

Accelerate to grow

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Accelerate to grow: KPN plans return to growth by connecting the Netherlands to a sustainable future through nation-wide fiber

Accelerating fiber rollout to cover the Netherlands; crossing 50% in 2023 and doubling fiber footprint to ~65% of the Netherlands in 2025

Total service revenues in Consumer, SME and Wholesale to return to growth by end 2021

Differentiated services and outstanding digital customer experience for families and businesses

Next wave of simplification and digitalization to deliver additional cost savings of at least € 250m in 2021-2023

Committed to progressive dividend, +3-5% annual growth covered by growing Free Cash Flow

Message from the CEO, Joost Farwerck

"Our plan is to accelerate to grow. We'll further accelerate the rollout of our next-generation fiber network to cover the majority of households and businesses in the Netherlands. The importance of connectivity has never been stronger than today. Working from home has become the norm. Therefore, the need for fast and reliable Internet is greater than ever. The delivery of our strategy will ensure the Dutch society stays connected and will drive the digitalization of services across sectors - from health care to education.

With the majority of our revenues and EBITDA generated in the Consumer and SME segment, also through our Wholesale partners, we are primarily a mass-market service company. Our aim is to grow these mass-market service revenues by end 2021 through a growing customer base and by offering differentiated services and an outstanding digital experience to families and businesses.

We will take the next step to accelerate digitalization and simplification of our services, processes and organization, building on the strong and simple operating model that we developed over the years. We'll continue equipping our vital and motivated workforce with the mindset and skill set required for our digital transformation as we adjust our way of working to the new normal. This will further improve customer experience and provide for a next wave of cost savings.

With this strategy we go all out to connect the Netherlands to a sustainable future. At the same time, we are confident to deliver growth in adjusted EBITDA after leases and Free Cash Flow, and we commit to our progressive dividend policy. I am confident that our 'Accelerate to grow' strategy will maximize value for all stakeholders."

Outlook 2021 and ambitions 2023

KPN reiterates the FY 2020 outlook presented at its Q3 2020 results and presents a new outlook for FY 2021 and ambitions for FY 2023:

	FY 2020 outlook	FY 2021 outlook	FY 2023 ambitions
Adjusted EBITDA AL	~€ 2,320m	Growth	>€ 2,450m
Capex	€ 1.1bn	€ 1.2bn	€ 1.1-1.2bn
Free Cash Flow	~€ 750m	~€ 750m	>€ 870m
Regular DPS	€ 13ct	Progressive dividend, +3-5% growth	Progressive dividend, +3-5% annual growth

Documents and related information

The presentation starts at 14:30 CET. A link to the webcast and all relevant information will be published on KPN's website: ir.kpn.com.

Strategic priorities: Accelerate to grow

KPN has identified three key pillars underpinning its 'Accelerate to grow' strategy:

- Leverage & expand superior network
- Grow & strengthen customer footprint
- Simplify & streamline operating model

With this strategy, KPN will continue its progressive dividend policy, covered by Free Cash Flow, and it will grow mass-market service revenues and EBITDA. It will also lead the Dutch digitalization wave to connect the Netherlands to a sustainable future.

Leverage & expand superior network

Over the past years, KPN has built an incredibly strong fiber foundation, covering one third of the Netherlands with fiber and adding approximately 300k homes passed in 2020. In the coming years, KPN will leverage and expand this superior network as it sees attractive returns from fiber investments with increased network penetration, more loyal customers with an increased willingness to pay for quality, and lower maintenance costs. To offer more households and businesses access to this best-in-class network, KPN will accelerate its fiber rollout to approximately 500k homes passed per year, crossing the 50% mark in 2023 and reaching approximately 65% of Dutch households by 2025. KPN's 5G strategy is focused on differentiated services for B2B customers in specific industries.

Grow & strengthen customer footprint

Approximately 75% of KPN's revenues and 90% of its adjusted EBITDA AL are generated in the 'mass-market' or Consumer, SME, and Wholesale segments. KPN expects to grow mass-market service revenues by end 2021 through a strengthened and growing customer footprint. In Consumer, the ambition is to grow service revenues by end 2021. KPN will be the preferred digital partner for households through (i) the best digital access with fiber, 5G, and in-home WIFI; (ii) the best digital omni-channel experience with a mobile-first and app-centric customer approach; and (iii) the best digital third-party services through entertainment partnerships. In Business, KPN has a clear segmented customer focus for SME, LCE and Tailored Solutions. In SME, KPN expects to stabilize service revenues by end 2021 through finalizing migrations and cross-sell opportunities from the KPN EEN platform. The LCE strategy is fully aligned with its Smart Combinations portfolio, but transformation is lagging SME by 1-2 years. For its largest - Tailored Solutions - customers KPN offers the full range of B2B services and focuses on sustainable customer relationships and value. In Wholesale, KPN continues its open access policy to offer access to third-party operators. Fiber contributes to continued growth of Wholesale revenues.

Simplify & streamline operating model

KPN will further simplify and streamline its operating model to prepare for the next wave of digitalization, which will truly change customer experience, enhances KPN's time-to-market and contributes to a next wave of cost efficiencies. KPN raises its current cost savings program to € 375-400m and the final year will be embedded in a new cost savings program of at least € 250m running from 2021 until 2023. Along with portfolio simplification, digital customer journeys, and IT and network rationalization, KPN is executing on COVID-accelerated cost opportunities; e.g. moving to more remote working and an adjusted office footprint.

Outlook

In 2021, KPN expects to invest € 450-500m in the accelerated fiber rollout, compared to € 270-290m in 2020. As a result, the total 2021 Capex envelope is raised to € 1.2bn. In the years 2022 & 2023 KPN expects Capex of € 1.1-1.2bn, while fiber investments are maintained at an elevated level. Furthermore, KPN expects adjusted EBITDAAL to grow in 2021 and reach a level of more than € 2,450m in 2023, driven by growing mass-market service revenues and continued cost savings. KPN expects Free Cash Flow to be approximately € 750m in 2021 and more than € 870m in 2023. Due to a combination of fiscal unity and loss compensation rules, cash taxes are expected to be approximately € 50-60m in 2021. In 2022 and beyond, KPN expects cash taxes of approximately € 150m due to anticipated new legislation that will limit the annual use of tax losses, but KPN's tax losses will be available indefinitely. Growing Free Cash Flow will support KPN's continued progressive dividend policy and regular dividend per share growth of 3-5% per annum. KPN remains committed to an investment grade credit profile and targets a leverage ratio of less than 2.5x.

All related documents can be found on KPN's website: ir.kpn.com

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 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 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 incidentals. 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') are derived from EBITDA and are 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 leases' 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 AL 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 incidentals 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.

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