Strategy Update 2020

24 November 2020

kpn. The network of the Netherlands
Strategy Update 2020

Accelerate to grow

kpn. The network of the Netherlands
Solid foundation in place, momentum is accelerating

Fiber rollout accelerating (k HP/week)

- H1 2019: ~1.5
- H2 2019: ~3
- H1 2020: ~5
- Oct 2020: ~9-10
- Avg. 2019: ~2.3

Encouraging base momentum

**Stabilizing** broadband base
**Growing** mobile base
49% converged households
86% SME base migrated

Strong cost savings discipline

€ 256m YTD 2020 net indirect opex savings realized in latest program

Returned to adj. EBITDA AL growth

+1.2% y-on-y 2019
+1.5% y-on-y YTD 2020

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1. Eligible customers migrated from traditional voice or legacy broadband services
2. Corrected for impact of divestments
Acceleration supported by three key pillars

Three strategic pillars...

1. Leverage & expand superior network
   - Covering the Netherlands through fiber
   - Low latency services via 5G and edge computing

2. Grow & strengthen customer footprint
   - Outstanding digital experience
   - Differentiated services for families and businesses

3. Simplify & streamline operating model
   - New ways of digital working
   - Continue strong and disciplined cost control program

...to support our ambition to

Connect the Netherlands to a sustainable future
   - Leading the Dutch digitalization wave
   - Recognized as ESG front runner

Grow mass-market service revenues and EBITDA
   - Fiber fueling household revenue growth in B2C
   - Segmented B2B approach, stabilize SME first

Provide attractive shareholder returns
   - Covered by growing Free Cash Flow
   - Progressive dividend, +3-5% annually
Supportive industry trends, telcos more relevant than ever

- Demand for more connectivity and better, differentiated offerings
- Ecosystem business models
- Artificial Intelligence enabling neural B2B networks
- Work/life boundaries blurring
- Security, privacy and trust
- Next-generation gaming cloud-based multiplayer 4K, 8K, HDR

Massive data growth over the years
(KPN core traffic, Tbps)

Strategy Update 2020
The Netherlands: an attractive environment to do business

Outperforming economy in Europe (% GDP growth y-on-y)

<table>
<thead>
<tr>
<th>Year</th>
<th>NL</th>
<th>Eurozone</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2.0</td>
<td>1.9</td>
</tr>
<tr>
<td>2016</td>
<td>2.2</td>
<td>1.9</td>
</tr>
<tr>
<td>2017</td>
<td>2.9</td>
<td>2.6</td>
</tr>
<tr>
<td>2018</td>
<td>2.4</td>
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<tr>
<td>2019</td>
<td>1.7</td>
<td>1.3</td>
</tr>
<tr>
<td>2020</td>
<td>5.0</td>
<td>-8.0</td>
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Best investment climate in Europe

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Rank vs. 2018</th>
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<tbody>
<tr>
<td>1</td>
<td>Singapore</td>
<td>+1</td>
</tr>
<tr>
<td>2</td>
<td>United States</td>
<td>-1</td>
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<tr>
<td>3</td>
<td>Hong Kong</td>
<td>+4</td>
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<td>4</td>
<td>Netherlands</td>
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<tr>
<td>5</td>
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<tr>
<td>6</td>
<td>Japan</td>
<td>-1</td>
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<td>7</td>
<td>Germany</td>
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<td>8</td>
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<td>+1</td>
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<tr>
<td>9</td>
<td>United Kingdom</td>
<td>-1</td>
</tr>
<tr>
<td>10</td>
<td>Denmark</td>
<td>-</td>
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</table>

AAA country extending COVID-19 support into 2021 (% debt/GDP ratio)

<table>
<thead>
<tr>
<th>Year</th>
<th>NL</th>
<th>Eurozone</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>64</td>
<td>91</td>
</tr>
<tr>
<td>2016</td>
<td>62</td>
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<td>2017</td>
<td>57</td>
<td>88</td>
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<td>2018</td>
<td>52</td>
<td>86</td>
</tr>
<tr>
<td>2019</td>
<td>49</td>
<td>84</td>
</tr>
<tr>
<td>2020</td>
<td>60</td>
<td>103</td>
</tr>
</tbody>
</table>
The Netherlands: leading in digitalization

Frontrunner on digitalization

#2 Digitalization Index

Best performer
Digital Infrastructure
Digital Intensity

Lowest latency in Europe

6 milliseconds
Amsterdam – London

Largest
Internet exchange hub in Europe

Leading broadband penetration

98% Fixed broadband penetration vs. 77% EU average

All 3 mobile networks in global top-10

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KPN well positioned in mature three-player market

<table>
<thead>
<tr>
<th>Category</th>
<th>KPN</th>
<th>Vodafone</th>
<th>Ziggo</th>
<th>T-1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed access</td>
<td>FttH, FttC</td>
<td>Coax</td>
<td>~43%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Broadband network market share</td>
<td>~52%</td>
<td>~52%</td>
<td>~4%</td>
<td>~4%</td>
</tr>
<tr>
<td>TV product perception (1-10)</td>
<td>7.2</td>
<td>6.7</td>
<td>6.8</td>
<td></td>
</tr>
<tr>
<td>TV market share</td>
<td>~31%</td>
<td>~30%</td>
<td>~33%</td>
<td>~33%</td>
</tr>
<tr>
<td>Mobile network quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile value market share</td>
<td>~37%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-mobile convergence</td>
<td>49%</td>
<td>42%</td>
<td></td>
<td>n.a.</td>
</tr>
<tr>
<td>Business market presence</td>
<td>SME, LE, Corporate</td>
<td>SME, LE, Corporate</td>
<td>SME, LE</td>
<td></td>
</tr>
</tbody>
</table>
Network of the Netherlands

4.2m broadband customers

~52% total broadband network share

236Mbps average maximum download speed

Up to 1Gbps commercially available

7.2m mobile SIMs

99.4% 4G coverage, currently rolling out 5G

~90Mbps average download speed, >200Mbps on 5G

Revenues

54% Consumer

35% Business

12% Wholesale

Investing in the future of the Netherlands

>€ 1bn annual Capex

Biggest private investor in Dutch infrastructure

Invested

~€ 7bn in 2015-2020

~€ 400 per capita

1. Consumer, Business and Wholesale; Q3 / YTD 2020
2. Consumer + Wholesale, based on management estimates
3. Average technical download speed fixed broadband per year-end 2019
4. For designated FttH areas
5. Ookla
6. CIA World Fact Book
Integrated model to optimize value creation

Complementary cash flow profiles
Margin versus capital intensity

Optimized network penetration
Retail + Wholesale

Integrated service approach
Commercializing fiber rollout

Simplified IT & organization
Facilitates integrated model
Qualified & motivated workforce ready to accelerate digitalization of NL

Engaged employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Employee engagement score</th>
</tr>
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<tbody>
<tr>
<td>2019</td>
<td>77%</td>
</tr>
<tr>
<td>2020</td>
<td>86%</td>
</tr>
</tbody>
</table>

+9

Purpose
We go all out to connect everyone in the Netherlands to a sustainable future

Vision
To make the Netherlands the most connected country in the world

Ambition
Your preferred partner in digital life
ESG fully embedded in strategy and organization

- Industry, innovation & infrastructure
- Secure future-proof infrastructure
- Energy efficiency & circularity
- Social & digital inclusion
- Sustainable cities & communities

Responsible consumption & production
ESG milestones and ambitions recognized by leading benchmarks

Important milestones crossed...

- Carbon neutral for own operations
  - 2015 ✓

- 100% green energy
  - 2011 ✓

- >30% women in senior management
  - 2023

- >30% gender diversity at Board level
  - 2020 ✓

- ~100% circular
  - 2025

- Carbon neutral without offsets
  - 2030

- -50% CO₂e emission in supply chain vs 2014
  - 2040

...and an ambitious agenda

Rankings & awards in 2020

- Member of Dow Jones Sustainability Indices
- MSCI ESG Ratings AAA
- Platinum List
- The RepTrak Company
- Sector Winner 2020

Powered by the S&P Global CSA
Acceleration supported by three key pillars

Three strategic pillars...

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   - Covering the Netherlands through fiber
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...to support our ambition to

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Grow mass-market service revenues and EBITDA
   - Fiber fueling household revenue growth in B2C
   - Segmented B2B approach, stabilize SME first

Provide attractive shareholder returns
   - Covered by growing Free Cash Flow
   - Progressive dividend, +3-5% annually
State-of-the-art, future-proof network design

Copper legacy will mostly be phased out eventually

- **1,300** central offices
- **31,000** street cabinets
- **~8.5m** copper lines

We built a state-of-the-art network

- **4** core locations
- **161** metro core locations
- **~89%** FttS
- **~33%** FttH

Next step

Covering the Netherlands through fiber
Strong fiber foundation

**Largest** fiber footprint in NL
~33% FttH coverage (2.7m HP) as per Q3 2020

90 construction areas and growing

Scaling up rollout to ~10k HP per week
Upgrading copper to fiber (overlay areas)
New built areas

+7.6% B2C fiber service revenue growth in Q3 2020
driven by growing fiber base and higher fiber ARPU
€ 820m annualized mass-market fiber service revenues

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1. Management estimate, based on Q3 2020
Leverage superior network: attractive returns from fiber

Significantly higher network penetration over time:

<table>
<thead>
<tr>
<th></th>
<th>Year</th>
<th>Copper penetration (%)</th>
<th>Fiber penetration (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>YO-1</td>
<td>15-35%</td>
<td>40-50%</td>
<td></td>
</tr>
<tr>
<td>Y4-7</td>
<td>10-35%</td>
<td>50-60%</td>
<td></td>
</tr>
<tr>
<td>Y7+</td>
<td>5-10%</td>
<td>&gt;60%</td>
<td></td>
</tr>
</tbody>
</table>

~7% higher network penetration one year after connecting the first home in an area.

Customers increasingly willing to pay for quality:

- Inflow >100Mbps
- Average VAS revenue per user
- B2C ARPU

-50% + ~75% = ~50% +54% +8.6%

-67% Maintenance costs
-40% Churn

1. Network penetration rate in fiber areas in year X after initial rollout (incl. Wholesale)
2. Management estimate
Creating value through fiber investments

Penetration rate development over time (%)

- Fiber: Penetration rate uplift
- Copper: Penetration rate decline

ARPU

- €54 retail wholesale tariff (Higher)
- €50 retail wholesale tariff (Copper)

Retail + Wholesale Business case

A. Fiber revenue increase
B. Copper revenue loss mitigated
C. Increasing FttH footprint leads to customer base growth

Network share

Customer base

Cost per HP

Revenue (A+B) x margin x footprint expansion (C) = Value

FCF

Y0 Y1 Y2 Y3 Y4 Y5 Y6 Y7 ... Y30

>55% Network penetration on fiber network over time

+€4 Retail ARPU uplift

€700-900 Construction cost per HP

~67% Lower cost to operate

2023 Phasing out copper network in fiber areas

IRR > WACC
**Expand superior network:** the leading fiber company in the Netherlands

**Accelerating fiber rollout to base case ~500k HP annual run rate**

- 2019: ~120
- 2020: ~300
- 2021-2025: ~500

**Secured** contracting capacity

**Sophisticated** rollout area selection

**Ambition to cover the Netherlands with FttH**

- 2019: ~31%
- 2020: ~34%
- 2023: >50%
- 2025: ~65%
- Ultimate goal: >80%

1. % of Dutch households
Wholesale open access model adding value to the fiber case

**Contributing to the Netherlands**

- **Offer Dutch citizens access to superior networks**
  Accelerating digitalization in the Netherlands

- **Attractive portfolio at fair pricing for other service providers**
  Stimulating fair competition and ensuring choice for customers

- **In our view, creating a stable regulatory climate**
  Including potential future obligations, e.g., based on symmetrical access regulation

**...and to KPN**

Optimizing value creation through increased utilization of fixed and mobile network

~25% of fixed network penetration
Differentiated 5G services for B2B customers

- 100x faster
- 100x more connected devices (1 million per km²)
- 5x faster response times (5 ms)
- Slicing of virtual networks
- Mission-critical communication function

KPN well positioned

- Leading 5G ecosystem
- Differentiated 5G services
- Leading in Security
- Track record in critical networks and innovation

Coverage on demand
Guaranteed bandwidth
Application priority

4G - B2C driven - nationwide coverage
5G - B2B driven - industry solutions
5G strategy focused on offering differentiated services in specific industries

- Rural
- Mobility
- Industry
- Process
- Urban
- Health care
Accelerate to grow: leverage & expand superior network

Three strategic pillars...

1. Leverage & expand superior network
   - Strong network position in NL
   - Creating value through fiber investments
   - Covering NL through fiber; ~65% in 5 years
   - Committed to open access model
   - Differentiated 5G services for B2B customers

2. Grow & strengthen customer footprint
   - Outstanding digital experience
   - Differentiated services for families and businesses

3. Simplify & streamline operating model
   - New ways of digital working
   - Continue strong and disciplined cost control program

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Connect the Netherlands to a sustainable future
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Grow mass-market service revenues and EBITDA
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Provide attractive shareholder returns
- Covered by growing Free Cash Flow
- Progressive dividend, +3-5% annually
Mass-market service provider generating most attractive margins

B2C

SME

WHOLESALE

Revenues

~25%

~75%

Adj. EBITDA AL

~10%

~90%

B2C, SME, Wholesale

Other B2B

1. End-to-end adj. EBITDA AL YTD 2020, management estimate
B2C: Preferred digital partner for households

Propositions
- 2013 FMC (KPN Compleet)
- 2019 Flexible offering (KPN Hussel)

Digital partnerships
- 2011 Spotify
- 2015 Netflix
- 2019 Amazon

Brand convergence
- 2015 Hi
- 2019 Telfort

Serving as a platform for household value growth

Best digital access
Convergence, fiber, WiFi & 5G fueling base growth

Best digital experience
MijnKPN app as cornerstone for customer interaction

Best digital third-party services
Entertainment partnerships driving household value
B2C: Base developments turning in the right direction

Broadband net adds

Postpaid net adds

Total: -88k
KPN brand: +51k

Total: -91k
KPN brand: +79k

1. Corrected for migrations to and new customers of small business propositions
B2C: Strong brand position facilitating growth of flagship KPN brand

Built strong flagship KPN brand...

+15 Consumer NPS¹

>2m Broadband RGUs 49% Fixed-Mobile broadband penetration

>3m Mobile SIMs 60% Fixed-Mobile postpaid penetration

...with a strong reputation

Strongest Dutch brand²

#1 Reputation Ranking 2020³

Best Internet & mobile provider⁴

1. Kantar, twelve-month average NPS
2. Brand Finance 2019
3. Industry adjusted top 30 Dutch companies
4. Consumentenbond (Dutch Consumers' Association)
B2C: Providing best omni-channel experience with customer in control

Launching a new app enabling telco at your fingertips...

..in every part of the customer journey

- Onboarding
- Delivery status
- Installation guide
- Household management
- Cross-sell & retention
- Pro and reactive service

Higher NPS
Lower churn
Lower costs
B2C: Flexible offering focusing on households

KPN Hussel

- Gaming
- Pay TV & OTT
- Smarthome

Unique & clearly differentiated
Proposition

Single app-based platform
Customer in control

Home of entertainment
Aggregating 3rd party services

- Grow # households
- Increase share of wallet
- Reduce churn
- Grow ARPA (average revenue per address)
B2C: Return to service revenue growth by end 2021

Base growth
Fiber base growth offsetting copper decline
Mobile driven by Unlimited and convergence

Higher ARPA
Driven by household value steering

B2C service revenue growth by end 2021
B2B: Clearly segmented customer focus

**Small & Medium Enterprises (SME)**
- Modular future-proof portfolio

**Converged propositions**
- KPN Small Business
- KPN EEN

**Return to growth**
- Increased product density
- Customer migrations

**Large & Corporate Enterprises (LCE)**
- Modular future-proof portfolio

**Converged proposition**
- KPN Smart Combinations

**Return to growth**
- Drive cross & up-sell
- Customer migrations

**Tailored Solutions**
- Innovation with top customers

**Converged proposition**
- KPN Smart Integration

**Optimize for value**
- Sustainable relationships
- Customer retention

~35%  
~50%  
~40%  
~35%  
~25%  
~15%  

B2B Adj. service revenues contribution

B2B Adj. EBITDA AL contribution

1. YTD 2020, based on management estimates
B2B: Moving in the right direction despite revenue challenges

Underlying B2B revenue trend improving:

- 2015: -8.6%
- 2016: -7.3%
- 2017: -5.9%
- 2018: -4.3%
- 2019: -4.5%
- YTD 2020: -2.6%

YTD trend impacted by COVID and strategic actions:

- YTD 2019: 1452
- COVID-19: -5.8%
- Migrations: -2.6%
- Non-service: 1368
- Other: YTD 2020

1. All figures corrected for impact M&A, revenues 2017-2019 excluding hardware
SME: Distinctive KPN EEN proposition as solid foundation for growth

Modular offering for Small & Medium Enterprises

Strongly growing KPN EEN subscribers

<table>
<thead>
<tr>
<th>Quarter</th>
<th>KPN EEN subscribers (k)</th>
</tr>
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<tbody>
<tr>
<td>18Q1</td>
<td>278</td>
</tr>
<tr>
<td>18Q2</td>
<td>304</td>
</tr>
<tr>
<td>18Q3</td>
<td>334</td>
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<tr>
<td>18Q4</td>
<td>368</td>
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<tr>
<td>19Q1</td>
<td>402</td>
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<tr>
<td>19Q2</td>
<td>430</td>
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<td>19Q3</td>
<td>462</td>
</tr>
<tr>
<td>20Q1</td>
<td>549</td>
</tr>
<tr>
<td>20Q2</td>
<td>619</td>
</tr>
<tr>
<td>20Q3</td>
<td>673</td>
</tr>
</tbody>
</table>

KPN EEN offers strong benefits

+7 pt NPS\(^1\)  ~6% churn  -39% cost to serve\(^2\)

1. Kantar  2. Q3 2020 versus Q4 2018
SME: Service revenue stabilization by end 2021

Finalizing migrations and cross-sell opportunities fueling revenue stabilization

~6% of 2021 revenues in legacy products vs. 40% in 2019

>20% of KPN EEN base in triple play

**Double play** biggest within KPN EEN base

**Cross-sell** Fixed to Mobile and Mobile to Fixed

**Unlimited** supporting Mobile inflow ARPU
LCE: Platform positioning with future-proof proposition

Standardized offering for Large & Corporate Enterprises

- Access, Internet & Media
- Fixed Voice & UC
- Cloud
- Platform as a Service
- Networking
- Mobile
- Workspace Services
- Security & Continuity

KPN SMART COMBINATIONS

LCE customer migrations on track

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Migration Rate</th>
</tr>
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<tbody>
<tr>
<td>Q2 2019</td>
<td>33%</td>
</tr>
<tr>
<td>Q4 2019</td>
<td>53%</td>
</tr>
<tr>
<td>Q3 2020</td>
<td>75%</td>
</tr>
</tbody>
</table>

Return to growth driven by
- Gradually decreasing impact of rationalization
- Drive cross and up-sell
- Growth driven by Secure Networking, Cloud and Workspace, Security and IoT
- 5G value added services
- Partnerships to complement core services

Strategy Update 2020
B2B: Digital transformation to improve customer experience

Digitalizing customer journeys + Improving operational excellence =

-50% products by end 2021
-75% IT systems by end 2021

Currently:
-42% currently
-60% currently

Positive NPS on goal portfolio:

-4 Legacy
7 KPN EEN SME
9 Target portfolio LCE

1. Compared to end 2018
2. KPN EEN IT architecture, compared to end 2018, management estimate
3. Kantar NPS Benchmark Q3 2020
Wholesale: Sustainable growth from open access model

Growing broadband base (k)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>ODF</th>
<th>MDF</th>
<th>WBA</th>
</tr>
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<tbody>
<tr>
<td>Q1 2019</td>
<td></td>
<td></td>
<td>877</td>
</tr>
<tr>
<td>Q2 2019</td>
<td></td>
<td></td>
<td>906</td>
</tr>
<tr>
<td>Q3 2019</td>
<td></td>
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<td>Q4 2019</td>
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<tr>
<td>Q1 2020</td>
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<td>978</td>
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<tr>
<td>Q2 2020</td>
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<td>993</td>
</tr>
<tr>
<td>Q3 2020</td>
<td></td>
<td></td>
<td>1,016</td>
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</table>

Long-term commercial MVNO agreements (k)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Prepaid</th>
<th>Postpaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2 2019</td>
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</tr>
<tr>
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<td>Q1 2020</td>
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<tr>
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<td></td>
<td></td>
</tr>
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<td>Q3 2020</td>
<td></td>
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</tbody>
</table>

Continued Wholesale revenue growth
Accelerate to grow: grow and strengthen customer footprint

Three strategic pillars...

1. Leverage & expand superior network
   - Covering the Netherlands through fiber
   - Low latency services via 5G and edge computing

2. Grow & strengthen customer footprint
   - Strong service portfolio
   - Digital journeys, service and sales
   - Partnerships for complementary services
   - Fiber fueling growth in B2C
   - Finalizing migrations fueling SME revenue stabilization

3. Simplify & streamline operating model
   - New ways of digital working
   - Continue strong and disciplined cost control program

...to support our ambition to

- Connect the Netherlands to a sustainable future
  - Leading the Dutch digitalization wave
  - Recognized as ESG front runner

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  - Segmented B2B approach, stabilize SME first

- Provide attractive shareholder returns
  - Covered by growing Free Cash Flow
  - Progressive dividend, +3-5% annually
Momentum to embed digitalization in all layers of the organization

- **Digital customer interaction**
  - Outstanding digital experience
    - Scalable front-end solutions for seamless customer interaction
    - Differentiating services for families and businesses

- **Digital employee mindset & capabilities**
  - Digital mindset in organization & new way of working
    - Flexible new way of working
    - Further develop digital capabilities

- **Simple architecture & technology**
  - Simple end-state architecture & technology
    - Finalize integration towards target end-state architecture and technology
Strongly simplified IT architecture to accelerate digitalization

**Big steps in IT simplification in past years**
- B2C KPN Fixed integration
- B2C KPN Mobile integration
- Telfort rationalization
- B2B back-end integration
How we work: digital mindset & new ways of working

**Personal**
- Flexible working opportunities
- High vitality & engagement
- Build future digital skills

**Collaborative**
- Reimagine offices
- Improve collaboration
- Enable innovation

**High performing**
- Improve outcome, focus on results
- Streamline decision making
- Simplify way of working

**Efficient**
- Shift to more remote working
- Reduce office footprint
- Less travel, more sustainable

**COVID-19 accelerated move to digital**
- $\approx 8,000$ employees working from home
- $\approx 90\%$ stating they can do their work well
- $+350\%$ growth of online courses

Moving to more remote working
**Accelerate to grow:** simplify & streamline operating model

**Three strategic pillars...**

1. **Leverage & expand superior network**
   - Covering the Netherlands through fiber
   - Low latency services via 5G and edge computing

2. **Grow & strengthen customer footprint**
   - Outstanding digital experience
   - Differentiated services for families and businesses

3. **Simplify & streamline operating model**
   - Strong foundation to digitalize
   - Ambitious digitalization agenda
   - New ways of digital working
   - Continue strong and disciplined cost control program

**...to support our ambition to**

- **Connect the Netherlands to a sustainable future**
  - Leading the Dutch digitalization wave
  - Recognized as ESG front runner

- **Grow mass-market service revenues and EBITDA**
  - Fiber fueling household revenue growth in B2C
  - Segmented B2B approach, stabilize SME first

- **Provide attractive shareholder returns**
  - Covered by growing Free Cash Flow
  - Progressive dividend, +3-5% annually
Delivering strong margins and cash generation vs. EU peers

Adjusted EBITDA (AL) margin KPN vs. Europe (%)

Steadily improving ROCE (%)

Operational free cash flow margin KPN vs. Europe (%)

1. Based on H1 2020 incumbent domestic figures, definitions may differ
Growing mass-market revenues and next wave cost savings

Return to **growth** in B2C

**Stabilize** SME

Continued **growth** Wholesale

**Growing** mass-market service revenues by end 2021

**Initial € 350m target ~17% of 2018 cost base**

<table>
<thead>
<tr>
<th></th>
<th>FY 2019</th>
<th>YTD 2020</th>
<th>Total end Q3 2020</th>
<th>Additional savings</th>
<th>2019-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>141</td>
<td>115</td>
<td>256</td>
<td></td>
<td>375-400</td>
</tr>
</tbody>
</table>

**New wave cost savings program (2021-2023)**

>€ 250m net indirect opex (~15% of 2020 indirect cost base)

---

1. Net indirect opex after leases, adjusted for the impact of restructuring costs and incidentals and corrected for divestments
Five main contributors to next wave of cost savings program

**Portfolio simplification**
- B2C+B2B: simplify product portfolio
- Phase out legacy products
- Optimize products & marketing

**Digital customer journey**
- B2C+SME: app as primary touchpoint
- Data-driven customer insights
- Digital first customer journeys
- Partnerships

**IT rationalization**
- CRM and Service & Operations
- Move to three integrated IT stacks
- ERP implementation
- Simplify network-related IT

**Network rationalization**
- All-IP migration by end 2021
- Copper phase out as of 2023

**Executing on COVID opportunities**
- Reduce office footprint
- Smaller lease fleet
- Adjust employee facilities
- Digitalization & automation
Making clear investment decisions: accelerate fiber

Capex to increase to €1.1-1.2bn in 2021-2023

€ 1.2bn
2021

€ 1.1-1.2bn
2022-2023

Increasing fiber investments (€ bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Fiber</th>
<th>Non-fiber</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>€ 127m</td>
<td>€ 981m</td>
</tr>
<tr>
<td>2020</td>
<td>€ 270-290m</td>
<td>€ 820-850m</td>
</tr>
<tr>
<td>2021</td>
<td>€ 450-500m</td>
<td>€ 700-750m</td>
</tr>
</tbody>
</table>

Capex / sales (%)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiber</td>
<td>2.3</td>
<td>5-6</td>
<td>8-10</td>
</tr>
<tr>
<td>Non-fiber</td>
<td>18.2</td>
<td>16-17</td>
<td>13-15</td>
</tr>
<tr>
<td>Total</td>
<td>20.5</td>
<td>21-23</td>
<td>22-24</td>
</tr>
</tbody>
</table>

1. Corrected for impact of divestments
### Clear Free Cash Flow growth trajectory

#### Outlook 2020

<table>
<thead>
<tr>
<th>Category</th>
<th>Adjusted EBITDA AL</th>
<th>Capex</th>
<th>Cash restructuring</th>
<th>Incidental</th>
<th>Change in provisions</th>
<th>Interest paid</th>
<th>Taxes paid</th>
<th>Changes in working capital</th>
<th>Other income</th>
<th>Other movements</th>
<th>Free Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2021 y-on-y</strong></td>
<td>↑</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>↑</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2022+ y-on-y</strong></td>
<td>↑</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>↓</td>
<td></td>
<td></td>
<td></td>
<td>↑</td>
</tr>
</tbody>
</table>

#### Cash interest paid

- **2021:** ~€ 30m less interest paid driven by bond redemptions and refinancing

#### Cash taxes paid

- **2021:** ~€ 50-60m cash taxes paid due to limited access to tax losses
- **2022+:** ~€ 150m cash taxes paid due to limitation of use of tax losses, but DTA available indefinitely

#### Investments in working capital

Less, but still investments in working capital due to steady-state fiber rollout and continued working capital optimization program
Robust liquidity position & committed to investment grade credit profile

<table>
<thead>
<tr>
<th>Robust liquidity...</th>
<th>...covering debt maturity until 2023</th>
<th>Leverage profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; short term investments</td>
<td>792</td>
<td>2.7x</td>
</tr>
<tr>
<td>RCF</td>
<td>1,250</td>
<td>2.3x</td>
</tr>
<tr>
<td>Total liquidity end Q3 2020</td>
<td>2,042</td>
<td>2.4x</td>
</tr>
<tr>
<td>Debt maturities 2021</td>
<td>613</td>
<td>Q3 2018</td>
</tr>
<tr>
<td>Debt maturities 2022</td>
<td>616</td>
<td>Q3 2019</td>
</tr>
<tr>
<td>First call hybrid bond 2023</td>
<td>465</td>
<td></td>
</tr>
<tr>
<td>Remaining debt maturities 2020-2023</td>
<td>1,694</td>
<td></td>
</tr>
</tbody>
</table>

Committed to an investment grade credit profile

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Leverage target</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P Global Ratings</td>
<td>BBB / Stable</td>
<td>&lt;2.5x</td>
</tr>
<tr>
<td>Fitch Ratings</td>
<td>BBB / Stable</td>
<td></td>
</tr>
<tr>
<td>Moody’s</td>
<td>Baa3 / Stable</td>
<td></td>
</tr>
</tbody>
</table>

1. As of 30 September 2020, KPN had € 210m outstanding under its € 1bn STEP-labelled Euro Commercial Paper program
2. Net debt (excl leases) / LTM Adjusted EBITDA AL
Further expanding margins going forward

Adjusted EBITDA (AL) margin KPN vs. Europe (%)

Opportunity to increase margin >46%

Operational free cash flow margin KPN vs. Europe (%)

Ambition to move to top-quartile

1. Based on H1 2020 incumbent domestic figures, definitions may differ
## Outlook 2021 and ambitions 2023

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj. EBITDA AL</td>
<td>~€ 2,320m</td>
<td>Growth</td>
<td>&gt;€ 2,450m</td>
</tr>
<tr>
<td>Capex</td>
<td>€ 1.1bn</td>
<td>€ 1.2bn</td>
<td>€ 1.1-1.2bn</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>~€ 750m</td>
<td>~€ 750m</td>
<td>&gt;€ 870m</td>
</tr>
<tr>
<td>Regular DPS</td>
<td>€ 13 cents</td>
<td>Progressive +3-5% annual growth</td>
<td>Progressive +3-5% annual growth</td>
</tr>
</tbody>
</table>
Continue attractive shareholder returns

Committed to progressive dividend policy

<table>
<thead>
<tr>
<th>Year</th>
<th>Regular DPS (€ ct)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>7</td>
</tr>
<tr>
<td>2015</td>
<td>8</td>
</tr>
<tr>
<td>2016</td>
<td>10</td>
</tr>
<tr>
<td>2017</td>
<td>11</td>
</tr>
<tr>
<td>2018</td>
<td>12</td>
</tr>
<tr>
<td>2019</td>
<td>12.5</td>
</tr>
<tr>
<td>2020</td>
<td>13</td>
</tr>
</tbody>
</table>

+3-5% CAGR

57  Strategy Update 2020
Wrap up and Q&A

- **Accelerate** fiber
- **Digitalize** customer journeys
- **Grow mass-market** revenues
- **Next wave** cost savings
- **Progressive** dividend
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 2019. KPN’s management considers these non-GAAP figures combined with GAAP performance measures 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 are based on continuing operations and 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 2019 and do not take into account the impact of future IFRS standards or interpretations. Note that certain definitions used by KPN in this report deviate from the literal definition thereof 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. KPN defines revenues as the total of revenues and other income. Adjusted revenues are derived from revenues (including other income) and are adjusted for the impact of inciendals. KPN defines EBITDA as operating result before depreciation (including impairments) of PP&E and amortization (including impairments) of intangible assets. Adjusted EBITDA after leases (adjusted EBITDA AL) is derived from EBITDA and is adjusted for the impact of restructuring costs and INCIDENTALS (adjusted) and for lease costs, including depreciation of right-of-use assets and interest on lease liabilities (after lease or AL). KPN defines Gross Debt as the nominal value of interest-bearing financial liabilities representing the net repayment obligations in Euro, excluding derivatives, related collateral, and leases, taking into account 50% of the nominal value of the hybrid capital instruments. In its Leverage Ratio, KPN defines Net Debt as Gross Debt less net cash and short-term investments, divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). The Lease adjusted leverage ratio is calculated as Net Debt including lease liabilities divided by 12 month rolling adjusted EBITDA excluding major changes in the composition of the Group (acquisitions and disposals). Operational free cash flow is defined as adjusted EBITDA AL minus capital expenditures (Capex) being expenditures on PP&E and software. Free Cash Flow (FCF) is defined as cash flow from continuing operating activities plus proceeds from real estate, minus Capex. Return on capital employed (ROCE) is calculated by the net operating profit less adjustments for taxes divided by capital employed, on a 4-quarter rolling basis. Net operating profit is the adjusted EBITA (excluding Incidental and amortization of other intangibles and including restructuring costs). KPN defines capital employed as the carrying amount of operating assets and liabilities, which excludes goodwill and the other intangibles.

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. A number of these factors are described (not exhaustively) in the Integrated Annual Report 2019. 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 2019, unless stated otherwise.