

Sustainable Value at Royal KPN

a VBDO webinar

10 October 2017





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 2016. 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.

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

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 and speak only as of the date they are made. A number of these factors are described (not exhaustively) in the Integrated Annual Report 2016.



Corporate sustainability agenda fully integrated in strategy

KPN is a climate leader, recognized by leading benchmarks

Signed manifest with suppliers to realize circular ambitions by 2025

KPN supporting sustainable value creation by customers

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1. **KPN at a glance**
2. Vision: the green connector
3. Stakeholder engagement
4. Impact on society
5. Business cases

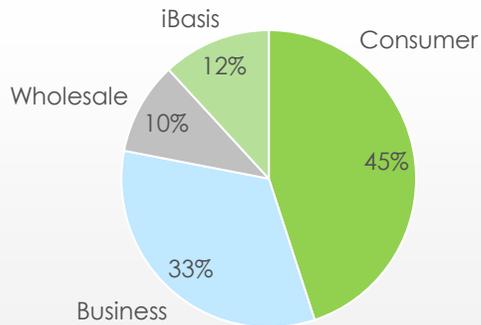
KPN at a glance

Leading integrated ICT service provider in The Netherlands

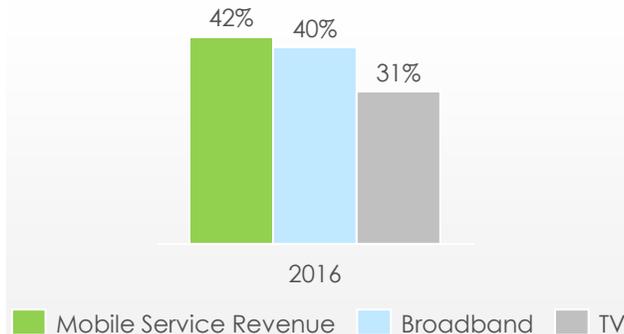


- Market leading positions in Consumer and Business
- Nationwide 4G network and world's first nationwide LoRa network for Internet of Things
- ~75% of households with access to download speeds of $\geq 100\text{Mbps}$, based on ~78% FttC / FttH coverage
- DJSI recognized KPN as industry leader in 2017

Revenue breakdown (~€ 6.8bn)¹

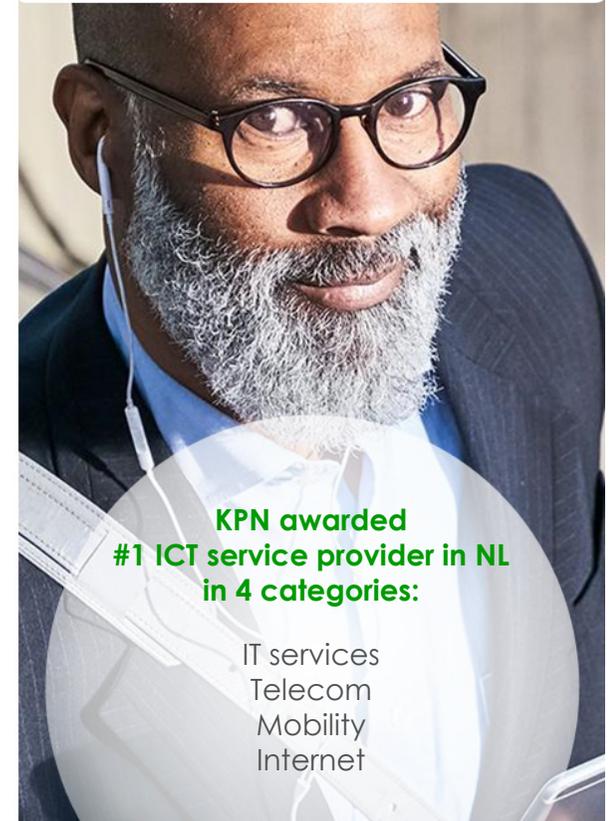


Market shares in NL



¹ KPN Group, 2016
² Source: Dutch IT Partner Preference Survey

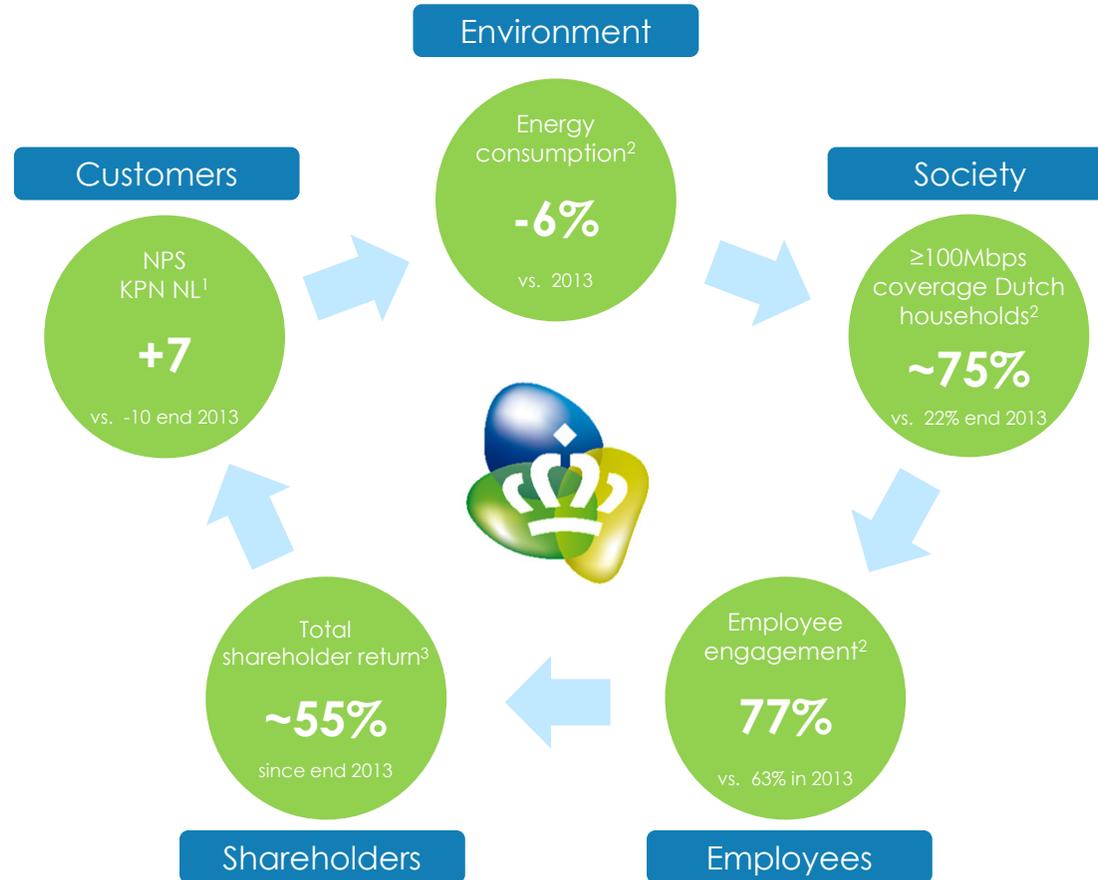
Best ICT service provider²



**KPN awarded
#1 ICT service provider in NL
in 4 categories:**

IT services
Telecom
Mobility
Internet

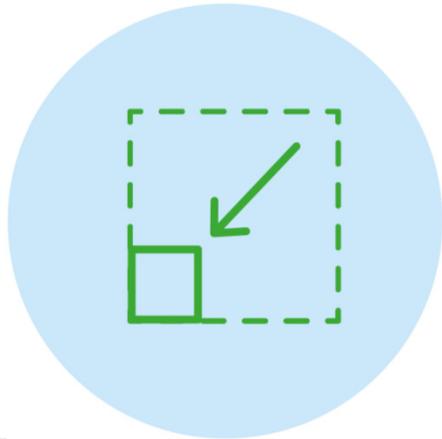
Delivering value for all stakeholders



1 End H1 '17
2 End 2016
3 Source: Bloomberg. Total shareholder return between 1 January 2014 and 31 August 2017

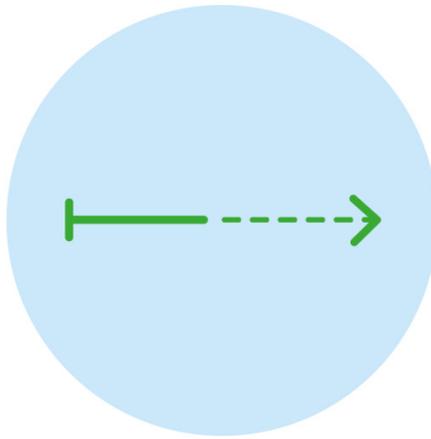
Ambition to become circular by 2025

Signed manifest with several key suppliers to realize ambition



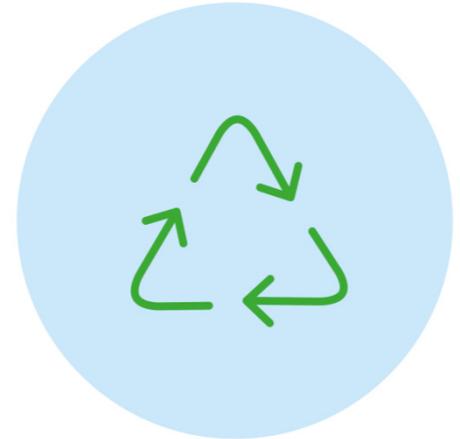
Reduce the use of virgin materials

- Virtualization
- Dematerialization
- Reused products
- Recycled/bio based materials



Extend the use of products

- Lifespan extension
- Rates of utilization



Cycle: high-end second life of products and materials

- Reuse
- Recycling
- Landfill

Supporting actions

Goal: 0% landfill and 0% incineration of non-organic materials

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Sustainability embedded in culture



Mission

We make life more free, fun & easy by connecting

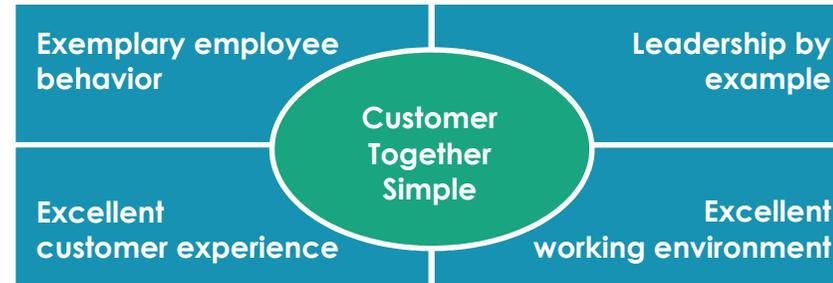
Who we are

We are the green connector

Our ambition

We connect everyone and everything in an innovative, simple, reliable and sustainable way
With the best people, the best products, the best service and the best network

Culture and behavior



Strategic pillars

Simplify

Grow

Innovate

Sustainability agenda centered around three main themes



Innovation, reliability and sustainability

Innovation

- We use digital technologies to create a human-centered future

Ambition

- A more free, fun & easy life through connecting everything

Reliability

- We ensure a secure digital environment

Ambition

- A safe digital society in which we can fully and freely use all digital possibilities available

Sustainability

- We work together to preserve our planet

Ambition

- Facilitate growth of ICT without claiming reserves



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Key priorities KPN stakeholders

Materiality assessment identified most important topics



Customer loyalty



Quality and reliability of networks



Innovation and investments



Economic value



Privacy & security



Environmental performance



Impact of products and services



Compliance & risk



Remuneration

Customer focused strategy driving improving satisfaction

Involving customers and smart investments to improve user experience

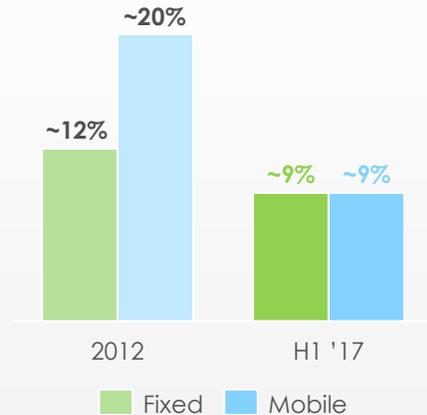


Higher loyalty driven by rising customer satisfaction

NPS KPN NL¹



Strong reduction in churn²



Innovations to further improve customer experience

- Internet of Things Academy (Makerspace)
 - Cooperating with start-ups to develop innovations for customers
- Customer Experience Lab opened in Q2 2017
 - Generating customer-led ideas to further improve user experience



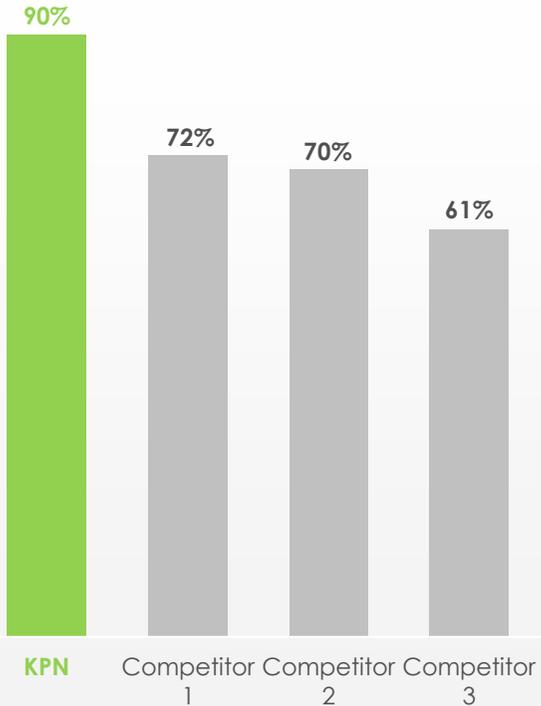
1 Source: Kantar TNS
2 KPN brand

Continued investments to further improve customer experience

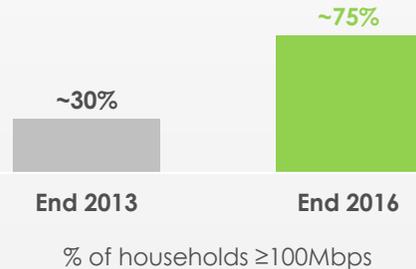
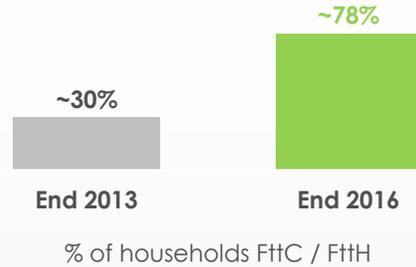


Mobile, fixed and core network improvements

Best mobile network according to customers¹



Rising fiber penetration driving high speed access



Upgraded core network, roll-out decentralized CDN on track



- Core location
- Metro-Core location
- Street cabinet or Mobile base station
- Upgrade core network completed
- 161 Metro Core Locations
 - 141 decentralized Content Delivery Network locations
- Providing significant cost reduction

¹ % of clients that agree on the reputation statement that their operator has the best network; Kantar TNS (Q4 2016)



Strong free cash flow potential

1 Grow revenues in Consumer, stabilize in Business

2 Rigorous focus on driving down costs

3 Capex levels trending down from elevated levels

4 Lower interest payments going forward

5 Limited cash taxes

Solid financial position

- Committed to investment grade credit profile
- 9.5% Telefónica Deutschland stake provides additional financial flexibility

Commitment to growing shareholder returns

- Free cash flow growth to drive growing shareholder remuneration

Well on track to realize sustainability ambitions

Involving suppliers and customers



2011



100% green electricity

2015



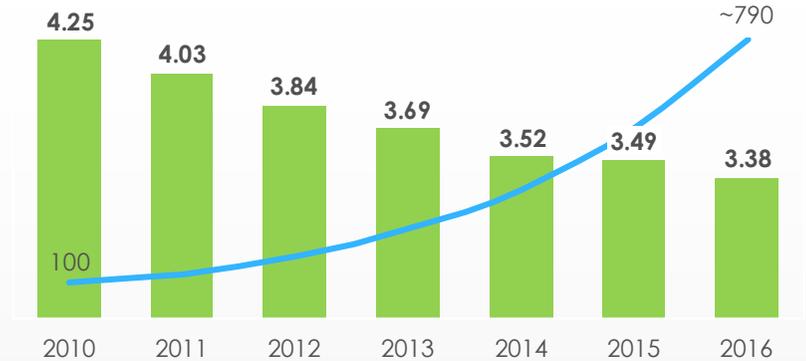
Climate neutral

2025



Ambition to become circular

Less energy consumption despite rising data volumes and helping customers to reduce energy usage



— Data volume (2010 = 100) ■ Energy consumption (petajoules)

Customers saved
~1.8PJ
energy in 2016¹



Equivalent to
~€ 60m

¹ KPN's Integrated Report 2016

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KPN makes important contribution to UN Social Development Goals



Digital solutions for better healthcare, such as KPN Health cloud



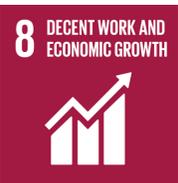
High fiber penetration, nationwide 4G and world's first nationwide LoRa network for Internet of Things



KPN KlasseContact allows children with long-term illness to join their classroom



KPN delivers digital infrastructure and value added services for smart cities



KPN EEN enables businesses to adopt the New Way of Living and Working



KPN actively helps customers reduce their carbon footprint

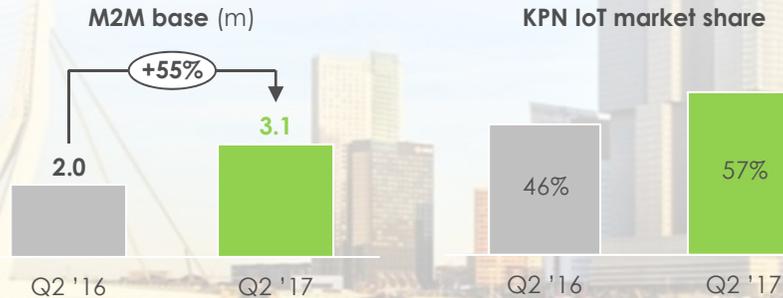
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Market for smart cities in The Netherlands

- Market size of ~€ 4bn expected in 2020¹
- Addressable market for KPN of ~€ 400-600m by 2020²
 - 42,000 public chargers for electrical vehicles
 - ~7m parking spots
 - >4m lighting posts
 - >5,500 traffic lights
 - >200k waste containers



KPN partner for smart city initiatives in Rotterdam

- KPN helps to achieve sustainability goals of Rotterdam
- KPN delivers digital infrastructure and value added services such as Data & Analytics
 - Smart street lighting saves up to 80% in energy usage and costs
 - Smart parking lots indicating when available
 - Smart buildings monitoring and predicting energy usage
 - Smart bins indicating when full
 - Electric vehicle chargers



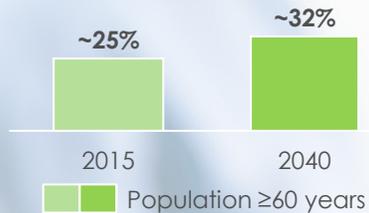
KPN reliable partner for Dutch healthcare

Dutch healthcare ICT market expected to grow¹

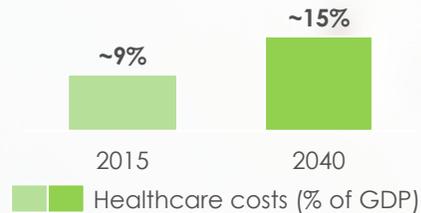


Key drivers

Ageing population²



Rising healthcare costs³



KPN provides broad range of healthcare ICT services

- End-to-end solutions for the health care sector
 - Online workspaces for healthcare professionals
 - Remote diagnostics
 - Data security

- Zorgcloud ("Health cloud")
 - Securely exchange information
 - Almost all pharmacies, 85% of general practitioners and 65% of hospitals have access to Zorgcloud
 - 700,000 medical records processed daily; traffic almost doubled in 2016

- Remote Diagnostics
 - 12,245 patients remotely monitored in 2016 to diagnose cardiac failure

1 Source: Gartner (Q2 2017)
 2 Source: Statistics Netherlands (CBS)
 3 Source: Centraal Planbureau (CPB)



Data centers and cloud solutions enable New Way of Living and Working

Sustainable Data Centers

- KPN opened a Tier IV Data center in Eindhoven in 2015
 - 99.995% reliability
 - 100% green energy input
 - Excess heat from servers re-used to heat nearby Campus, fully reducing the total CO₂ emissions
- Data center Aalsmeer #1 Sustainable Data Center award (EMEA)



Significant savings from New Way of Living and Working

KPN employees avoided

48,000 km

in 2015

KPN employees spent

1.3m hours

Less time commuting
in 2015

KPN's reduction in
m² office space

~30%

2017 vs. 2015

KPN's green house
gas savings

9k tons

in 2015

Leading in corporate social responsibility

Successful CSR strategy recognized by leading benchmarks



MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

