



Q3 2023 results

25 October 2023

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 2022. 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 2022 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 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, excluding M&A. 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 2022. 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 2022, unless stated otherwise.

Highlights Q3: Accelerating Group service revenue growth

- ▶▶ **Group service revenue growth** (+3.8% y-on-y), driven by all segments
- ▶▶ **Continued B2B service revenue growth** (+4.2% y-on-y), fueled by strong SME
- ▶▶ **B2C service revenues sustainably inflected** (+2.7% y-on-y), Fixed back to growth
- ▶▶ Ongoing positive net adds development in B2C; **17k broadband and 33k postpaid**
- ▶▶ **Expanding fiber footprint** with +221k HP (incl. Glaspoort +261k HP)
- ▶▶ **Adj. EBITDA AL** +1.8% y-on-y, **FCF generation** impacted by intra-year Capex phasing
- ▶▶ **On track** to reach FY 2023 outlook for Adj. EBITDA AL and FCF

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)

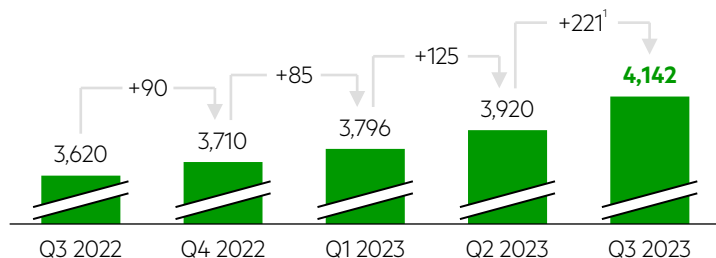
Provide attractive shareholder returns

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

Expand superior fiber network

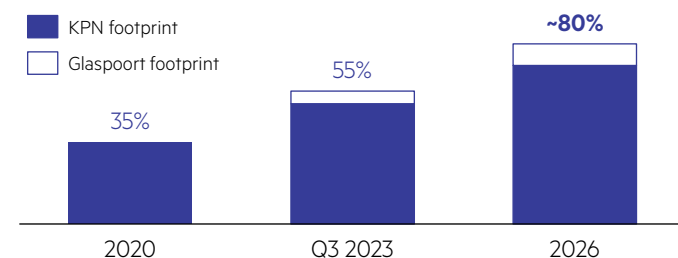
Continuously expanding fiber footprint

homes passed, k

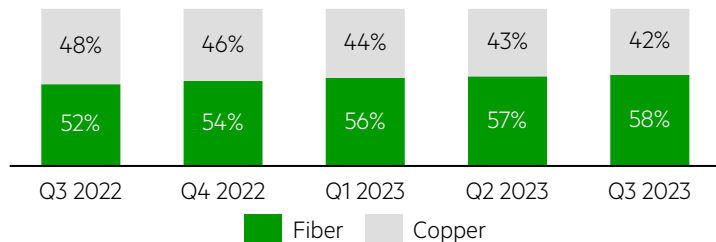


Leading position, jointly covering ~80% of NL by end 2026

homes passed, % of households

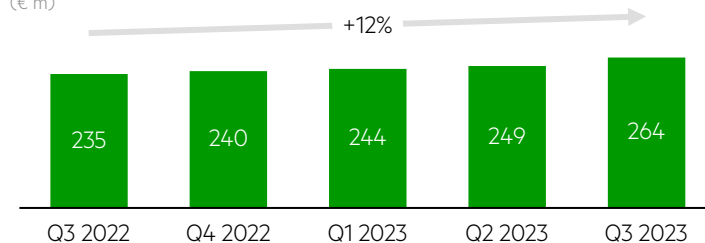


Continued growth retail fiber base



Strong retail fiber broadband service revenue growth

(€ m)

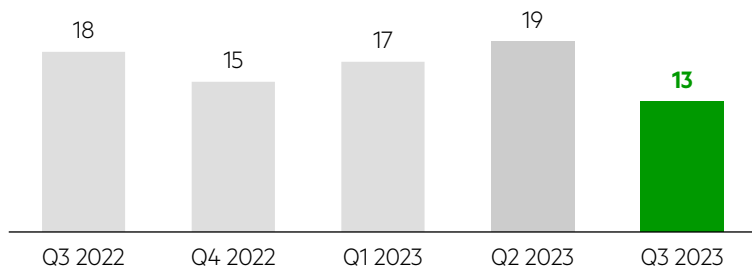


B2C: Service revenues sustainably inflected, Fixed back to growth

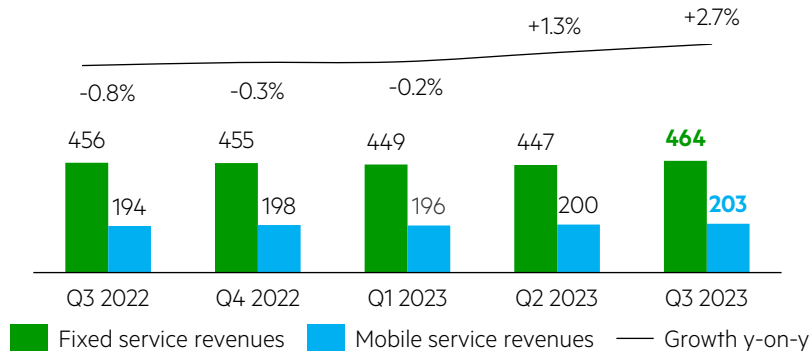
Key take-aways

- Continued growth in Mobile service revenues, driven by solid base trends and higher ARPU
- Fixed service revenue growth inflected due to strong base momentum and growing ARPU
- NPS mainly affected by inflation-driven price increases
- Awarded best internet and mobile provider in the Netherlands by Tweakers
- Launched 4 Gbps broadband offering in fiber areas (Oct '23)

Quality steering leading to industry leading Consumer NPS¹



Service revenue trend (€ m)

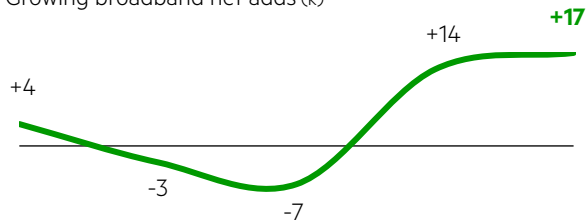


Segment revenues (€ m)

	Q3 2022	Q3 2023	Δ y-on-y
Broadband service revenues	439	450	+2.6%
o/w Fiber broadband	235	264	+12%
o/w Copper broadband	204	186	-8.8%
Other fixed	17	14	-19%
Mobile	194	203	+5.0%
Adjusted Consumer service revenues	650	668	+2.7%
Non-service & Other	69	62	-10%
Adjusted Consumer revenues	719	730	+1.5%

B2C: Base and ARPU growth drive solid performance

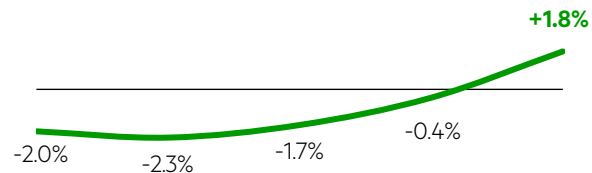
Growing broadband net adds (k)¹



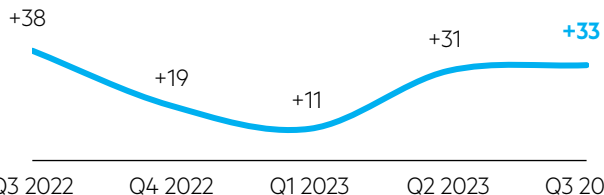
Growing fixed ARPU

€ 54
+2.6% y-on-y

Fixed service revenues inflected to growth (y-on-y growth)



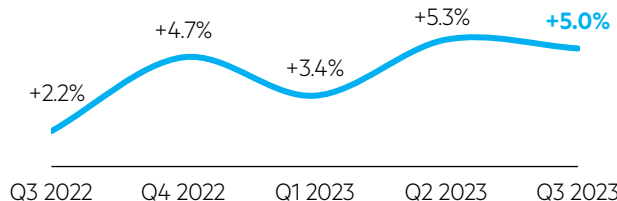
Continued positive postpaid net adds (k)



Growing mobile ARPU

€ 17
+2.8% y-on-y

Continued growth in mobile service revenues (y-on-y growth)

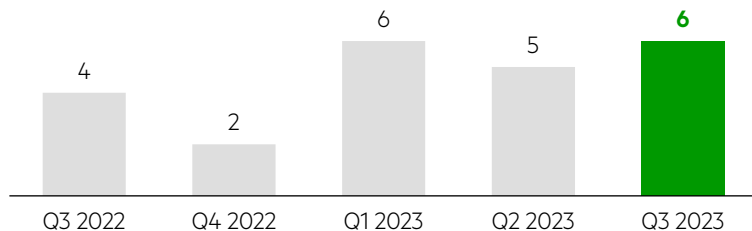


B2B: Continued strong service revenue growth, mainly driven by SME

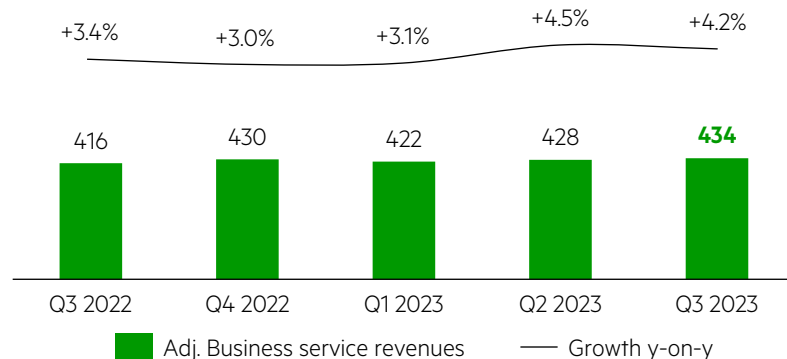
Key take-aways

- Continued strong growth in SME service revenues, driven by solid base growth and successful cross-sell ICT services
- LCE service revenues decreasing y-on-y, mainly driven by reduced roaming traffic
- Tailored Solutions service revenues increased y-on-y, driven by timing in projects
- Business NPS improving year-on-year and leading in Dutch market

Business NPS remains positive¹



Service revenue trend (€ m)

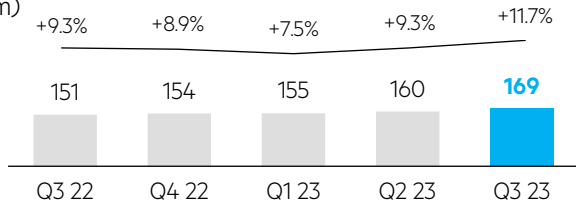


Segment revenues (€ m)

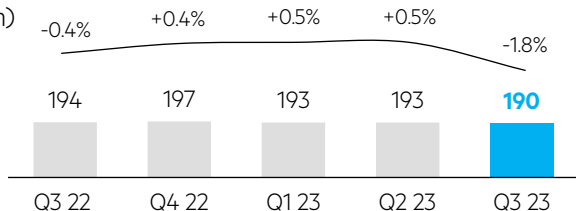
	Q3 2022	Q3 2023	Δ y-on-y
SME	151	169	+11.7%
LCE	194	190	-1.8%
Tailored Solutions	71	75	+4.8%
Adjusted Business service revenues	416	434	+4.2%
Non-service & Other	31	20	-35%
Adjusted Business revenues	447	454	+1.5%

B2B: SME service revenue growth driving ongoing momentum

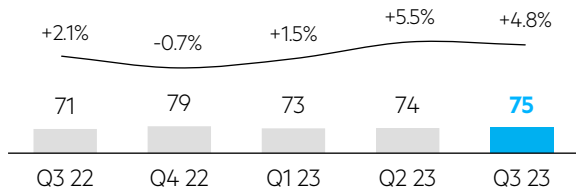
SME (€ m)



LCE (€ m)

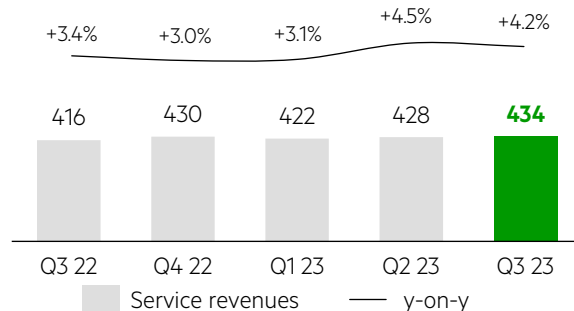


Tailored Solutions (€ m)



Service revenues y-on-y

Continued strong Business service revenue growth (€ m)



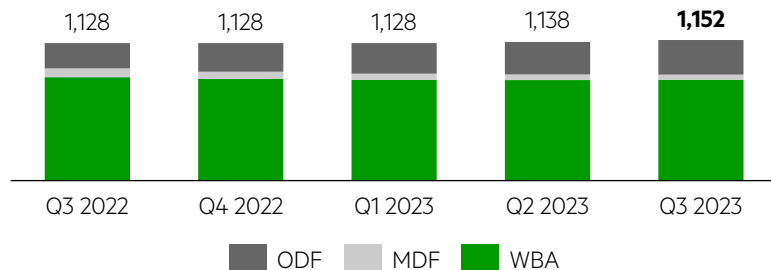
Service revenues y-on-y

Wholesale: Sustainable growth from open access model

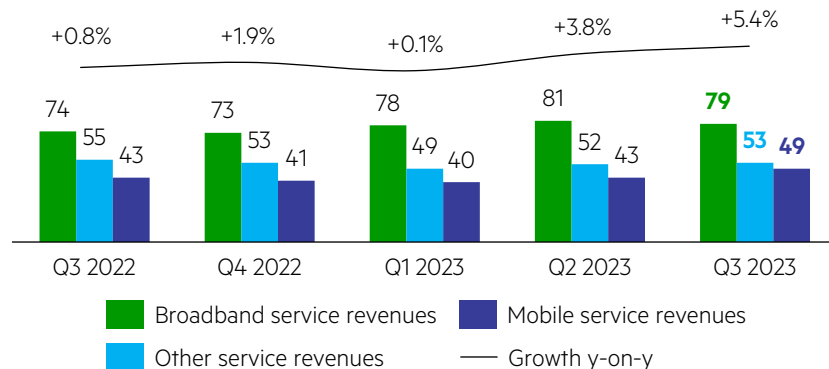
Key take-aways

- Strong service revenue growth, driven by strong Mobile and Broadband performance
- Mobile postpaid SIMs -3k, fully driven by -32k 2G M2M SIMs
- Solid broadband base growth of +14k
- Successful open Wholesale policy, ensuring customers have abundant choice of service providers
- Other service revenues declined, mainly due to a decrease in low-margin interconnect revenues (lower regulated tariffs & less traffic)

Broadband customer base (k)



Service revenue trend (€ m)



Segment revenues (€ m)

	Q3 2022	Q3 2023	Δ y-on-y
Broadband	74	79	+6.3%
Mobile	43	49	+15%
Other	55	53	-2.9%
Adjusted Wholesale service revenues	171	181	+5.4%
Non-service & Other	-	-	n.m.
Adjusted Wholesale revenues	172	181	+5.4%



Deliver
Financial ambitions

Financial performance

Adjusted revenues

Q3 2023	YTD 2023
€ 1,363m	€ 4,028m
+2.2%	+1.9%
Q3 2022 € 1,334m	YTD 2022 € 3,952m

Adj. net indirect opex AL

Q3 2023	YTD 2023
€ +26m	€ +68m

Adjusted EBITDA AL

Q3 2023	YTD 2023
€ 629m	€ 1,809m
+1.8%	+0.1%
Q3 2022 € 618m	YTD 2022 € 1,807m

Q3 adjusted revenues **+2.2%** y-on-y

- Growth driven by higher service revenues in all segments, partly offset by lower non-service revenues

Net profit

Q3 2023	YTD 2023
€ 224m	€ 636m
+6.5%	+11%
Q3 2022 € 211m	YTD 2022 € 575m

Liquidity position

Q3 2023
€ 1.6bn

Cash & short-term investments: €579m
Committed undrawn facilities: € 1bn

Leverage ratio

Q3 2023
2.4x

Q3 2022
2.3x

Q3 adjusted EBITDA AL **+1.8%** y-on-y

- Service revenue growth partly offset by higher indirect costs

Operational Free Cash Flow

Q3 2023	YTD 2023
€ 326m	€ 904m
-8.3%	-8.8%
Q3 2022 € 355m	YTD 2022 € 991m

Capex

Q3 2023	YTD 2023
€ 303m	€ 905m
+16%	+11%
Q3 2022 € 263m	YTD 2022 € 815m

Free Cash Flow

Q3 2023	YTD 2023
€ 198m	€ 552m
-25%	-18%
Q3 2022 € 265m	YTD 2022 € 673m

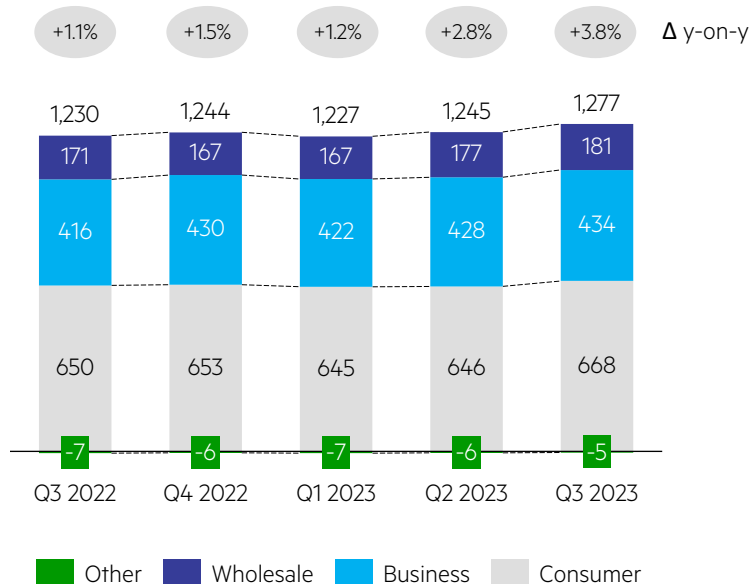
YTD FCF of € 552m **(-18%)** y-on-y

- Mainly impacted by intra-year Capex phasing and higher cash taxes

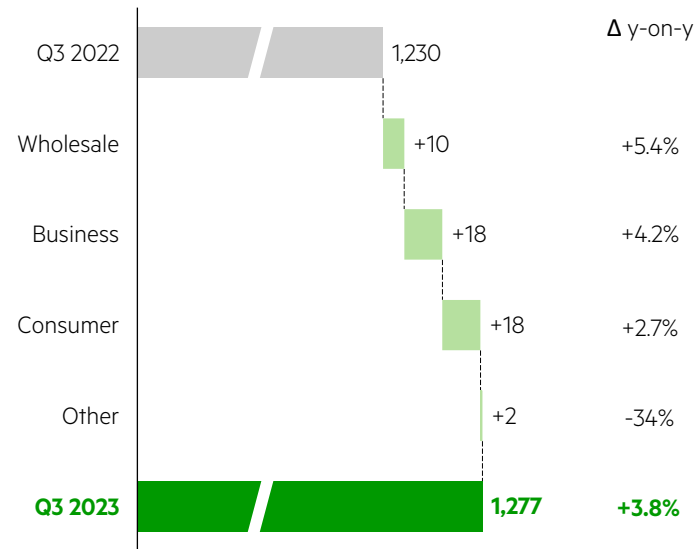
Strong liquidity position of € 1.6bn

Sustainable Group service revenue growth

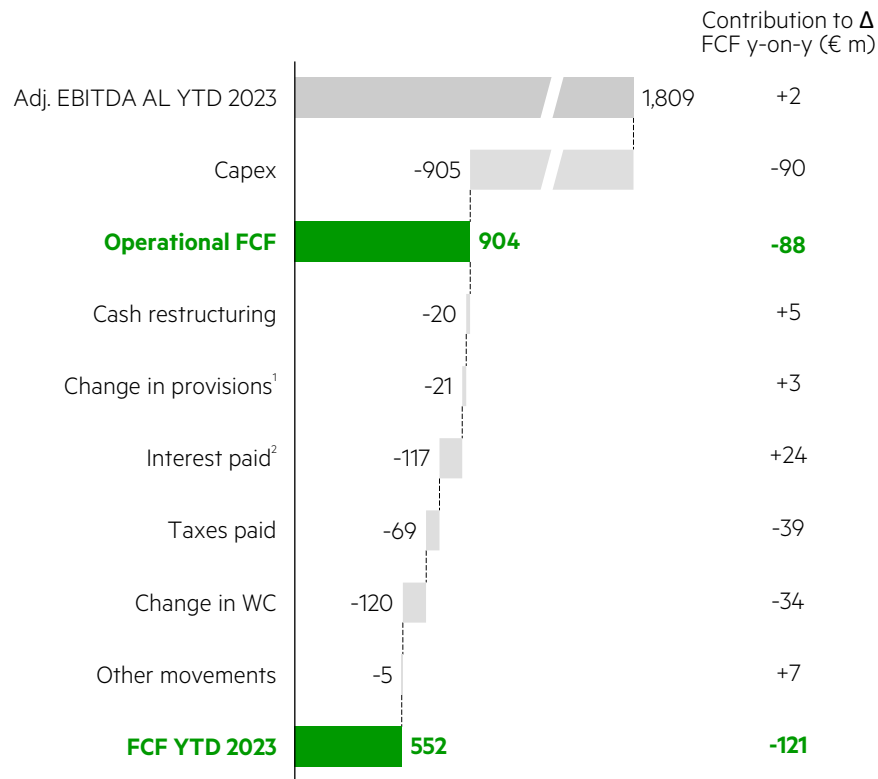
Continued Group service revenue growth (€ m)



Growth driven by all segments (€ m)



FCF generation impacted by intra-year Capex phasing



►► **Free Cash Flow** of **€ 552m**, 18% lower y-on-y due to:

- Capex phasing
- Higher cash taxes paid
- Change in cash from working capital

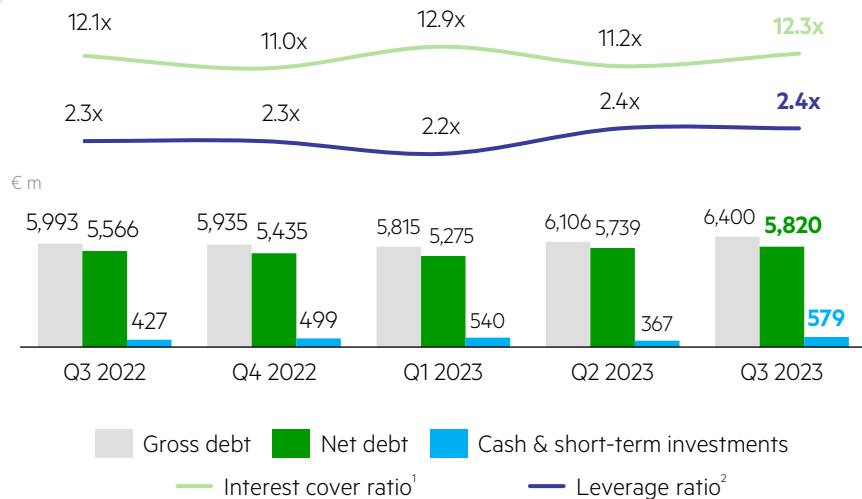
Partly offset by:

- Lower interest paid

►► Cash & short-term investments of **€ 579m** per 30 Sept 2023

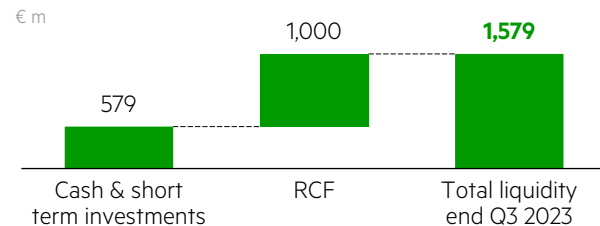
(€m)	YTD 2022	YTD 2023	Δ y-on-y
Free Cash Flow	673	552	-18%
<i>As % of adj. revenues</i>	<i>17.0%</i>	<i>13.7%</i>	
Acquisitions & disposals	-35	25	n.m.
Change in short-term investments	150	-71	n.m.
Other investing cash flow	-16	-45	>100%
Dividends paid	-571	-587	+2.7%
Share repurchase	-300	-300	0.0%
Other financing cash flow	-413	452	n.m.
Total cash flow from discontinued operations	-3	-16	>100%
Change in net cash & cash equivalents	-515	9	n.m.

Robust liquidity position; committed to investment-grade credit profile

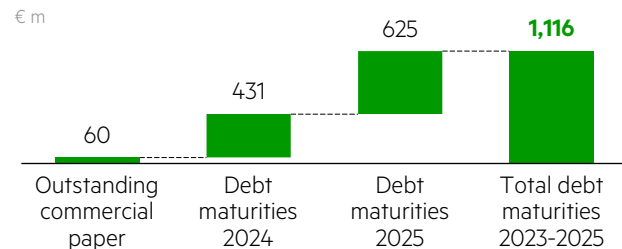


- ▶ Net debt € 82m higher q-on-q, mainly driven by interim dividend payment, partly offset by FCF generation
- ▶ Solid liquidity position of € 1.6bn, strengthened by € 600m bond issued in July
- ▶ Leverage ratio stable in Q3 2023 at 2.4x
- ▶ Average cost of senior debt increased to 4.14% in Q3 2023 (+87 bps y-on-y)

Robust liquidity...



...covering debt maturities until 2025³



2023 outlook reiterated

Achievements YTD 2023

Outlook FY 2023

Adjusted EBITDA AL

€ 1,809m

~€ 2,410m

Capex

€ 905m

€ 1.2bn

Free Cash Flow

€ 552m

~€ 870m

Regular DPS

€ 5.2 cents
Interim dividend

€ 15.0 cents
+4.9% y-on-y

Share buyback

€ 300m

€ 300m

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- ▶▶ **On track** to reach FY 2023 outlook for Adj. EBITDA AL and FCF



Accelerate
to grow

Appendices

- I Tax
- II Debt portfolio
- III ESG

I: Tax Q3 and YTD 2023

Regions (€ m)	Q3 2022	Q3 2023	Q3 2022	Q3 2023	YTD 2022	YTD 2023	YTD 2022	YTD 2023
The Netherlands	-62	-69	-2	-26	-173	-190	-31	-69
Other	-	-	1	-	-	-	1	-
Total reported tax	-62	-69	-1	-26	-173	-190	-30	-69
Of which discontinued operations	-	-	-	-	-	-	-	-
Reported tax from continuing operations	-62	-69	-1	-26	-173	-190	-30	-69
Effective tax rate continuing operations	23.0%	23.1%			23.2%	22.8%		

The effective tax rate for 2023 YTD was mainly influenced by the Innovation Box facility, blended impact of the arbitrary depreciation, one-off effects¹ and the tax effect of perpetual hybrid bonds

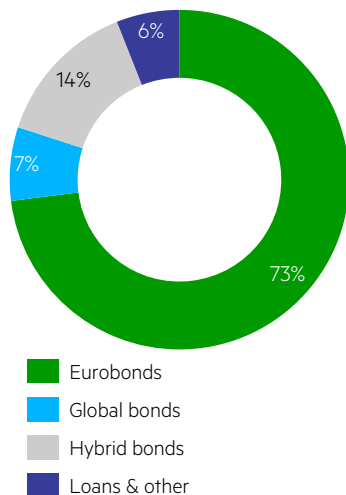
► Normalized tax rate is ~23% for 2023 (adjusted for one-off effects¹, iBox & blended impact of the arbitrary depreciation and the tax effect of perpetual hybrid bonds)

For 2023 FY, the effective tax rate is expected to be ~23%

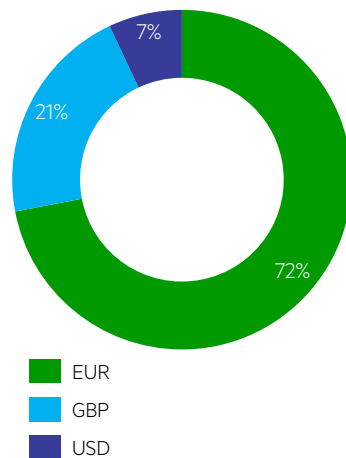
Next to the operating tax cash flow stated above, an amount of € 60m was received related to investing activities (Glaspoort) in 2023

II: Debt portfolio

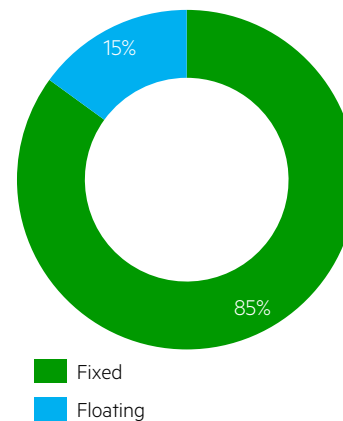
Nominal debt by type¹



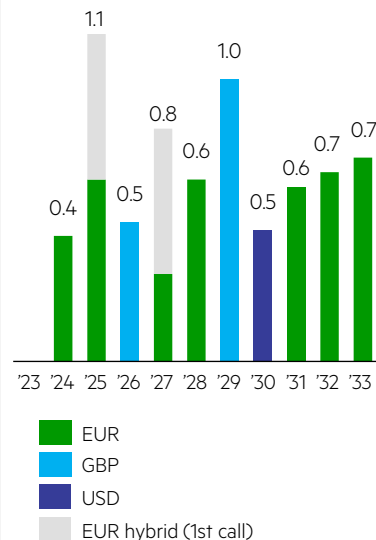
Nominal debt by currency¹



Fixed vs. floating interest¹



Debt redemption profile² (€ bn)



III: ESG milestones and ambitions

Important milestones crossed...

Management
incentivized

2011 ✓

Carbon neutral
for own
operations

2015 ✓

>33% women
in sub top

2023

Inflow of cars
close to 100%
fossil fuel free

2025

2011 ✓
100%
green energy

2020 ✓
>30% gender
diversity at
Board level

2025
~100%
circular

45% reduction
scope 3
emissions¹

2030

2030
-48% electricity
consumption²

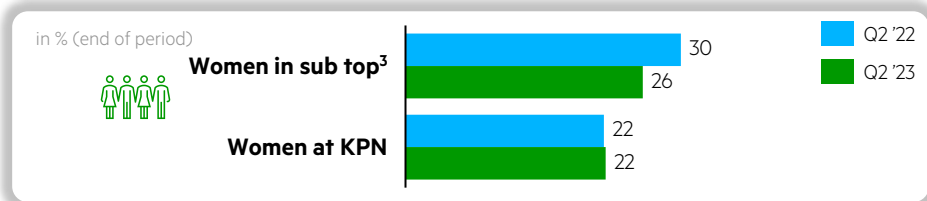
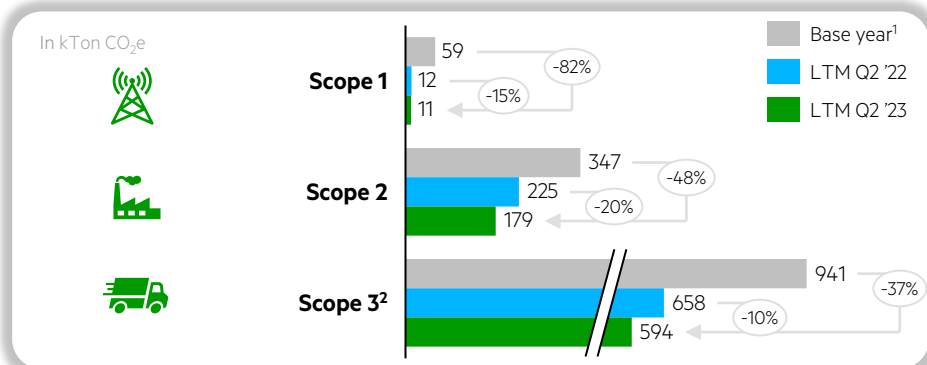
...and an ambitious agenda

2040
Net zero
CO₂e emissions
in value chain

Rankings & awards



Solid progress on ESG ambitions



Scope 1 – Direct emissions

- Gross emissions, relating to fuel consumption car fleet, heating of buildings, consumption of coolants, fuel consumption of emergency power generators
- Ambition: 98% fossil fuel free cars added to company fleet in 2025

Scope 2 – Indirect emissions

- Location based emissions, relating to usage of electricity of fixed and mobile networks, offices and shops and district heating/cooling
- Ambition: electricity consumption by KPN Group in 2030 reduced to < 400 GWh

Scope 3 – Emissions in value chain

- Emissions in the upstream value chain (production phase at suppliers)
- Emissions in the downstream value chain (use phase, recycling and disposal)
- Ambition: net zero CO₂e emissions in 2040

Circularity

- Re-use and recycling (R&R) share of the outflow of KPN materials and waste destined to be reused, recycled, incinerated or landfilled
- Target: 85% in 2025, as part of ambition to become close to 100% circular in 2025

Diversity

- Ambition: >25% women at KPN and >35% women in sub top positions by 2025
- Achieved: Board of Management consists of 50% and Supervisory Board of 33% female members



KPN Investor Relations

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