

Q1 2022 results

29 April 2022

kpn. The network of the Netherlands



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 2021. 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 2021 and does 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') is derived from EBITDA and is 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 (derived from EBITDA, but after depreciation and amortization (including impairments), 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 2021. 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 2021, as included in this report, unless stated otherwise.

Highlights Q1: Strong start to the year, on track to deliver on ambitions

- ▶▶ **Continued mass-market service revenue growth**, supported by all segments
- ▶▶ **Improving service revenue developments within B2B**, driven by SME
- ▶▶ **Fiber roll out on track**, +75k HP in Q1 (+111k incl. Glaspoort)
- ▶▶ Recognized as **the best mobile network** in the Netherlands and the world
- ▶▶ **Adj. EBITDA AL +4.5% y-on-y**, 3.1% growth corrected for one-off in Q1 2021
- ▶▶ **Strong FCF generation** driven by EBITDA growth and intra-year Capex phasing
- ▶▶ Well **on track** to reach outlook; **inflationary effects absorbed**
- ▶▶ **ACM started consultation** on KPN's proposed 8-year amended fiber wholesale tariffs

Accelerate to grow supported by three key pillars

Three strategic pillars...

1. Leverage & expand superior networks

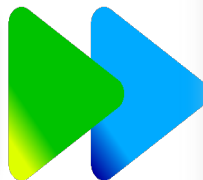
- Covering the Netherlands through fiber
- Low latency services via 5G and edge computing

2. Grow & strengthen customer footprint

- Outstanding digital experience
- Differentiated services for families and businesses

3. Simplify & streamline operating model

- New ways of digital working
- Continue strong and disciplined cost control program



...to support our ambition to

Connect the Netherlands to a sustainable future

- Leading the Dutch digitalization wave
- Recognized as ESG front runner

Grow mass-market service revenues and EBITDA

- Fiber fueling household revenue growth in B2C
- Segmented B2B approach, stabilize SME first (achieved)

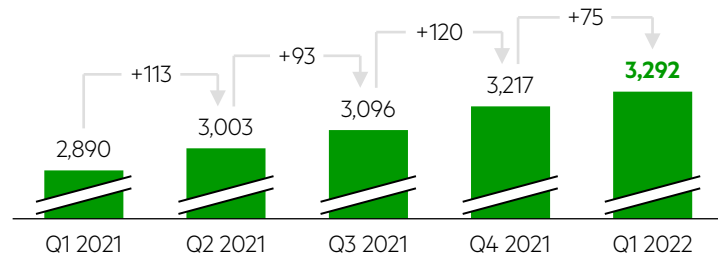
Provide attractive shareholder returns

- Covered by growing Free Cash Flow
- Progressive dividend, +3-5% annually

Expand superior network: Fiber roll out on track

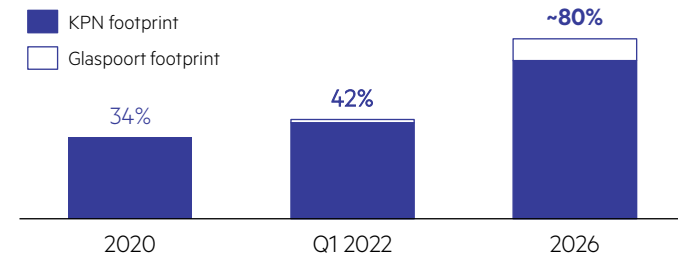
Continuously expanding fiber footprint

homes passed, k

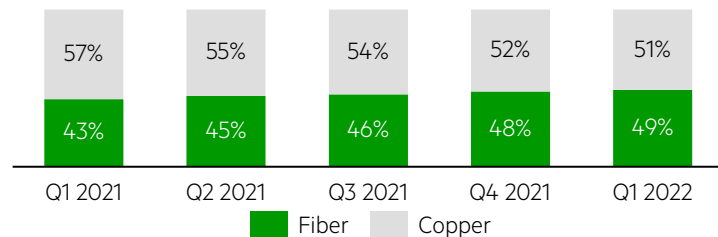


Jointly covering ~80% of NL by end 2026

homes passed, % of households

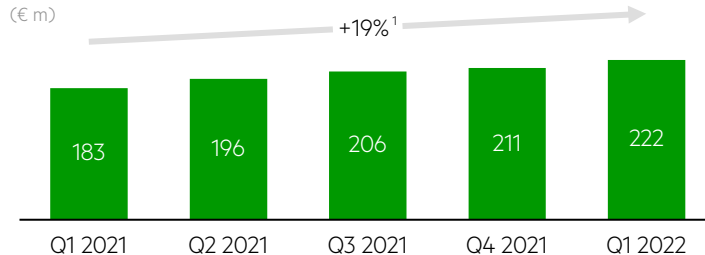


Retail fiber base on the brink of exceeding copper base



Strong retail fiber broadband service revenue growth

(€ m)

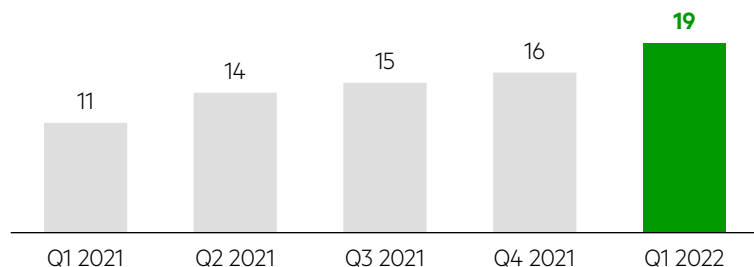


B2C: Continued growth in mobile and fixed stabilizing

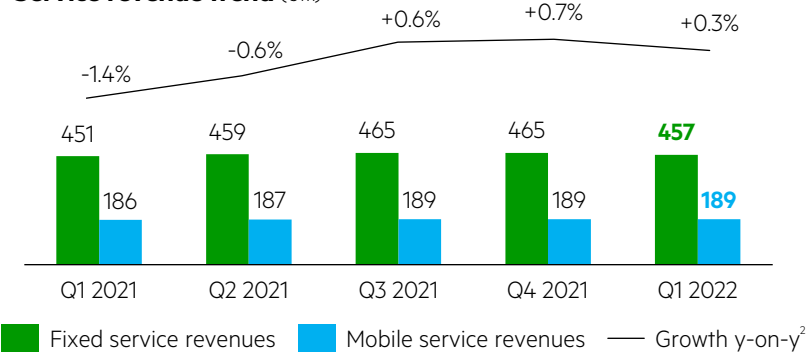
Key take-aways

- Growth in Fixed-Mobile service revenues driven by higher base and growing ARPA
- Continued growth in mobile service revenues, driven by solid base trends and broadly stable ARPU
- Underlying fixed service revenue trend gradually improving, with fiber service revenue growth offsetting copper decline
- Successful campaign around the launch of Viaplay supported broadband net adds
- NPS trend continues to develop favorably

Quality steering leading to higher Consumer NPS¹



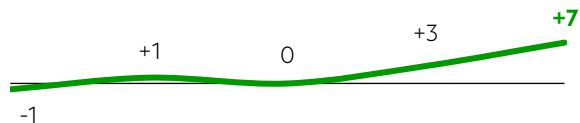
Service revenue trend (€ m)



Segment revenues (€ m)	Q1 2021	Q1 2022	Δ y-on-y
Fixed-Mobile	355	369	+3.9%
Fixed-only	193	192	-0.5%
Mobile-only	60	61	+3.0%
Legacy/other	29	24	-16%
Adjusted Consumer service revenues	637	647	+1.5%
Non-service & Other	65	65	-0.2%
Adjusted Consumer revenues	702	711	+1.4%

B2C: Ongoing momentum

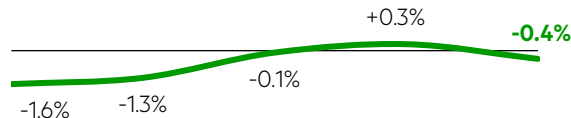
Improving broadband net adds (k)¹



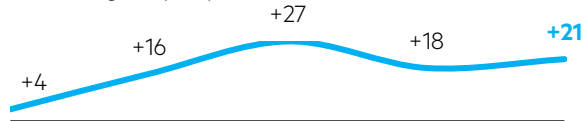
Growing fixed ARPU

€ 52
+2.6% y-on-y

Fixed service revenues broadly stable (y-on-y growth)²



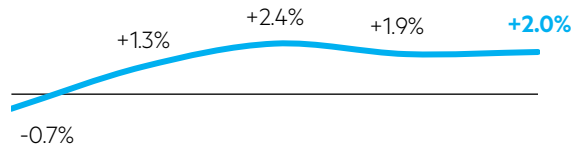
Continued good postpaid net adds (k)



Stable mobile ARPU

€ 17
+0.3% y-on-y

Solid mobile service revenue trend (y-on-y growth)



Q1 2021 Q2 2021 Q3 2021 Q4 2021 Q1 2022

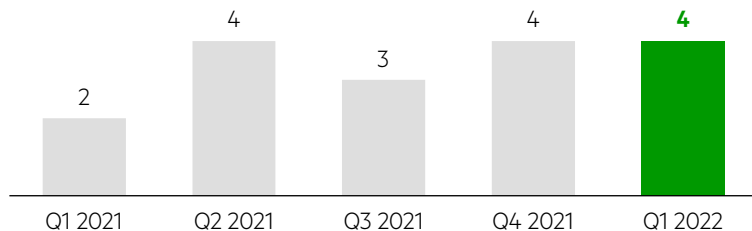
Q1 2021 Q2 2021 Q3 2021 Q4 2021 Q1 2022

B2B: Moving in the right direction driven by SME

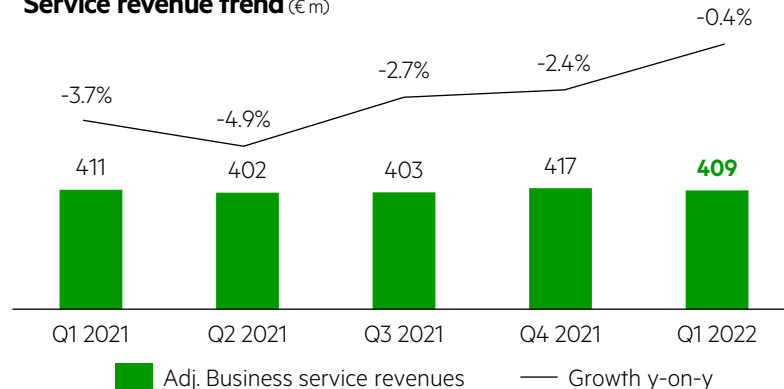
Key take-aways

- Business service revenue trend gradually improving
- Growth in SME, due to momentum in Mobile, growing Broadband and Cloud & Workplace services, partly offset by lower Fixed Voice
- LCE still impacted by lower revenues from Access & Connectivity (migrations & price pressure) and IT Services
- Tailored Solutions gradually improving
- Business NPS improving y-on-y to +4, mainly driven by focus on customer centricity and reliability of products & services

Business NPS improved y-on-y¹



Service revenue trend (€ m)

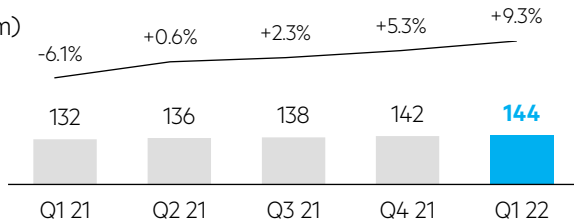


Segment revenues (€ m)

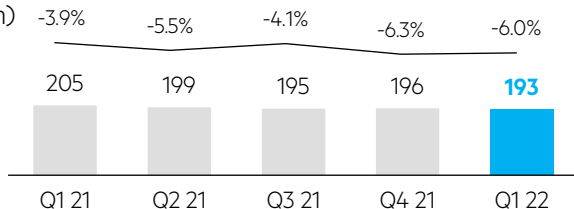
	Q1 2021	Q1 2022	Δ y-on-y
SME	132	144	+9.3%
LCE	205	193	-6.0%
Tailored Solutions	74	72	-2.5%
Adjusted Business service revenues	411	409	-0.4%
Non-service & Other	29	28	-2.7%
Adjusted Business revenues	440	437	-0.6%

B2B: Service revenues per segment

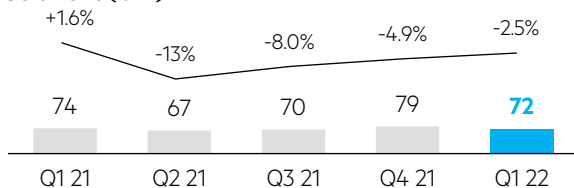
SME (€ m)



LCE (€ m)



Tailored Solutions (€ m)

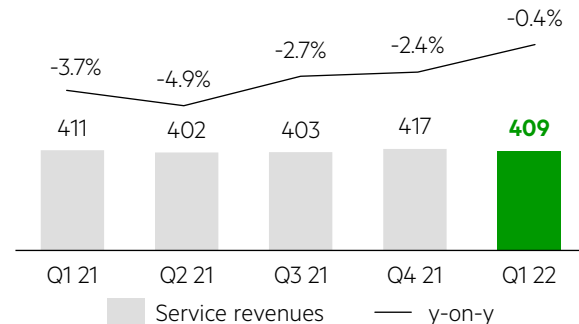


Service revenues y-on-y

Restatements

Revenues from core telco products have been reclassified from Tailored Solutions to LCE

Gradual turnaround in Business service revenues (€ m)



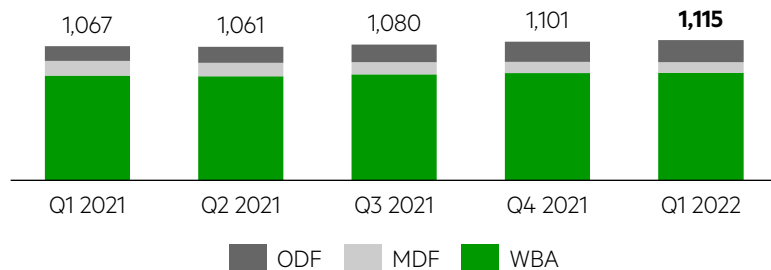
Service revenues y-on-y

Wholesale: Sustainable growth from open access model

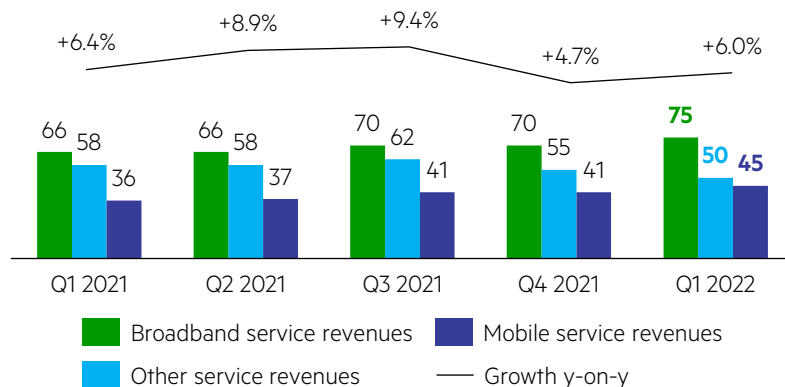
Key take-aways

- Wholesale service revenues increased due to growth in Mobile and Broadband, partly offset by lower Other service revenues
- Solid base developments, adding 26k postpaid customers and 14k broadband lines
- Other service revenues impacted by portfolio rationalization, lower interconnect traffic and regulated tariffs
- ACM started consultation on KPN's proposed 8-year amended fiber wholesale tariffs

Broadband customer base (k)



Service revenue trend (€ m)



Segment revenues (€ m)

	Q1 2021	Q1 2022	Δ y-on-y
Mobile	36	45	+24%
Broadband	66	75	+14%
Other	58	50	-14%
Adjusted Wholesale service revenue	160	170	+6.0%
Non-service & Other	-	-	n.m.
Adjusted Wholesale revenues	161	170	+5.9%



Deliver
Financial ambitions

Financial performance

Adjusted revenues

Q1 2022

€ 1,311m
+1.6%
Q1 2021
€ 1,290m

Adj. net indirect opex savings

Q1 2022

€ 8m

Adjusted EBITDA AL

Q1 2022

€ 593m
+4.5%
Q1 2021
€ 568m

Q1 adjusted revenues +1.6% y-on-y

- **+1.0% y-on-y excl. one-off¹**
- Growth in Wholesale, SME and Consumer

Net profit

Q1 2022

€ 179m
+27%
Q1 2021
€ 141m

Leverage ratio

Q1 2022

2.2x
Q1 2021
2.3x

Liquidity position

Q1 2022

€ 1.7bn

Cash & short-term investments: € 674m
Committed undrawn facilities: € 1.0bn RCF

Q1 adj. EBITDA AL +4.5% y-on-y

- **+3.1% y-on-y excl. impact one-off¹**
- Supported by higher revenues and lower indirect cost base (€ 8m)

Operational Free Cash Flow

Q1 2022

€ 336m
+36%
Q1 2021
€ 247m

Capex

Q1 2022

€ 257m
-20%
Q1 2021
€ 321m

Free Cash Flow

Q1 2022

€ 206m
+68%
Q1 2021
€ 122m

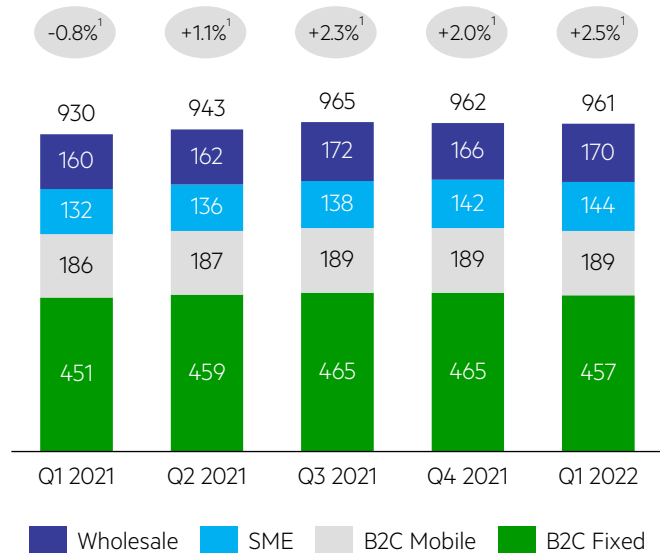
Q1 FCF of € 206m

- **+68% y-on-y**
- Supported by growing EBITDA and intra-year phasing of Capex, partly offset by phasing working capital

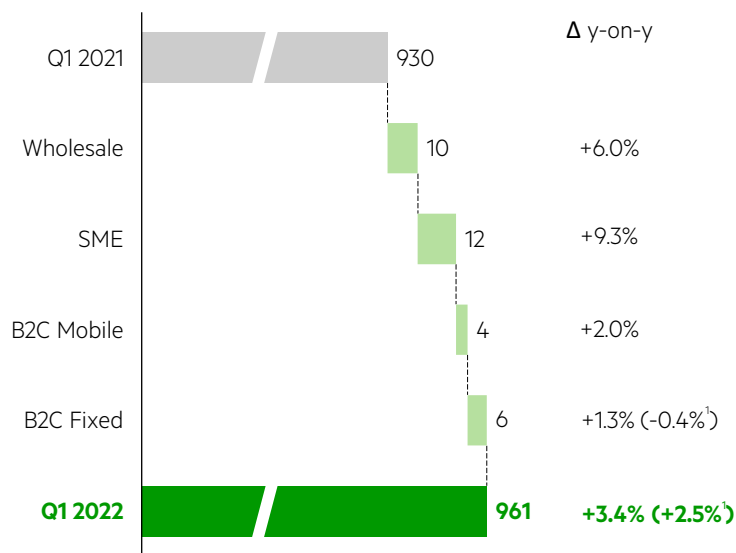
Strong liquidity position of € 1.7bn

Continued mass-market service revenue growth, driven by all segments

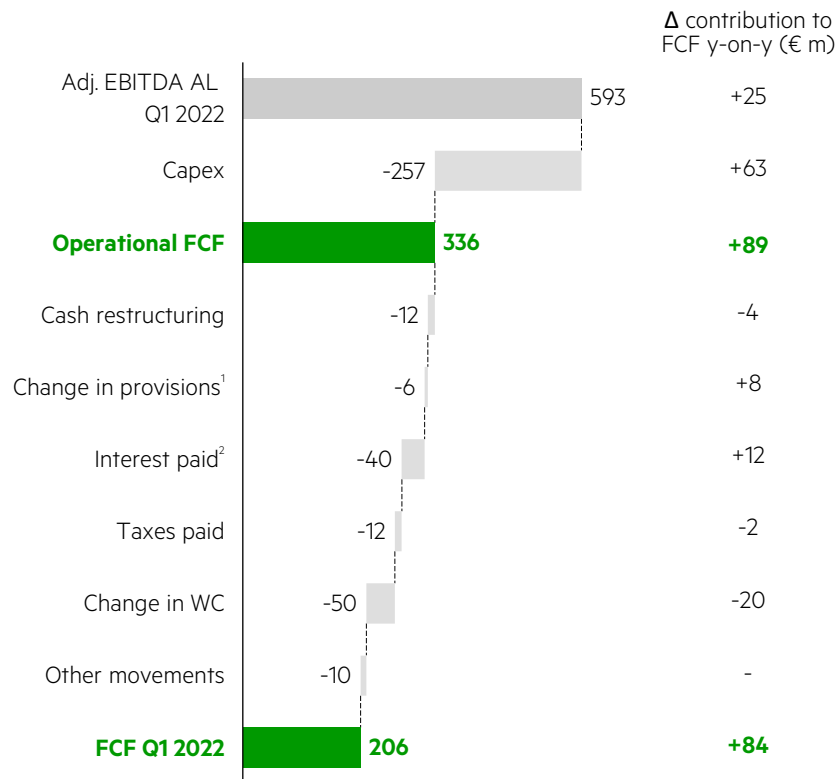
Sustainable trend in mass-market service revenues (€ m)



Growth driven by Wholesale, SME and Consumer (€ m)



Strong underlying cash generation



►► **Free Cash Flow** of **€ 206m**, 68% higher y-on-y

- EBITDA growth amid higher revenues and lower cost base
- Lower Capex amid phasing
- Lower cash interest paid

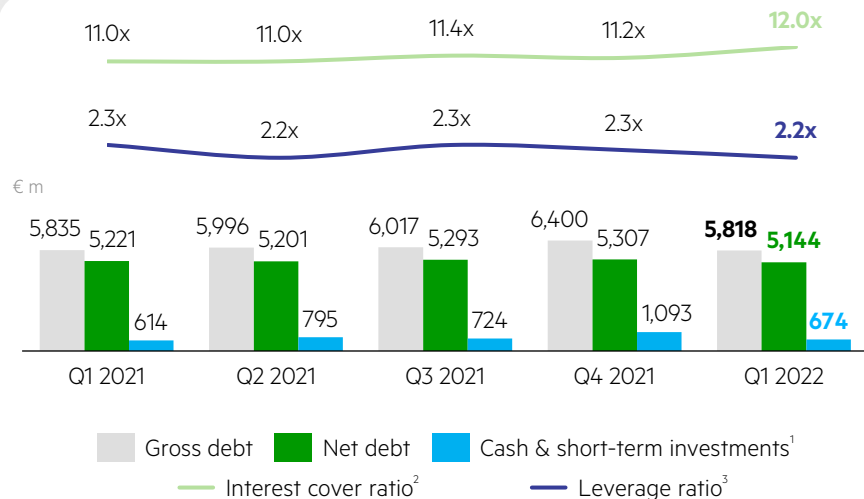
Partly offset by

- Phasing working capital

►► Cash & short-term investments of **€ 674m** per 31 March 2022

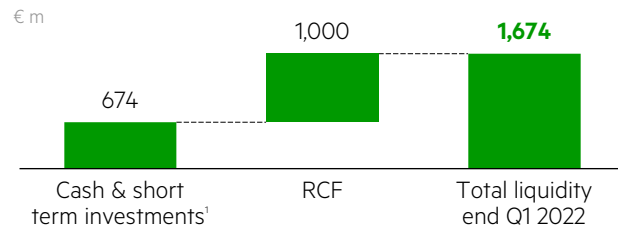
(€m)	Q1 2021	Q1 2022	Δ y-on-y
Free Cash Flow	122	206	68%
<i>As % of adj. revenues</i>	<i>9.5%</i>	<i>15.7%</i>	
Acquisitions & disposals	-	-	n.m.
Change in short-term investments	115	250	>100%
Other investing cash flow	-1	-10	>100%
Dividends paid	-	-	n.m.
Share repurchase	-	-18	n.m.
Other financing cash flow	-372	-594	60%
Total cash flow from discontinued operations	-	-3	n.m.
Change in net cash & cash equivalents	-135	-168	24%

Robust liquidity position, committed to investment-grade credit profile

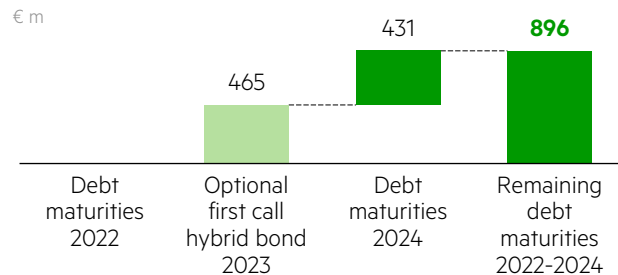


- ▶▶ Redeemed € 616m senior bond with 4.25% coupon in March
- ▶▶ Net debt € 163m lower q-on-q, driven by FCF generation, partly offset by share buyback
- ▶▶ Average cost of senior debt was 2.44% in Q1 2022, 41 bps lower y-on-y

Robust liquidity...



...covering debt maturities until 2024



1. At 31 March 2022, KPN had € 60m outstanding under its € 1bn STEP-labelled Euro Commercial Paper program

2. LTM adjusted EBITDA AL / LTM net interest paid (excl. lease interest, incl. perpetual hybrid coupon)

3. Net debt (excl. leases) / LTM adjusted EBITDA AL

2022 outlook and 2023 ambitions reiterated

	Achievements FY 2021	Outlook FY 2022	Ambitions FY 2023
Adjusted EBITDA AL	€ 2,347m	~€ 2,400m	>€ 2,450m
Capex	€ 1,216m	€ 1.2bn	€ 1.2bn
Free Cash Flow	€ 784m	>€ 825m	>€ 870m
Regular DPS	€ 13.6 cents	€ 14.3 cents +5.1% y-on-y	Progressive dividend +3-5% annual growth
Share buyback	€ 200m	€ 300m	

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**Accelerate
to grow**

Appendices

- I Tax
- II Debt portfolio
- III ESG milestones and ambitions

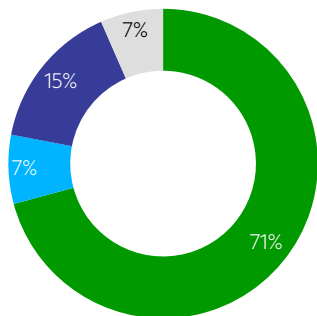
I: Tax Q1 2022

Regions (€ m)	P&L		Cash flow	
	Q1 2021	Q1 2022	Q1 2021	Q1 2022
The Netherlands	-40	-53	-10	-12
Other	-	-	-	-
Total reported tax	-40	-53	-10	-12
Of which discontinued operations	-	-	-	-
Reported tax from continuing operations	-40	-53	-10	-12
Effective tax rate continuing operations	22.3%	23.1%		

For 2022, the effective tax rate is expected to be ~23% excluding one-off effects¹

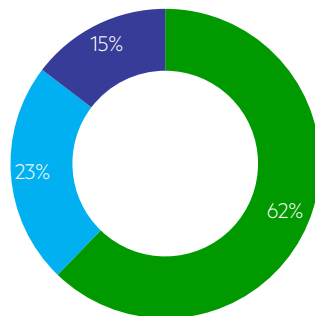
II: Debt portfolio

Nominal debt by type¹



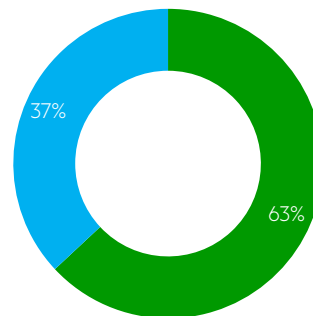
- Eurobonds
- Global bonds
- Hybrid bonds
- Loans & other

Nominal debt by currency¹



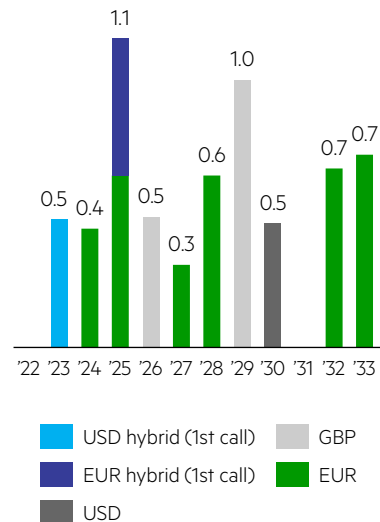
- EUR
- GBP
- USD

Fixed vs. floating interest¹



- Fixed
- Floating

Debt redemption profile² (€ bn)



III: ESG milestones and ambitions: Aiming for net zero emissions by 2040

Important milestones crossed...

Management
incentivized

2011 ✓

Carbon neutral
for own
operations

2015 ✓

>30% women
in senior
management

2023

All leased
cars use non-
fossil fuel

2025

30% reduction
scope 3 emissions
vs. 2014

2030

2011 ✓
100%
green electricity

2020 ✓
>30% gender
diversity at
Board level

2025
~100%
circular

2030
-55% energy
consumption vs.
2010

2040
Net zero
CO₂e emissions
in chain



Rankings & awards





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