KPN takes successful strategy to the next level

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Today, KPN's Board of Management will host a Capital Markets Day for investors and analysts. KPN will present its strategic priorities, which translate into its medium-term ambitions for the coming three to five years.

Eelco Blok, CEO of KPN: *"Under our strategy Strengthen - Simplify - Grow, we invested ahead of the curve to build best-in-class networks and innovated to bring Dutch households and businesses great products and leading service quality. The coming years will see relentless growth of connected devices and surging data traffic. To stay ahead, we are evolving our strategy to the next level which we call Simplify - Grow - Innovate. We will deliver a second wave of major business Simplification, expand the capacity of our fully integrated network, and keep innovating to drive new products and give an excellent customer experience to all our customers at home, on the move and at work. Based on this strategy, we will maximize value for our shareholders and all other stakeholders while maintaining a solid financial profile."*

KPN targets another significant improvement in customer satisfaction levels. Consumer revenues are expected to grow further supported by increasing fixed-mobile penetration and growing revenues per household. In Business, KPN is focused on finalizing the transformation into a Business ICT service provider, which will result in improving profitability and stabilizing revenues. KPN will expand its superior integrated access position by deploying innovative technologies and increasing fiber penetration.

KPN's existing Simplification program is on track to realize run-rate savings (opex and Capex) of approximately EUR 450m per annum by the end of 2016, compared to the end of 2013. Today, KPN announces the second wave of the program for the coming three years 2017 to 2019. This will realize at least EUR 300m additional savings per annum by the end of 2019, making at least EUR 750m in total since 2013. These additional savings will primarily be realized through further simplification and rationalization of back-end IT processes and systems, and network infrastructure.

The improving revenue trajectory combined with the second wave Simplification program and strict cost discipline will support KPN's profitability. KPN expects its adjusted EBITDA margin for The Netherlands to increase by at least three percentage points in the medium-term, compared to 2015. KPN has invested ahead of the curve and expects Capex intensity for The Netherlands to trend down towards 15 - 17% of sales in the medium-term. Together, these trends will result in strong free cash flow growth potential, also supported by lower interest payments and limited cash taxes in The Netherlands. The free cash flow growth profile will form the basis for a growing regular dividend per share. KPN expects to distribute a large part of excess cash to its shareholders while remaining committed to an investment grade credit profile.

All relevant information will be published on KPN's website: www.kpn.com/ir