Q3 2022 results

26 October 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 do 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') are derived from EBITDA and are 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 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 ('NOPLAT') divided by capital employed, on a 4-quarter rolling basis. Net operating profit is the adjusted EBITA (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, unless stated otherwise..

Highlights Q3: KPN delivers continued Group service revenue growth

- **Continued B2B service revenue growth**, mainly driven by strong growth in SME
- **Ongoing mobile base momentum** in B2C and B2B (+67k postpaid net adds)
- **Growing Consumer mobile service revenues**, improving trends in Consumer fixed
- **Sustainable adj. EBITDA AL growth** and **strong Free Cash Flow generation**
- **Customer satisfaction levels improved** across B2C and B2B segments
- **KPN's improved wholesale fiber offer** declared binding by ACM until 2030
- **On track to reach full-year outlook**; € 300m share buyback for 2022 completed

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

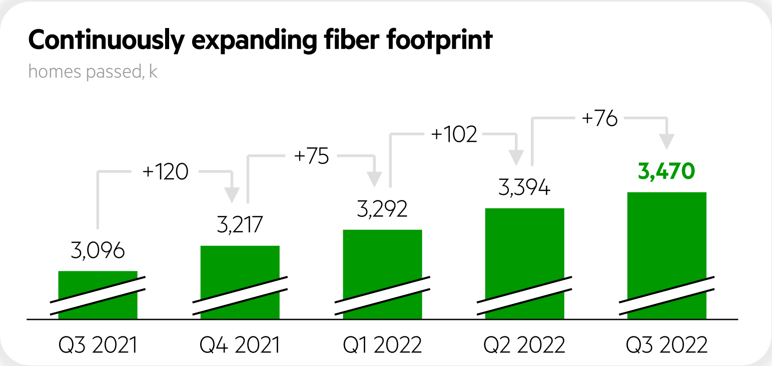
…to support our ambition to

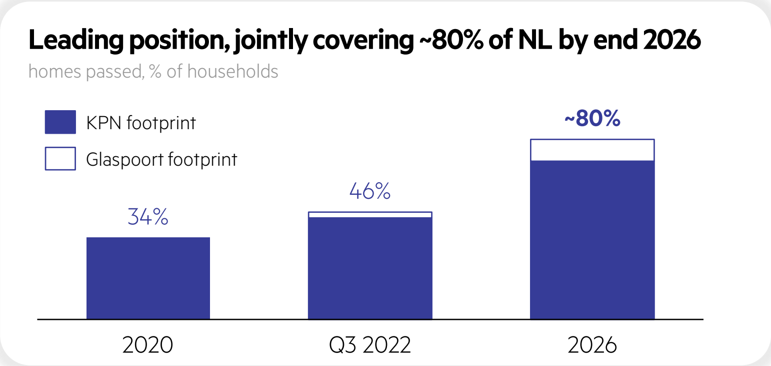
Connect the Netherlands to a sustainable future
- Leading the Dutch digitalization wave
- Recognized as ESG front runner

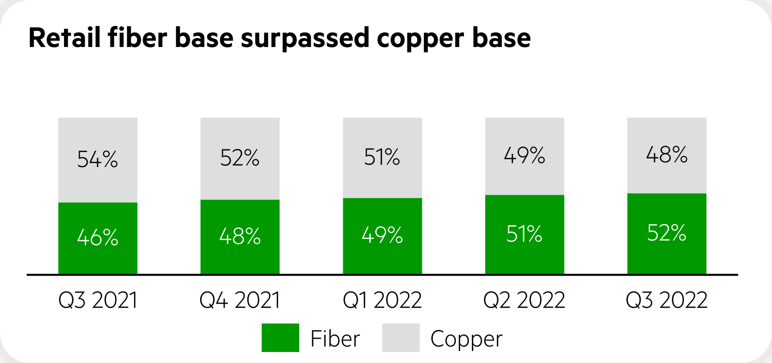
Grow mass-market service revenues and EBITDA
- Fiber fueling household revenue growth in B2C
- Segmented B2B approach, stabilize SME first (achieved)

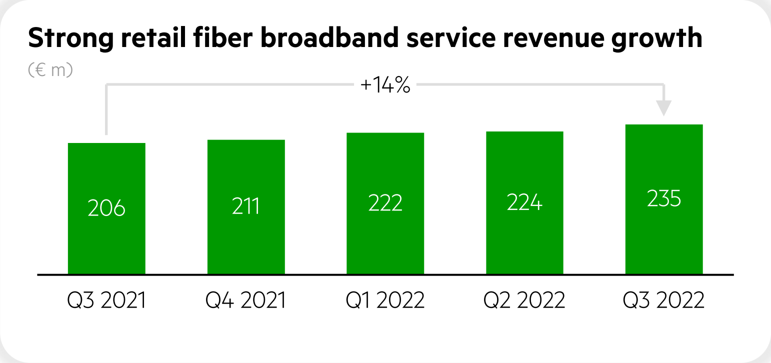
Provide attractive shareholder returns
- Covered by growing Free Cash Flow
- Progressive dividend, +3-5% annually

Expand superior fiber network







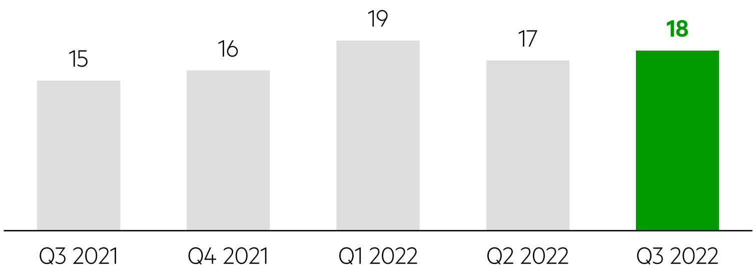


B2C: Continued growth in mobile service revenues, fixed bottoming out

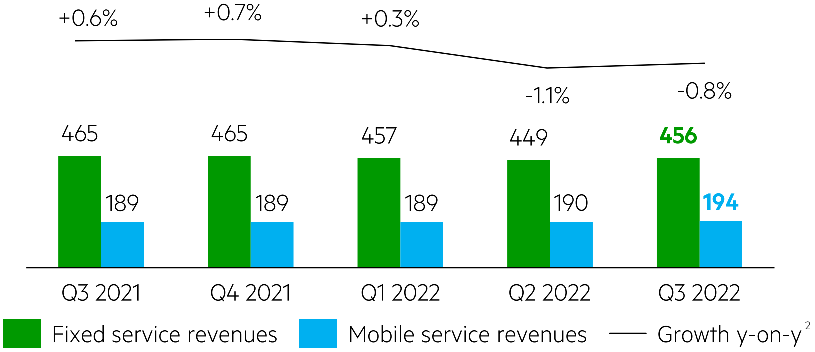
Key take-aways

- Continued growth in mobile service revenues, driven by strong base trends and broadly stable ARPU
- Fixed service revenues bottoming out, mainly impacted by structural decline in legacy and shift from Gross to Net accounting
- Underlying (net of Gross to Net accounting impact) broadband service revenues growing, with Fiber effectively offsetting decline in Copper
- Consumer NPS of +18 remains at industry leading level

Quality steering leading to industry leading Consumer NPS[1]



Service revenue trend (€ m)

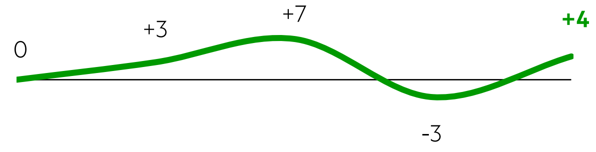


Segment revenues (€ m)	**Q3 2021**	**Q3 2022**	**Δ y-on-y**
Fiber broadband	206	235	+14%
Copper broadband	233	204	-12%
Mobile	189	194	+2.2%
Legacy/other	27	17	-35%
Adjusted Consumer service revenues	**655**	**650**	**-0.8%**
Non-service & Other	64	69	+8.3%
Adjusted Consumer revenues	**719**	**719**	**+0.1%**

1. Source: Kantar TNS
2. Adjusted for € 8m one-off correction in Q1 2021, related to quarters 2020 (based on management estimates)

B2C: Strong momentum in mobile, improving trends in fixed

Small growth broadband net adds (k)[1]

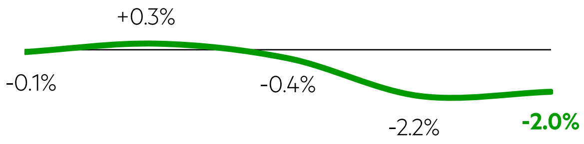


Slightly growing fixed ARPU

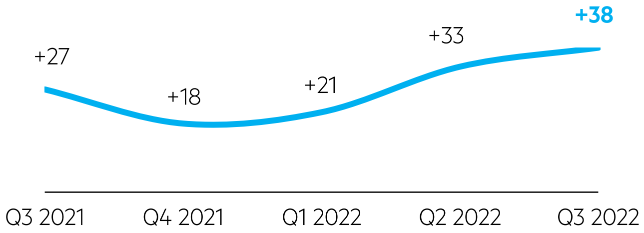
€ 53

+0.4% y-on-y

Fixed service revenues bottoming out (y-on-y growth)[2]



Continued strong postpaid net adds (k)

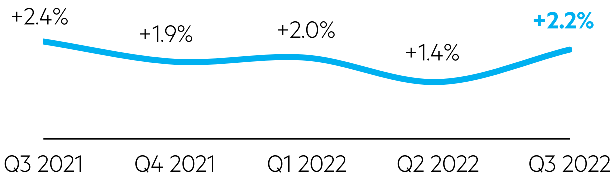


Stable mobile ARPU

€ 17

-0.1% y-on-y

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



1. Corrected for migrations to, and new customers of, B2B propositions (6k in Q3 2022, 7k in Q2 2022, 9k in Q1 2022, 10k in Q4 2021, 7k in Q3 2021)
2. Adjusted for € 8m one-off correction in Q1 2021, related to quarters 2020 (based on management estimates)

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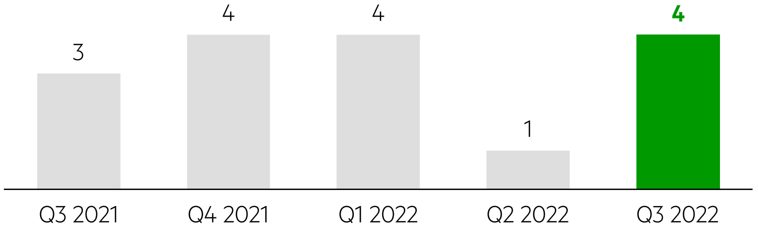
B2B: Continued service revenue growth

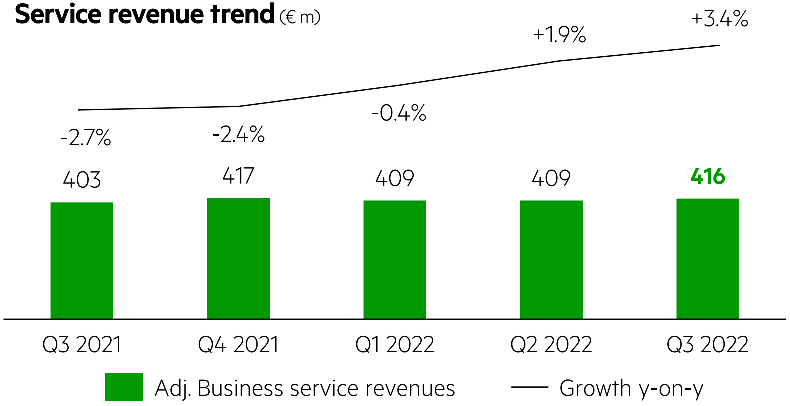
Key take-aways

- Continued strong growth in SME service revenues, due to ongoing base momentum on its integrated portfolio KPN EEN
- LCE service revenue trend continues to improve, partly supported by small one-off in Q3
- Tailored Solutions continues to build on strong business relationships. Service revenues growth remains subject to timing in projects and related hardware sales
- Business NPS back at +4 driven by strong customer intimacy and product leadership on target portfolios

Business NPS remains positive[1]



Service revenue trend (€ m)



Segment revenues (€ m)	**Q3 2021**	**Q3 2022**	**Δ y-on-y**
SME	138	151	+9.3%
LCE	195	194	-0.4%
Tailored Solutions	70	71	+2.1%
Adjusted Business service revenues	**403**	**416**	**+3.4%**
Non-service & Other	26	31	+20%
Adjusted Business revenues	**428**	**447**	**+4.4%**

1. Source: Kantar TNS

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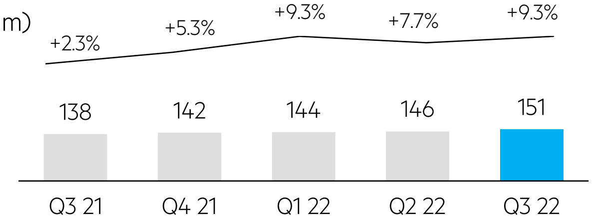
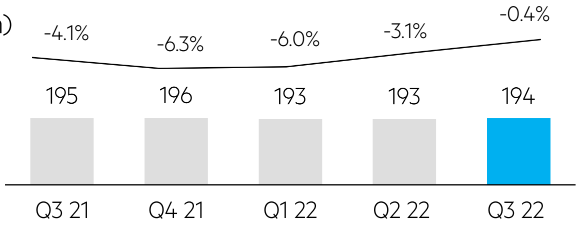
B2B: Service revenues per segment

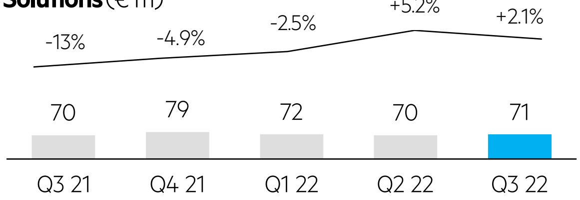
SME (€ m)



LCE (€ m)

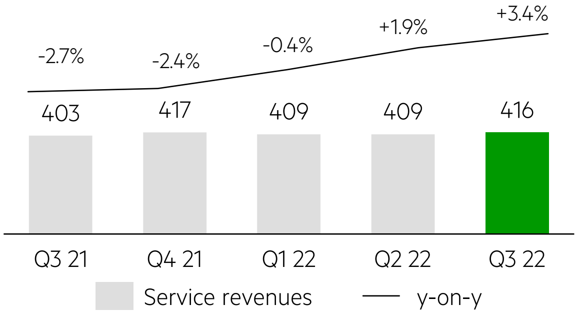


Tailored Solutions (€ m)



Service revenues — y-on-y

Delivered turnaround in Business service revenues (€ m)



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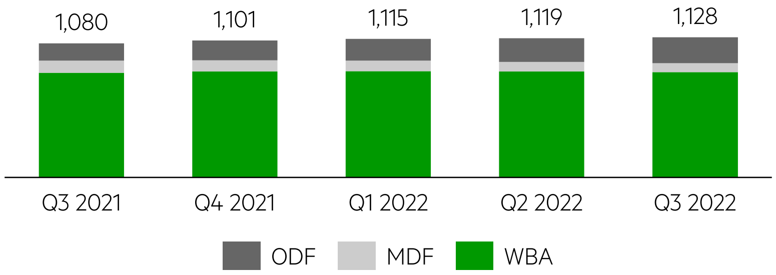
Wholesale: Sustainable service revenue growth

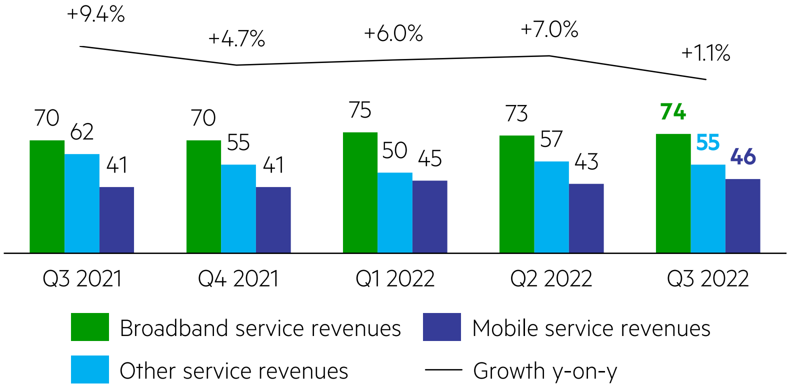
Key take-aways

- Wholesale service revenue growth, despite several smaller incidentals in Q3 '21
- Growing base, +18k postpaid customers and +10k broadband lines
- Other service revenues declined mainly due to a decrease in low-margin interconnect revenues (lower tariffs and less traffic)
- KPN's improved wholesale fiber offer until 2030 became effective in August after binding declaration by ACM

Broadband customer base (k)



Service revenue trend (€ m)



Segment revenues (€ m)	**Q3 2021**	**Q3 2022**	**Δ y-on-y**
Mobile	41	46	+11%
Broadband	70	74	+6.2%
Other	62	55	-11%
Adjusted Wholesale service revenues	**172**	**174**	**+1.1%**
Non-service & Other	-	-	n.m.
Adjusted Wholesale revenues	**173**	**175**	**+1.1%**

Deliver
Financial ambitions

Financial performance: Growing revenues, EBITDA and FCF

Adjusted revenues

	Q3 2022	YTD 2022
	€ 1,337m	€ 3,961m
	+1.9%	+1.6%
	Q3 2021 € 1,311m	YTD 2021 € 3,897m

Adj. net indirect opex savings

Q3 2022	YTD 2022
€ 13m	€ 34m

Adjusted EBITDA AL

Q3 2022	YTD 2022
€ 618m	€ 1,807m
+1.8%	+2.5%
Q3 2021 € 607m	YTD 2021 € 1,763m

Net profit

Q3 2022	YTD 2022
€ 211m	€ 575m
+14%	+18%[1]
Q3 2021 € 185m	YTD 2021 € 1,126m

Liquidity position

Q3 2022

€ 1,427m

Cash & short-term investments: € 427m
Committed undrawn facilities: € 1.0bn RCF

Leverage ratio

Q3 2022

2.3x

Q3 2021
2.3x

Operational Free Cash Flow

Q3 2022	YTD 2022
€ 355m	€ 991m
+2.0%	+13%
Q3 2021 € 348m	YTD 2021 € 879m

Capex

Q3 2022	YTD 2022
€ 263m	€ 815m
+1.5%	-7.8%
Q3 2021 € 259m	YTD 2021 € 884m

Free Cash Flow

Q3 2022	YTD 2022
€ 265m	€ 673m
+14%	+26%
Q3 2021 € 232m	YTD 2021 € 533m

Q3 adjusted revenues **+1.9%** y-on-y
- Growth driven by Business, Consumer Mobile and higher non-service revenues

Q3 adjusted EBITDA AL **+1.8%** y-on-y
- Supported by higher service revenues and indirect cost savings, partly offset by higher direct costs

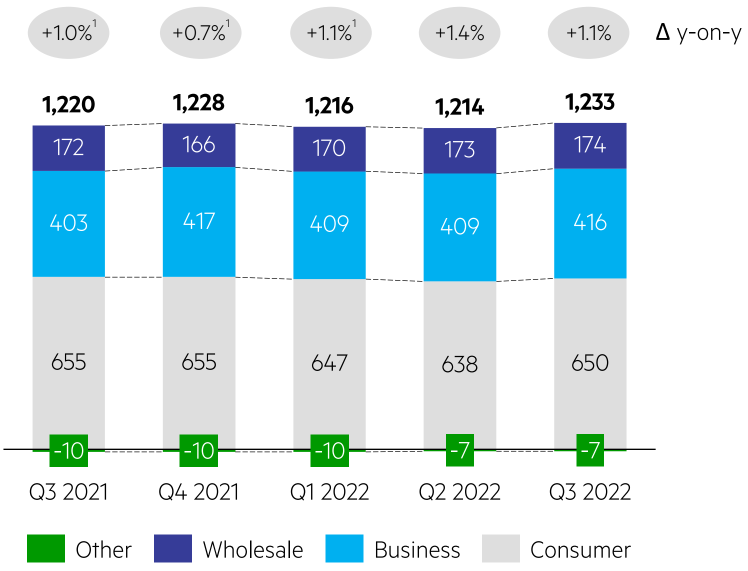
YTD FCF of € 673m (**+26%** y-on-y)
- Supported by growing EBITDA and intra-year phasing of Capex

Strong liquidity position of € 1.4bn

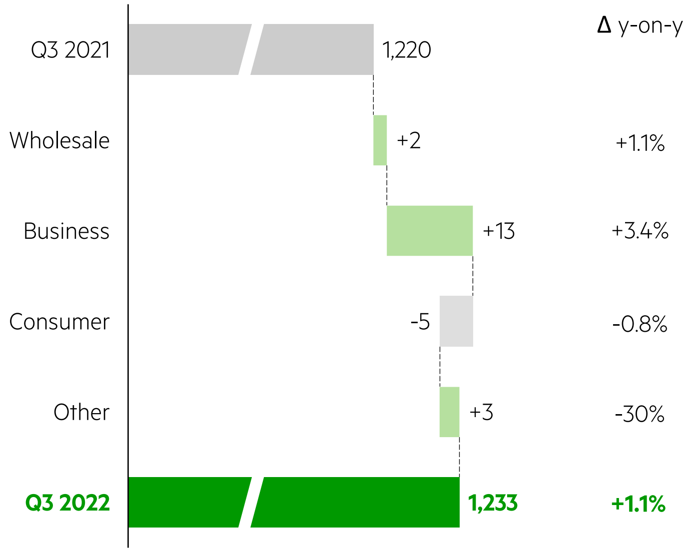
1. Adjusted for net effects of € 649m related to Glaspoort transaction in Q2 2021, net effects of € 10m incidental release of revenue related provisions YTD 2021 and net effects of € 26m YTD 2022 benefit related to the periodic income related to the sale of assets to Glaspoort

Sustainable Group service revenue growth

Encouraging trend in Group service revenues (€ m)



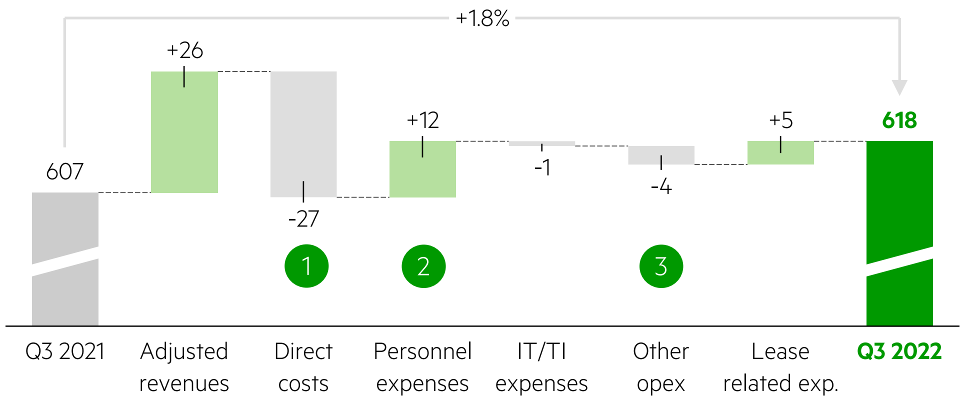
Growth driven by Business and Consumer mobile (€ m)



1. Adjusted for € 8m one-off correction in Q1 2021, related to quarters 2020 (based on management estimates)

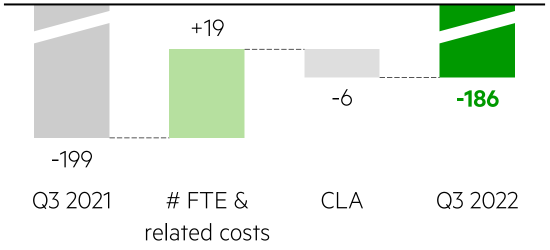
Sustainable adjusted EBITDA AL growth

Adjusted EBITDA AL (€ m)

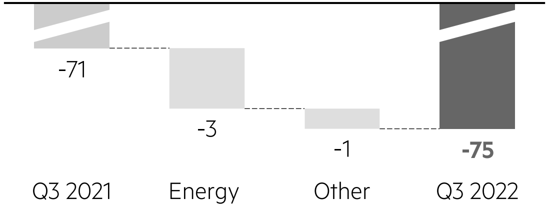


1 Higher direct costs y-on-y
- Higher non-service revenues
- Glaspoort & other access costs
- B2B service revenue mix

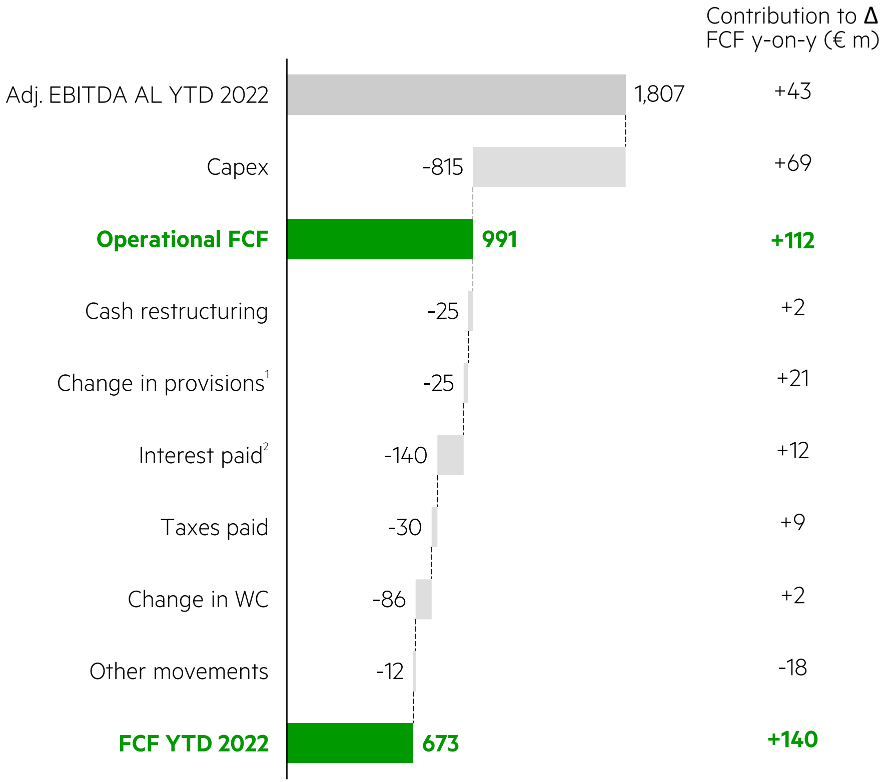
2 Personnel expenses lower y-on-y



3 Other opex higher y-on-y driven by energy



Strong underlying cash generation



Free Cash Flow of **€ 673m**; 26% higher y-on-y

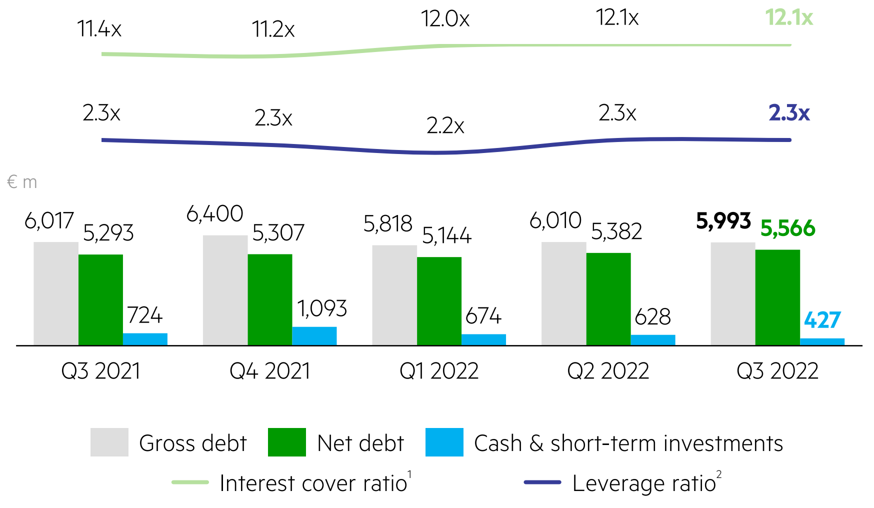
- EBITDA growth
- Phasing Capex

Cash & short-term investments of **€ 427m** per 30 September 2022

(€ m)	**YTD 2021**	**YTD 2022**	**Δ y-on-y**
Free Cash Flow	**533**	**673**	**+26%**
As % of adj. revenues	*13.7%*	*17.0%*	
Acquisitions & disposals	177	-35	n.m.
Change in short-term investments	110	150	+36%
Other investing cash flow	-8	-16	>100%
Dividends paid	-554	-571	+3.1%
Share repurchase	-90	-300	>100%
Other financing cash flow	-194	-413	>100%
Total cash flow from discontinued operations	-4	-3	-12%
Change in net cash & cash equivalents	**-30**	**-515**	**>100%**

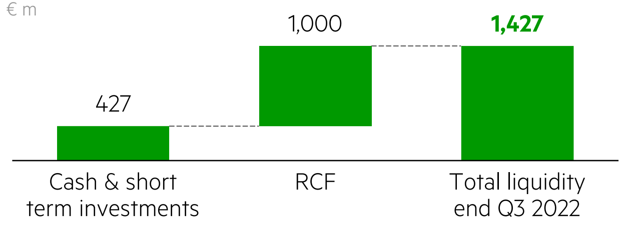
1. Excl. restructuring 2. Excl. lease interest

Robust liquidity position, committed to investment-grade credit profile

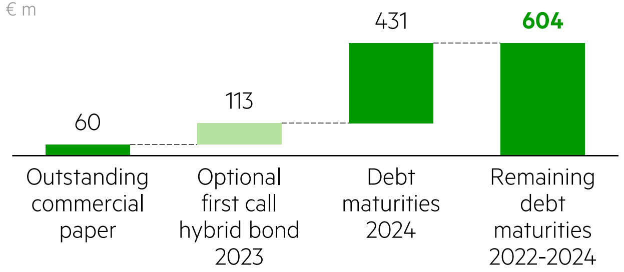


- Net debt € 184m higher q-on-q, driven by interim dividend payment and share buy back, partly offset by FCF generation
- Average cost of senior debt was 3.27% end Q3 2022, 46bps higher y-on-y

Robust liquidity...



...covering debt maturities until 2024



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

FY 2022 outlook reiterated

	Achievements YTD 2022	Outlook FY 2022
Adjusted EBITDA AL	€ 1,807m	**>€ 2,400m**
Capex	€ 815m	**€ 1.2bn**
Free Cash Flow	€ 673m	**~€ 850m**
Regular DPS	€ 4.8 cents interim dividend	**€ 14.3 cents +5.1% y-on-y**
Share buyback	€ 300m	**€ 300m**

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- **Sustainable adj. EBITDA AL growth** and **strong Free Cash Flow generation**
- **Customer satisfaction levels improved** across B2C and B2B segments
- **KPN's improved wholesale fiber offer** declared binding by ACM until 2030
- **On track to reach full-year outlook**; € 300m share buyback for 2022 completed


Accelerate
to grow
kpn

Appendices

I: Tax Q3 2022 and YTD 2022

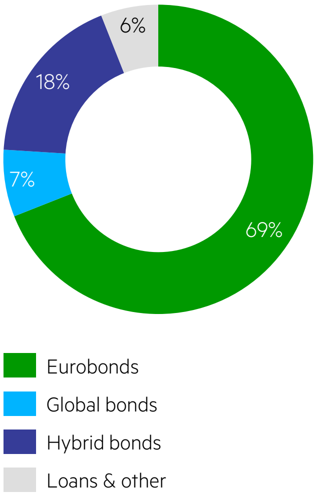
Regions (€ m)	P&L Q3 2021	P&L Q3 2022	Cash flow Q3 2021	Cash flow Q3 2022	P&L YTD 2021	P&L YTD 2022	Cash flow YTD 2021	Cash flow YTD 2022
The Netherlands	-39	-62	-15	-2	-315	-173	-39	-31
Other	-	-	-	1	-	-	-	1
Total reported tax	**-39**	**-62**	**-15**	**-1**	**-315**	**-173**	**-39**	**-30**
Of which discontinued operations	-	-	-	-	-	-	-	-
Reported tax from continuing operations	**-39**	**-62**	**-15**	**-1**	**-315**	**-173**	**-39**	**-30**
Effective tax rate continuing operations	17.5%	23.0%			21.8%	23.2%		

For 2022, the effective tax rate is expected to be ~23% excluding one-off effects[1]

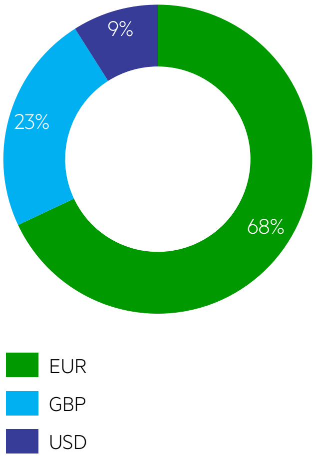
1. Among others, tax law changes, settlements with tax authorities, impairments, revaluations

II: Debt portfolio

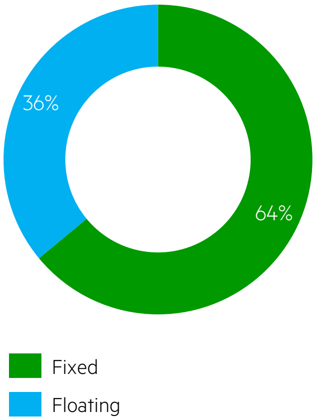
Nominal debt by type[1]



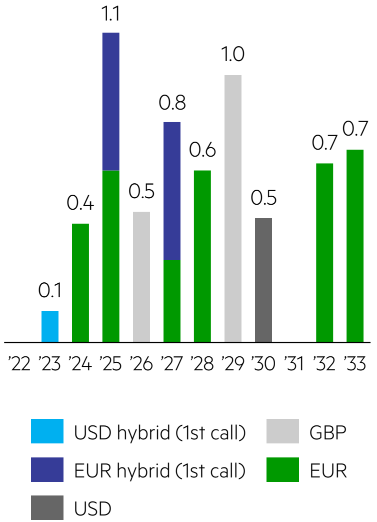
Nominal debt by currency[1]



Fixed vs. floating interest[1]



Debt redemption profile[2] (€ bn)



1. Based on the nominal value of interest-bearing liabilities after swap to EUR
2. Includes outstanding bonds and loans, excluding commercial paper

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

Important milestones crossed...

Management incentivized
2011 ✓

Carbon neutral for own operations
2015 ✓

2011 ✓
100% green electricity

2020 ✓
>30% gender diversity at Board level

...and an ambitious agenda

>30% women in senior management
2023

All leased cars use non-fossil fuel
2025

2025
~100% circular

30% reduction scope 3 emissions vs. 2014
2030

2030
-55% energy consumption vs. 2010

2040
Net zero CO_2e emissions in chain

Rankings & awards

SUSTAINALYTICS

MSCI ESG RATINGS AAA

SECTOR WINNAAR 2022 SUSTAINABLE BRAND INDEX

CDP

PLATINUM Top 1% 2021 ecovadis Sustainability Rating

KPN Investor Relations

ir.kpn.com