

KPN Integrated Annual Report 2021



**Connecting everyone
in the Netherlands**
to a sustainable future

● Introduction by the CEO

Into the future, together

Our resilience was tested again in 2021, more than we had hoped. It was another year in which our digital services enabled people to work from home, to follow education online or to keep doing business while stores were closed.

Once again, online access was often the only door to the outside world and contact with others. The pandemic is accelerating the digitalization of our lives in countless areas and in unprecedented ways. The data usage on KPN's networks, which broke records again last year, mirrored the various high and low points we all experienced.

Robust progress on strategy

We succeeded in making strong progress with our Accelerate to Grow strategy last year, thereby concretely demonstrating our purpose: we go all out to connect everyone in the Netherlands to a sustainable future. Our ambition is to make the Netherlands the best-connected country in the world – a country where everyone is secure online, and can reap the benefits the digital world has to offer.

Our Accelerate to Grow strategy is beginning to be reflected in our results, too. The number of broadband customers we have, is moving in the right direction; we are seeing growth in mobile and our growth in wholesale continues. A key milestone for us last year was the positive development in the SME segment, which has grown service revenue even sooner than expected.

The quality of our networks is significantly boosting customer satisfaction. We have successfully accelerated our journey to sustainable growth and long-term value creation last year – and we are all set to continue.

After years of declining revenues, we achieved growth in the mass market segments in 2021. In financial terms, we closed the year in line with our ambitious goals, with growing EBITDA and free cash flow. We are offering shareholders a growing dividend and have completed the first tranche of share buybacks to return additional value to shareholders.

Competitive market

With a large number of providers and wide choice for consumers, the Dutch telecommunications market is promising and competitive. Moreover, there are many asset-light players that use our networks for their sharply-priced offerings. The high quality of the digital infrastructure makes the Netherlands an attractive market for launching new products and services. Gaming, e-sports and streaming services are increasingly popular – and customers expect a lot from their digital connections as a result.

We are well-positioned to continue to lead this market thanks to the targeted innovation of our networks, our attractive services and effective organization. The unsolicited takeover proposals we received last year are one of the clear signs that the telecommunications market itself is in demand. We considered these proposals carefully, taking into account the interests of all our stakeholders, and concluded that they did not provide tangible and material added value to our strategy.

Strong networks

The Netherlands builds a high-quality, future-proof digital infrastructure based on fiber and 5G, enabling a first class internet experience. With our strategy, we are playing a leading role in this. The power of these networks opens new avenues for economic growth, as well as digital opportunities in many areas.



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We are rolling out our fiber network at a record pace. We have already connected 40% of the Netherlands to the best, most future-proof infrastructure. Last year, we started the Glaspoort joint venture together with APG. Glaspoort will roll out fiber to nearly a thousand villages and a large number of business parks vis a vis our existing plans. Last year, Ookla once again perceived our mobile network as the best in the Netherlands, with the fastest 5G.

Cybersecurity

The importance of cybersecurity was made apparent several times last year. From large companies paralyzed by cybercriminals and global software vulnerabilities, to changing perspectives on the importance of digital sovereignty within Europe. Vulnerabilities in the legacy portfolio of InternedServices proved the importance of permanent vigilance within KPN. Raising awareness and improving the security of digital life is increasingly becoming a clear part of our mission. After all, a sustainable future must, first and foremost, be a safe and secure one. The integrity and safety of our systems and networks are therefore our highest priority; this is what our customers and society expect of us.

Increasing the cybersecurity of the Dutch business community also requires scalable and accessible solutions. KPN offers accessible security solutions for all business owners, from SMEs to large corporates. Moreover, we develop services such as secure data exchanges, to additionally safeguard critical data.

Our people

A big thank you to all employees for their great commitment and efforts; they make KPN what it is. It is encouraging to see that, despite the ongoing effects of COVID-19 and the increased pressure due to continued working from home, our employee engagement remains high. Technology is patient, but our people make the difference. That is why we also keep investing in developing talent, with a focus on increasing diversity, inclusion and being an attractive employer. We stimulate new ways of working that align with our core values of trust, courage and growth, with an eye for vitality and mutual connections. Only by having colleagues who understand the changing needs of our market we can continue to innovate and serve our customers better.

Sustainable future

Our stakeholders greatly value our sustainable nature. We continue to explore new paths so that we can remain a pioneer in the field of sustainability. KPN is the only telecommunications company to have been in the Dow Jones Sustainability World Index for 10 consecutive years. Our own energy consumption has been 100% climate-neutral for years, and continues to fall even as data usage on our networks rises.

Last year, we linked financial instruments to our climate ambitions with the issuance of a sustainability-linked bond and a sustainability-linked revolving credit facility. We have formulated robust circularity ambitions, and set a target to reduce emissions across our entire value chain to net-zero by 2040 and compensate for the remainder. We will do our utmost to achieve this goal.

Looking ahead

If 2021 has shown us anything, it is how resilient we are. In 2022, we will relentlessly pursue our path to sustainable growth. We will improve our services and networks, and further streamline our organization. This way, we will continue to play a leading role in the Netherlands' digital transition – a transition that offers new opportunities for our country's prosperity and economy.

This will only be possible through collaboration with our stakeholders and partners – something we do with great conviction. After all, the major challenges of our time, such as sustainability and cybersecurity, and the way we will help the Netherlands advance in the digital transition, require cooperation, solidarity and long-term thinking. This is how we will really make the Netherlands the best connected country in the world.

Thank you to all our customers, shareholders, friends and stakeholders for their support. I am looking forward to 2022 – a year in which we will join forces to help the Netherlands advance even further.

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