

- CEO letter to the stakeholders

The network of the Netherlands



Worldwide, the Netherlands is one of the frontrunners in digitalization. Telecommunications companies play an important role in facilitating the ongoing technological transformation and digitalization, and building the infrastructure for the next generations - a key foundation for the future success of Dutch society. Compared to other countries in Europe, the quality of Dutch networks is highly regarded because of the large penetration of high-speed and high-availability of fixed and mobile networks. Dutch providers are acknowledged for that. At the same time, the Dutch telecommunications sector is very competitive, with three strong players in the market. Within this playing field KPN plays a very important role.

It is in this context that I took over the helm of the company after Maximo Ibarra left as CEO at the end of September 2019. I am honored to have been offered this responsibility. Together with the new team of board members, we consider it a major responsibility to serve the interests of all KPN's stakeholders: our customers, our shareholders, our employees, our business partners and Dutch society at large.

KPN delivers connectivity and related services for consumers, business customers and wholesale clients through our KPN network, the network of the Netherlands. Our customers recognize KPN for the quality and reliability of our networks and services, our high security standards and the sustainable way we run our business. Their appreciation is reflected in all-time high Net Promoter Scores in both fixed and mobile services for consumers. KPN's strong reputation was one of the triggers to start implementing the one-brand strategy in 2019.

The leadership team and all people within KPN are fully aware that the status quo is not an option, given the speed of digitalization in society. We therefore have a clear strategy in place to achieve organic sustainable growth. 2019 was the first full year of executing our three-pillar strategy, which is based on building the best network, focusing on profitable growth segments, and accelerating the simplification and digitalization of our organization.

In 2019, we made good progress in delivering on our strategy. We started the ramp up of the roll-out of fiber-to-the-home



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with the aim of connecting another one million households by the end of 2021 - on top of the 2.3 million FttH households by the end of 2018. Fiber is the most future-proof technology in which we are heavily investing. Our plans are ambitious, although we have to deal with construction capacity constraints we are committed to continue the roll-out at full speed. At the same time, we are modernizing our mobile network to become future-proof and making it 5G-ready. The roll-out of fiber and 5G will contribute to the further digitalization of Dutch society and will in particular support businesses in developing new applications and optimizing their processes. In our field labs, we have co-created several 5G use cases with our business partners, business customers and government institutions for sectors such as agriculture, transport and automotive, including testing applications in urban areas.


Through our services, KPN wants to offer consumers and businesses the best solutions at home, in the office and on the move. Our customers' needs are driven by a demand for flexibility, autonomy and personalized experiences combined with fixed-mobile converged services. To cater to these needs, we have introduced KPN Hussen for consumers and small businesses. KPN Hussen is a fully converged proposition that gives customers complete freedom to mix and match our menu of services to meet their needs at any moment. To service our business customers we are simplifying our product portfolio and focusing on flexible standard propositions, for connectivity and IT services such as security, cloud and workspaces. In this way, we are becoming a one-stop-shop.

The fast-changing world creates challenges and opportunities in terms of transforming our organization. It is vital to further

simplify and digitalize the company and our processes. We have taken several steps to create a more flexible organization and to enhance the time to market of new services. In addition, we have introduced more focus through divestments of non-core assets.

We delivered on all our financial guidance aspects for 2019 and showed slight growth in adjusted EBITDA after leases (EBITDA AL), Capex of EUR 1.1bn, free cash flow of more than EUR 700m and a progressive regular dividend per share. Due to our strong and disciplined cost control, leading to significant savings in 2019, we position us well to deliver on our 2019 - 2021 savings program. In the consumer market, we faced some decline of our customer base due to the competitive environment in the Netherlands and the rationalization of our brands. Meanwhile, a solid Wholesale performance contributed to our strong position in the Netherlands. In the Business segment, KPN focuses on value over volume, to develop more profitable revenues in the years to come. We are in the process of migrating our business customers to the new future-proof portfolio. 74% of our small/medium enterprise customers and 53% of our large enterprise customers have been migrated.

I am proud to see how committed our entire workforce was to delivering KPN's services to all our customers, in helping to execute our strategy and to delivering on our financial objectives. I want to thank all employees for contributing to these achievements. The leadership team recognizes that KPN's transformation brings challenges for our employees. We strongly believe in continuously developing and investing in our people to enable them to adapt to changing requirements and strengthen their resilience for a new future inside or outside KPN.



“I am proud to see how committed our entire workforce was in delivering KPN’s services to all our customers”

“KPN is ready for the future delivering on its ambition to become the undisputed quality leader in the Netherlands”

● Joost Farwerck, CEO

Specifically, I would like to acknowledge that our brand strategy has not been an easy process for our XS4ALL employees, given their strong identification with XS4ALL and dedication to its customers. I respect their engagement and expertise, which is why I would like every XS4ALL employee to continue to work for KPN.

The networks of KPN play an important role in the digitalization of the Netherlands and we will support this with our strategy in the future as well. Everything will be connected with everything and Artificial Intelligence will give valuable insights. New technology such as 5G and cloudification, will be crucial for these developments. KPN is deeply rooted in the Netherlands, people in our country are daily served via our networks - directly or indirectly. By watching TV, using internet, using work space at work, using wifi in the train, doing payments at home or in a shop, to name a few; everyone is connected through The KPN network. In that perspective, we should mention here the disruption to our network which affected the accessibility of the 112 emergency number. Following this very unfortunate event, measures have been taken to improve network robustness and to secure the availability of 112. It goes without saying that we are doing this in close contact with the government and other operators.

Over the past several years, KPN has built a strong track record in doing business in a sustainable manner. We firmly believe that this is vital if we are to preserve our competitive advantage and secure the long-term interests of all our stakeholders. With our services we intend to also contribute to solving societal issues, like reducing waste and promoting circular solutions. For several years we have received top rankings – placed second in 2019 – in the Dow Jones Sustainability Index for Telecommunication Services. This testifies not only our climate performance. It also attests, for instance, to our performance in security and everything we do through the KPN Mooiste Contact Fonds.

KPN has connected people in the Netherlands for more than 100 years and will continue to do so going forward, in a responsible and sustainable way. My board colleagues and I intend to continue on this path, and look forward to 2020 and beyond. Together with our employees and business partners, we will build an even stronger KPN. A KPN that is ready for the future, delivering on our ambition to become the undisputed quality leader for our customers, shareholders, employees, business partners and Dutch society. Thank you for trusting us to operate the network of the Netherlands.

Joost Farwerck,
CEO and Chairman of the Board of Management KPN