing processes leading to lower costs

~40% lower mail costs

~50% lower IT costs

~30% lower costs related to calls

~30% less overdue payments y-on-y
YTD’16

Lower housing expenses driven by store transformation and office rationalization

- Focus on online customer sales & service
- ~33% stores closed since 2014; ~25% cost reduction
- New Experience Centers in larger shopping areas

Office rent expenses (€ m)

-25%

End-2014 
End-Q3 ’16

-18%

Office space (m²)

Office rent expenses (€ m)

2014 
Q3 ’16 annualized

Analyst round table | Other operating expenses | 7

1 Annualized gross churn KPN brand
2 Related to Billing & Collection, Q3 ’16 annualized compared to 2012
Summary
Improving quality, reducing spend

We are delivering on our strategy

- Continuously simplifying and innovating
- Enhanced customer experience
- Increased customer loyalty
- Lower cost of service

NPS scores improved across all business lines¹

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<thead>
<tr>
<th></th>
<th>Consumer residential</th>
<th>Consumer mobile</th>
<th>Business</th>
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</thead>
<tbody>
<tr>
<td>NPS Q3 '15</td>
<td>6</td>
<td>7</td>
<td>-10</td>
</tr>
<tr>
<td>NPS Q3 '16</td>
<td>9</td>
<td>10</td>
<td>-5</td>
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</tbody>
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¹ Source: TNS NIPO. Consumer residential (all brands), Consumer mobile (all brands), Business (KPN brand)