

Q1 2023 results

26 April 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 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 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 Q1: Continued Group service revenue growth

- ▶▶ **Group service revenue growth** (+1.2% y-on-y), driven by B2B and B2C Mobile
- ▶▶ **Sustainable B2B service revenue growth** (+3.1% y-on-y), mainly driven by SME
- ▶▶ **Ongoing B2C mobile service revenue growth** (+3.4% y-on-y)
- ▶▶ **Customer satisfaction levels improving** sequentially in B2C and B2B
- ▶▶ **Expanding fiber footprint** with +85k HP (+113k HP incl. Glaspoort)
- ▶▶ Recognized as **best fixed and mobile network** in the Netherlands by Umlaut
- ▶▶ **Adj. EBITDA AL** -1.6% 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

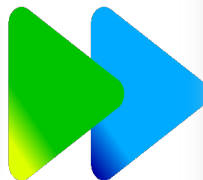
- Covering the Netherlands through fiber
- Low latency services via 5G and edge computing

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)

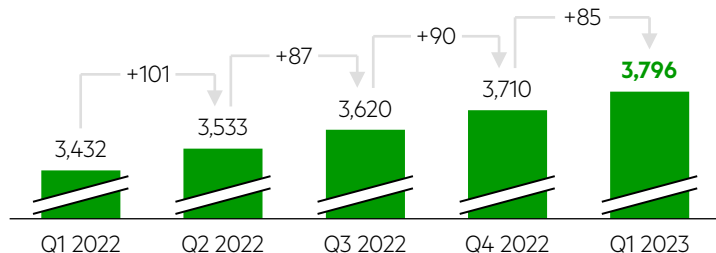
Provide attractive shareholder returns

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

Expand superior fiber network

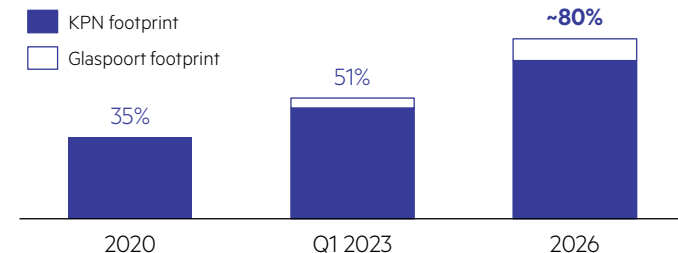
Continuously expanding fiber footprint

homes passed, k

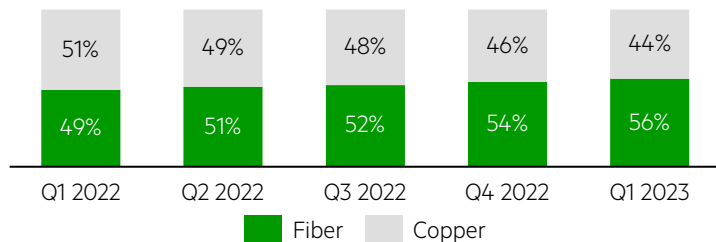


Leading position, jointly covering ~80% of NL by end 2026

homes passed, % of households

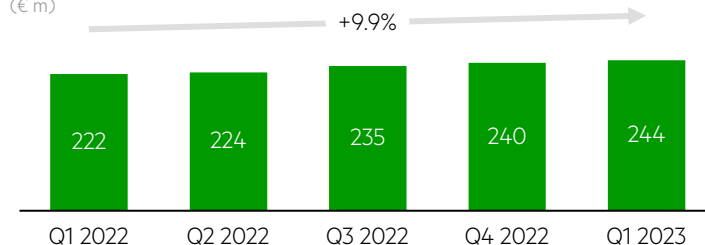


Continued growth retail fiber base



Strong retail fiber broadband service revenue growth

(€ m)

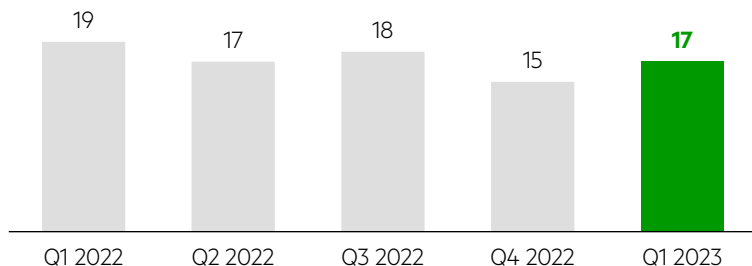


B2C: Continued growth mobile service revenues

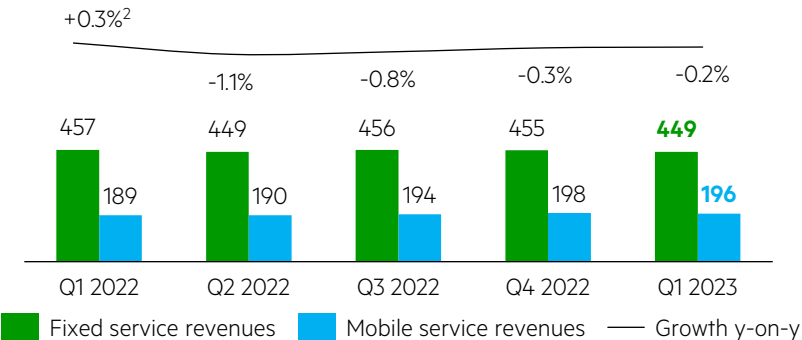
Key take-aways

- Continued growth in mobile service revenues, driven by growing base and 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 slightly growing
- Consumer NPS of +17 at industry leading level

Quality steering leading to industry leading Consumer NPS¹



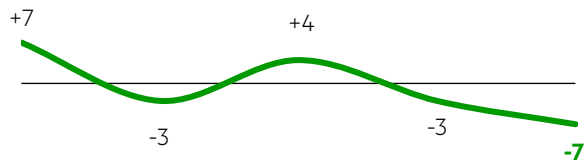
Service revenue trend (€ m)



Segment revenues (€ m)	Q1 2022	Q1 2023	Δ y-on-y
Broadband service revenues	437	434	-0.6%
o/w Fiber broadband	222	244	+9.9%
o/w Copper broadband	215	191	-11%
Other fixed	20	15	-27%
Mobile	189	196	+3.4%
Adjusted Consumer service revenues	647	645	-0.2%
Non-service & Other	65	70	+8.5%
Adjusted Consumer revenues	711	715	+0.6%

B2C: Solid mobile service revenue growth, fixed remains competitive

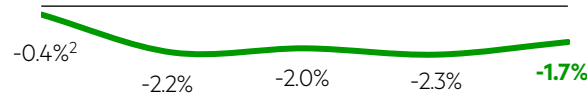
Declining broadband net adds (k)¹



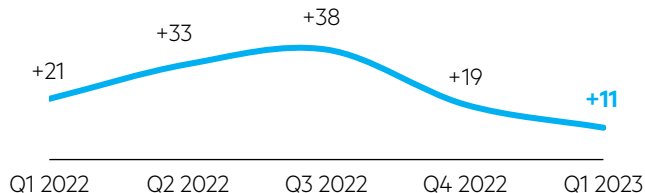
Broadly stable fixed ARPU

€ 53
+0.3% y-on-y

Fixed service revenues bottoming out (y-on-y growth)



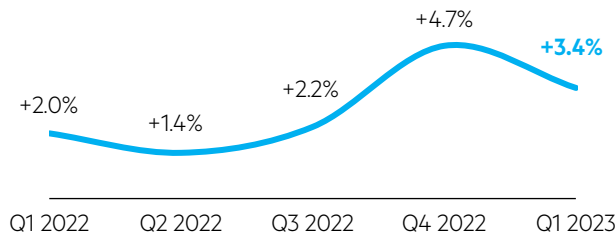
Continued positive postpaid net adds (k)



Growing mobile ARPU

€ 17
+0.8% y-on-y

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

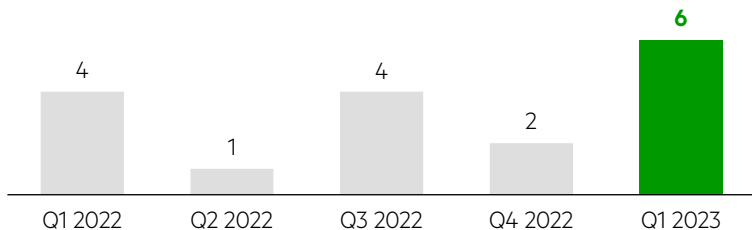


B2B: Continued service revenue growth, mainly driven by SME

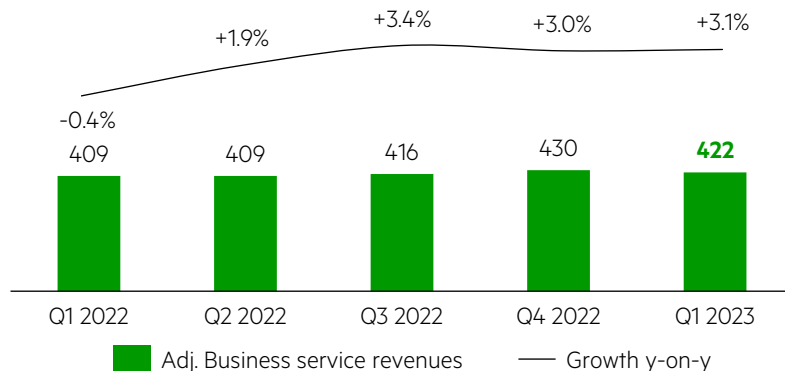
Key take-aways

- Continued strong growth in SME service revenues, mainly driven by mobile base momentum and take-up unlimited bundles
- LCE service revenue trend continued to increase y-on-y, driven by the growth in IoT and Cloud Communications
- Tailored Solutions continues to build on strong business relationships. Service revenue growth remains subject to timing in projects and related hardware sales
- Business NPS increased to +6 driven by strong customer intimacy and product leadership on target portfolios

Business NPS remains positive¹



Service revenue trend (€ m)

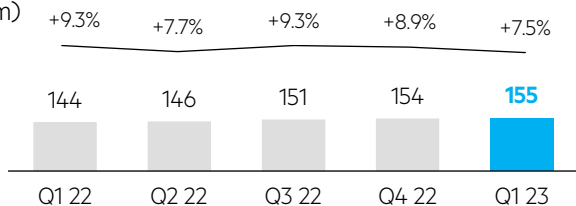


Segment revenues (€ m)

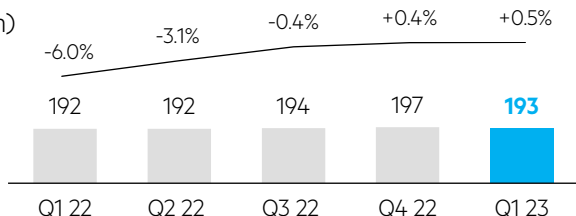
	Q1 2022	Q1 2023	Δ y-on-y
SME	144	155	+7.5%
LCE	192	193	+0.5%
Tailored Solutions	72	73	+1.5%
Adjusted Business service revenues	409	422	+3.1%
Non-service & Other	28	32	+15%
Adjusted Business revenues	437	454	+3.9%

B2B: All segments contributing to service revenue growth

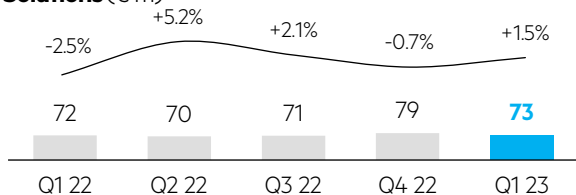
SME (€ m)



LCE (€ m)

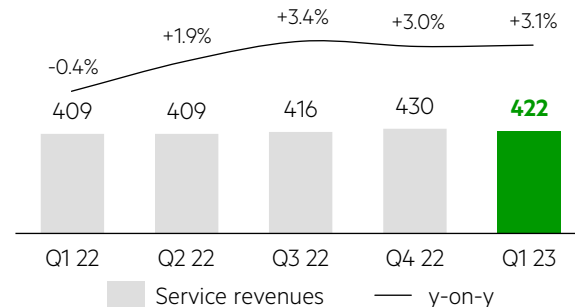


Tailored Solutions (€ m)



Service revenues y-on-y

Delivered turnaround in Business service revenues (€ m)

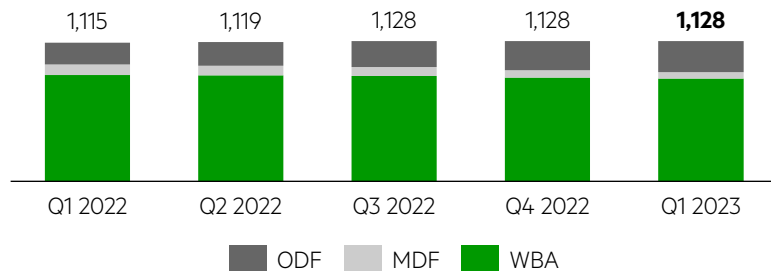


Wholesale: Stable service revenues, impacted by one-offs in Q1 '22

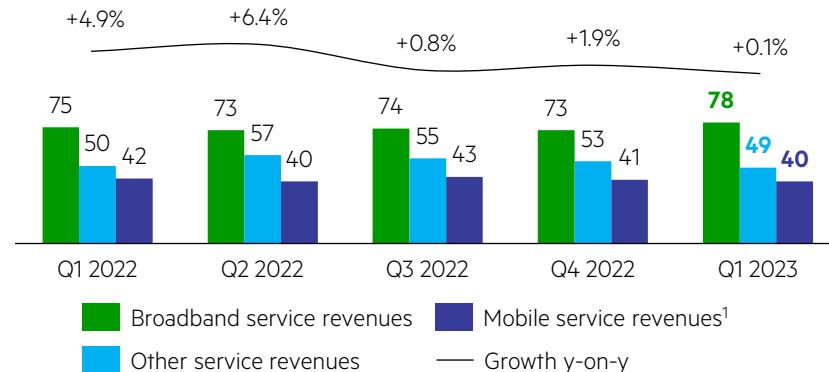
Key take-aways

- Growing broadband service revenues with flat base trend
- Mobile service revenues declined, impacted by one-offs in Q1 '22. Operational momentum remains strong (+25k postpaid net adds)
- Other service revenues declined, mainly due to a decrease in low-margin interconnect revenues (lower regulated tariffs and less traffic)
- Successful open Wholesale policy, ensuring customers have abundant choice of service providers

Broadband customer base (k)



Service revenue trend (€ m)



Segment revenues (€ m)

	Q1 2022	Q1 2023	Δ y-on-y
Mobile	42	40	-4.2%
Broadband	75	78	+4.1%
Other	50	49	-2.4%
Adjusted Wholesale service revenues	167	167	+0.1%
Non-service & Other	-	-	n.m.
Adjusted Wholesale revenues	167	167	+0.1%



Deliver
Financial ambitions

Financial performance

Adjusted revenues

Q1 2023

€ 1,333m

+1.9%

Q1 2022

€ 1,308m

Adj. net indirect opex AL

Q1 2023

+€ 12m

Adjusted EBITDA AL

Q1 2023

€ 584m

-1.6%

Q1 2022

€ 593m

Q1 adjusted revenues **+1.9%** y-on-y

- Growth driven by Business, Consumer mobile and higher non-service revenues

Net profit

Q1 2023

€ 196m

+9.7%

Q1 2022

€ 179m

Liquidity position

Q1 2023

€ 1.5bn

Cash & short-term investments: € 540m
Committed undrawn facilities: € 1bn

Leverage ratio

Q1 2023

2.2x

Q1 2022

2.2x

Q1 adjusted EBITDA AL **-1.6%** y-on-y

- Mainly driven by higher indirect costs due to inflation

Operational Free Cash Flow

Q1 2023

€ 286m

-15%

Q1 2022

€ 336m

Capex

Q1 2023

€ 298m

+16%

Q1 2022

€ 257m

Free Cash Flow

Q1 2023

€ 164m

-20%

Q1 2022

€ 206m

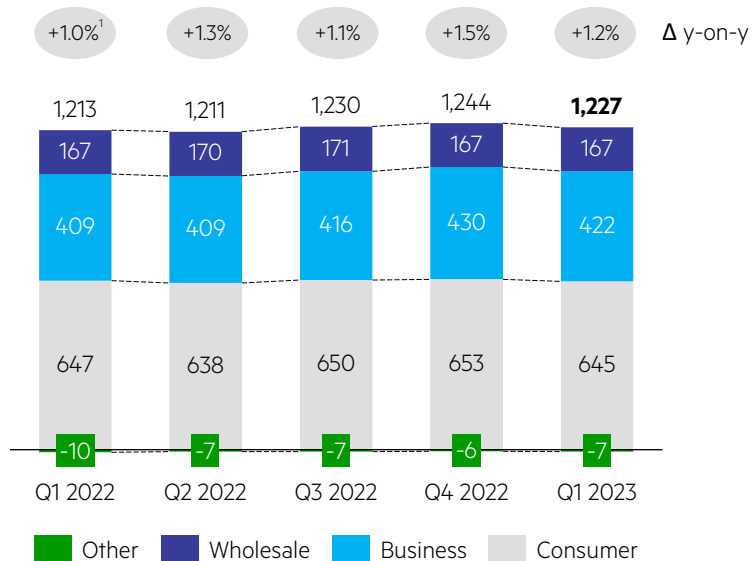
Q1 FCF of € 164m **(-20%)** y-on-y

- Impacted due to intra-year Capex phasing

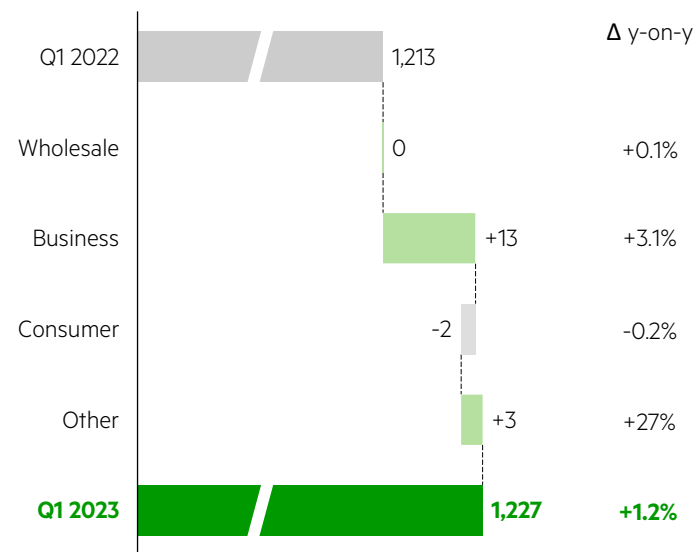
Strong liquidity position of € 1.5bn

Sustainable Group service revenue growth

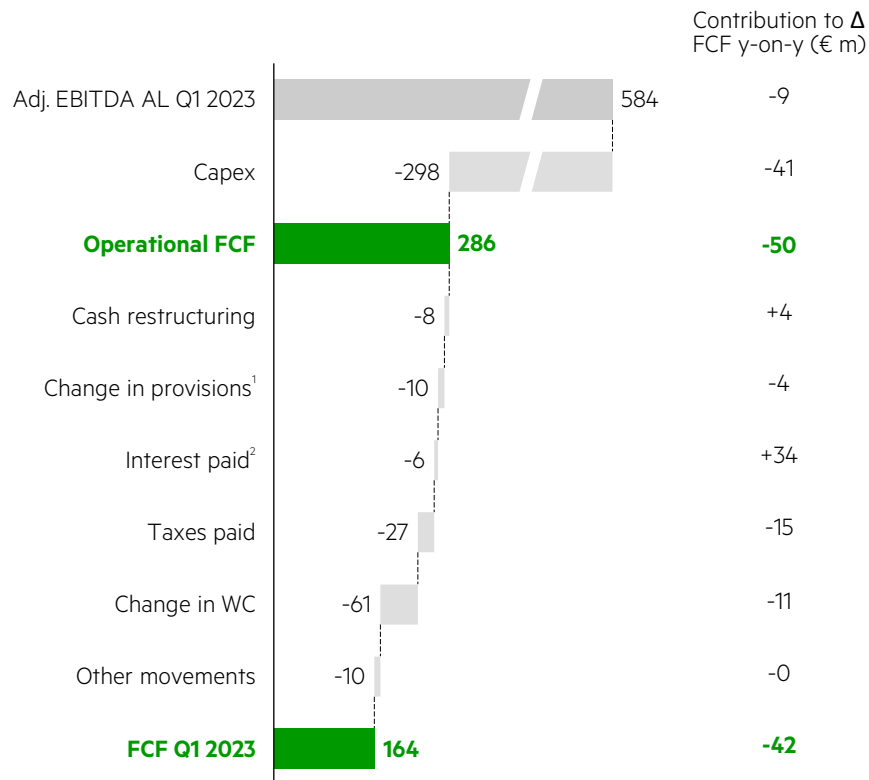
Continued Group service revenue growth (€ m)



Growth driven by Business and Consumer Mobile (€ m)



FCF generation impacted by intra-year Capex phasing



►► **Free Cash Flow** of **€164m**, 20% lower y-on-y mainly

due to:

- Capex phasing
- Higher taxes paid

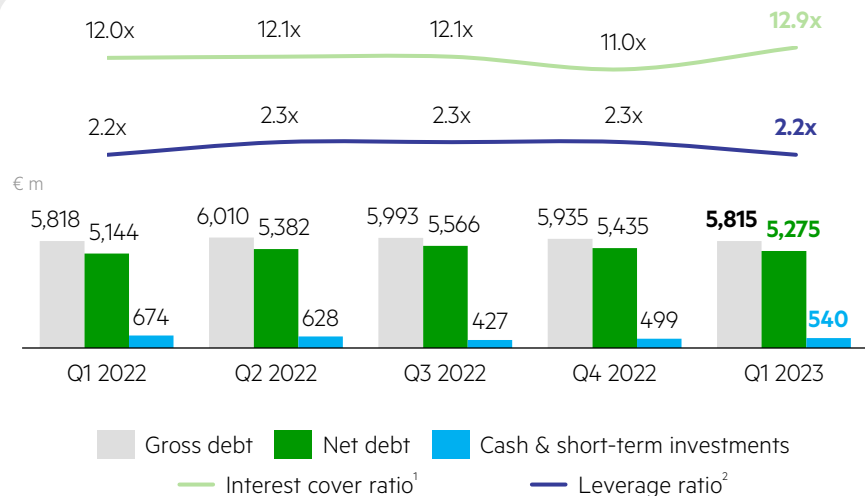
Partly offset by

- Lower interest paid

►► Cash & short-term investments of **€540m** per 31 March 2023

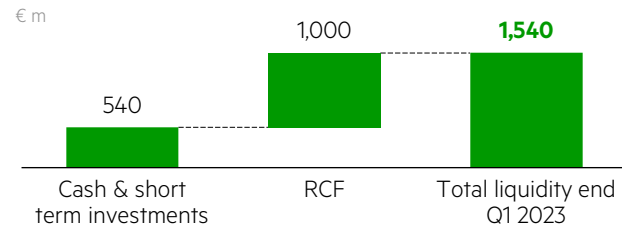
(€m)	Q1 2022	Q1 2023	Δ y-on-y
Free Cash Flow	206	164	-20%
<i>As % of adj. revenues</i>	<i>15.8%</i>	<i>12.3%</i>	
Acquisitions & disposals	-	3	n.m.
Change in short-term investments	250	-1	n.m.
Other investing cash flow	-10	50	n.m.
Dividends paid	-	-	n.m.
Share repurchase	-18	-46	>100%
Other financing cash flow	-594	-130	-78%
Total cash flow from discontinued operations	-3	-1	-66%
Change in net cash & cash equivalents	-168	+39	n.m.

Robust liquidity position, committed to investment-grade credit profile

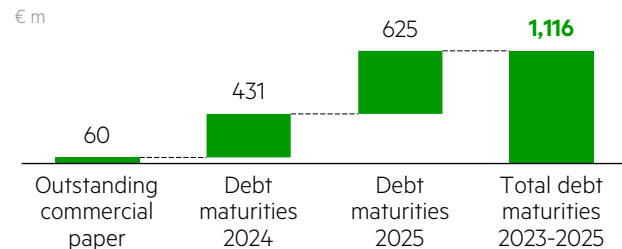


- ▶▶ Net debt € 160m lower q-on-q, mainly driven by FCF generation
- ▶▶ Leverage ratio slightly down in Q1 2023 at 2.2x (stable y-on-y)
- ▶▶ Average cost of senior debt increased to 3.90% in Q1 2023 (+146 bps y-on-y)

Robust liquidity...



...covering debt maturities until 2025³



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

3. Excluding optional call redemptions on hybrid bonds

2023 outlook reiterated

Achievements 2022

Outlook FY 2023

Adjusted EBITDA AL

€ 2,404m

~€ 2,410m

Capex

€ 1,206m

€ 1.2bn

Free Cash Flow

€ 862m

~€ 870m

Regular DPS

€ 14.3 cents
+5.1% y-on-y

€ 15.0 cents
+4.9% y-on-y

Share buyback

€ 300m

€ 300m

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- ▶▶ **Adj. EBITDA AL** -1.6% 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

Appendices

- I Tax
- II Debt portfolio
- III ESG

I: Tax Q1 2023

Regions (€ m)	P&L		Cash flow	
	Q1 2022	Q1 2023	Q1 2022	Q1 2023
The Netherlands	-53	-57	-12	-27
Other	-	-	-	-
Total reported tax	-53	-57	-12	-27
Of which discontinued operations	-	-	-	-
Reported tax from continuing operations	-53	-57	-12	-27
Effective tax rate continuing operations	23.1%	22.3%		

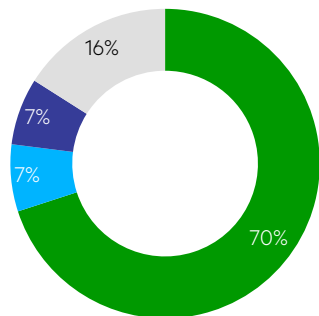
The effective tax rate for Q1 2023 was mainly influenced by the Innovation Box facility, one-off effects¹ and the effect of perpetual hybrid bonds

► Excluding one-off effects¹ and the effect of perpetual hybrid bonds, the effective tax rate would have been ~23% in Q1 2023

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

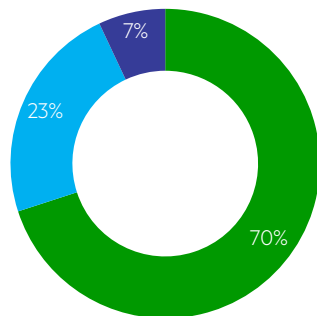
II: Debt portfolio

Nominal debt by type¹



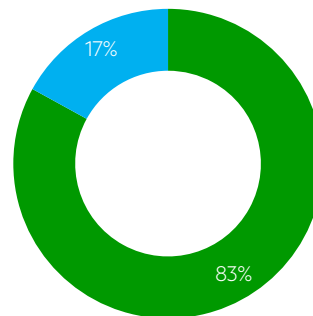
- Eurobonds
- Global bonds
- Loans & other
- Hybrid bonds

Nominal debt by currency¹



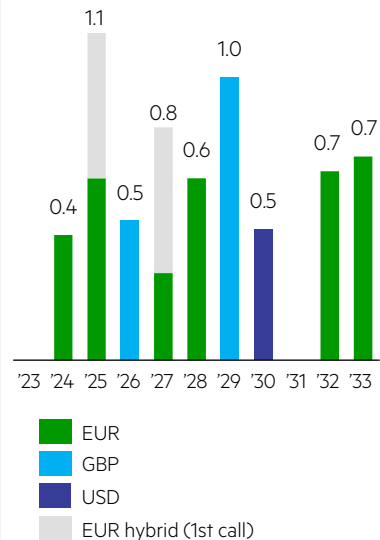
- EUR
- GBP
- USD

Fixed vs. floating interest¹



- Fixed
- Floating

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



III: Progress on ESG ambitions

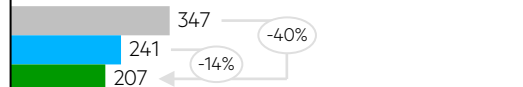
In kTon CO₂e



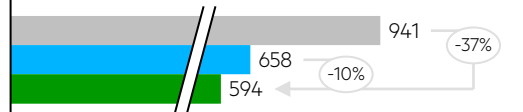
Scope 1



Scope 2



Scope 3



in %



Circularity (R&R)



in % (end of period)



Women in sub top**



Women at KPN



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 compared to 2014

Circularity

- Re-use and recycling (R&R) share of the outflow of KPN materials and waste destined to be reused, recycled, incinerated or landfilled
- Ambition: ~100% circular in 2025

Diversity

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



KPN Investor Relations

 ir.kpn.com

