



Q2 & H1 2022 results

27 July 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 Q2: Business service revenues reach growth inflection point

- ▶▶ **Continued Group service revenue growth +1.4% y-on-y**
- ▶▶ **Inflection of B2B service revenues**, solid mass-market service revenue growth
- ▶▶ **Ongoing growth in Consumer mobile** offset by lower revenues in Consumer fixed
- ▶▶ Solid progress fiber roll out (+102k HP); **fiber retail base surpassed copper**
- ▶▶ **Awarded best mobile network** in the Netherlands for 4th consecutive time
- ▶▶ **Sustainable adj. EBITDA AL growth +1.1% y-on-y**
- ▶▶ **Strong FCF generation in H1 2022**, driven by higher adj. EBITDA AL and lower Capex
- ▶▶ **FY 2022 outlook raised** to >€ 2,400m adj. EBITDA AL and ~€ 850m Free Cash Flow

Accelerate to grow supported by three key pillars

Three strategic pillars...

1. Leverage & expand superior networks

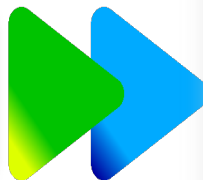
- Covering the Netherlands through fiber
- Low latency services via 5G and edge computing

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

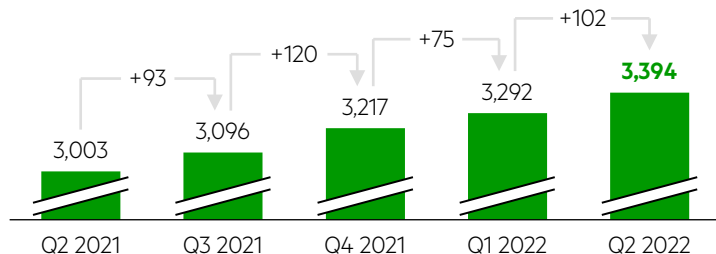


Expand
Superior network

Expand superior network: solid progress fiber roll out

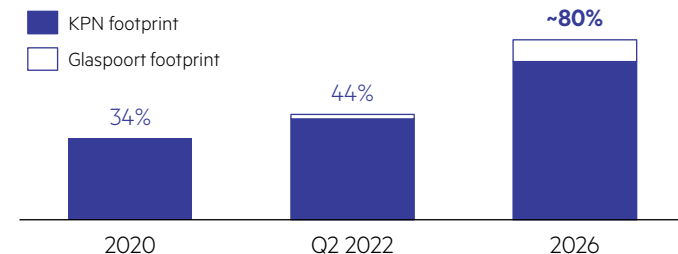
Continuously expanding fiber footprint

homes passed, k

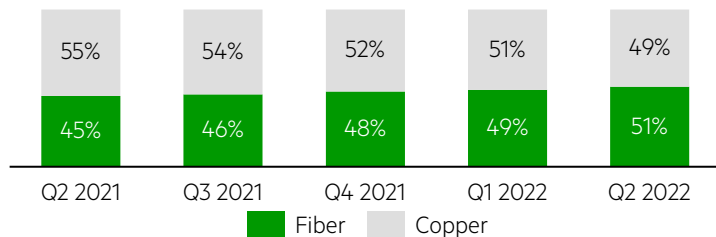


Leading position, jointly covering ~80% of NL by end 2026

homes passed, % of households

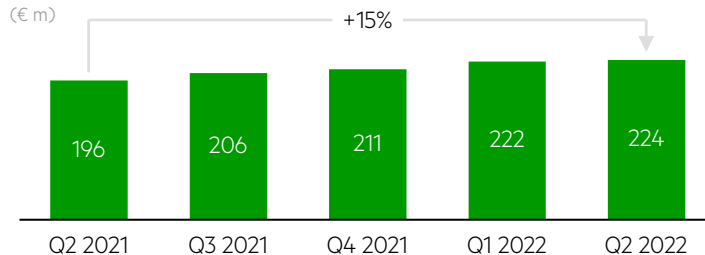


Retail fiber base surpassed copper base



Strong retail fiber broadband service revenue growth

(€ m)



Expand superior network: Best mobile network for the 4th time in a row

Excellent 5G position



Differentiated
5G services



**Leading
5G ecosystem**



Leading in
Security



Track record in critical
networks and innovation

Ookla awards received
H2 2020, H1 2021,
H2 2021 and H1 2022

Best mobile network
and
Fastest 5G
in the Netherlands

Best mobile network in the Netherlands

Highest download speed

Highest upload speed

Best coverage

Fastest 5G



SPEEDTEST™
by OOKLA®



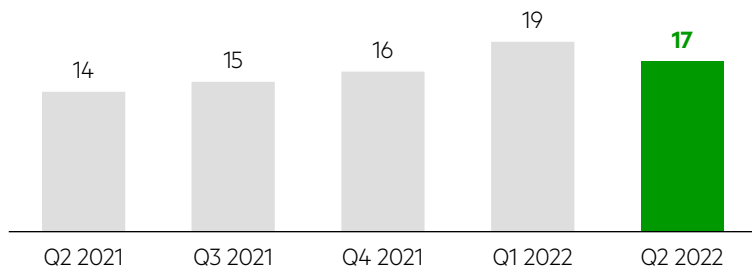
Enhance
Customer focus

B2C: Continued growth in mobile, offset by lower revenues in fixed

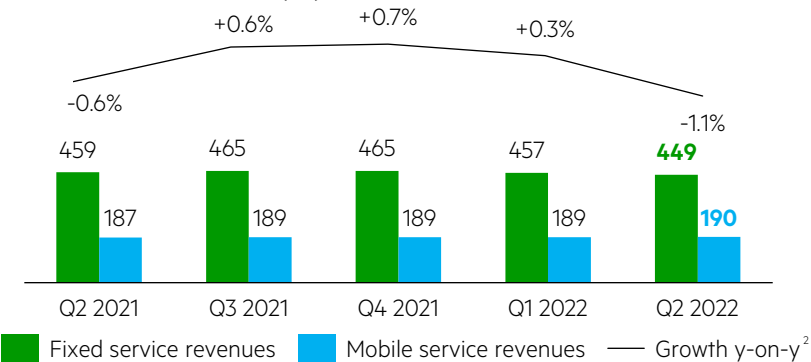
Key take-aways

- Growth in Fixed-Mobile service revenues driven by higher base, adding 8k households
- Continued growth in mobile service revenues, driven by strong base trends and broadly stable ARPU
- Fixed service revenues impacted by structural decline in legacy, shift from Gross to Net accounting and less Voice traffic
- Net of accounting impact, underlying broadband service revenues growing, with Fiber effectively offsetting decline in Copper
- Consumer NPS remains at elevated level

Quality steering leading to industry leading Consumer NPS¹



Service revenue trend (€ m)

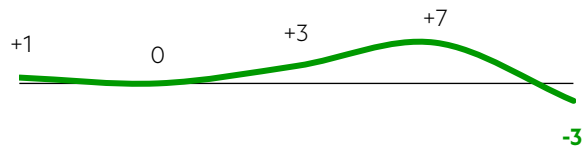


Segment revenues (€ m)

	Q2 2021	Q2 2022	Δ y-on-y
Fiber broadband	196	224	+15%
Copper broadband	236	206	-13%
Mobile	187	190	+1.4%
Legacy/other	27	19	-31%
Adjusted Consumer service revenues	646	638	-1.1%
Non-service & Other	60	64	+5.9%
Adjusted Consumer revenues	706	702	-0.5%

B2C: Ongoing momentum in mobile, competitive dynamics in fixed

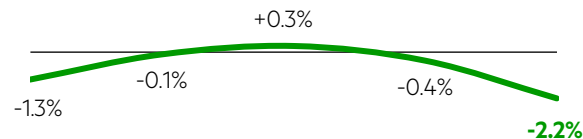
Decline broadband net adds (k)¹



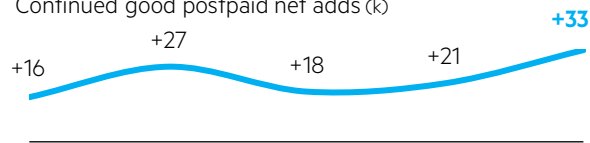
Broadly stable fixed ARPU

€ 52
-0.5% y-on-y

Lower fixed service revenues (y-on-y growth)²



Continued good postpaid net adds (k)



Broadly stable mobile ARPU

€ 17
-1.0% y-on-y

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



Q2 2021 Q3 2021 Q4 2021 Q1 2022 Q2 2022

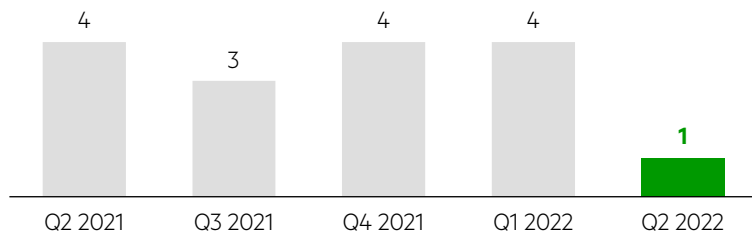
Q2 2021 Q3 2021 Q4 2021 Q1 2022 Q2 2022

B2B: Service revenues inflected to growth ahead of schedule

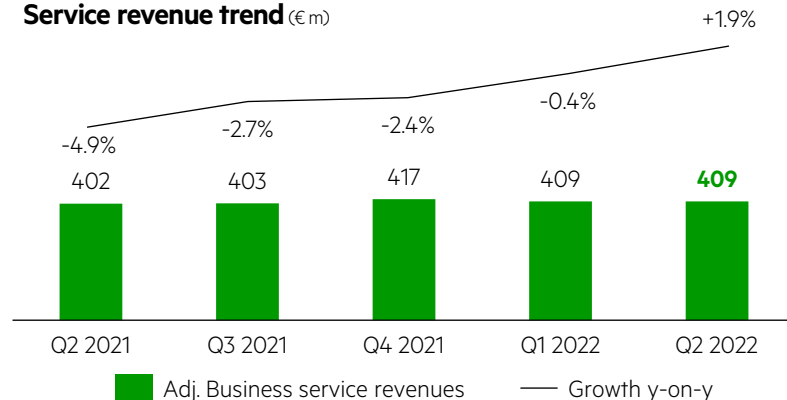
Key take-aways

- Continued growth in SME, due to ongoing momentum in Mobile, Broadband and IT services, partly offset by lower Fixed Voice
- LCE trend gradually improving but still impacted by lower revenues from Access & Connectivity (migrations & price pressure)
- Tailored Solutions service revenues increased, driven by timing in projects and related hardware sales
- Business NPS still positive and leading in Dutch market, but lower mainly due to difficult economic environment

Business NPS remains positive¹



Service revenue trend (€ m)

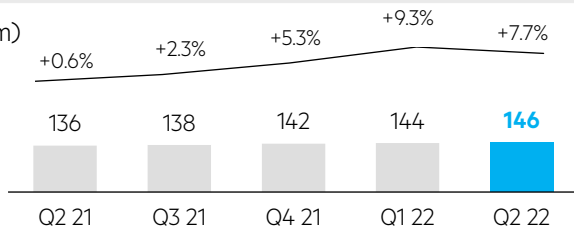


Segment revenues (€ m)

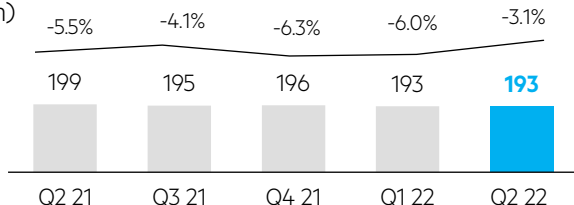
	Q2 2021	Q2 2022	Δ y-on-y
SME	136	146	+7.7%
LCE	199	193	-3.1%
Tailored Solutions	67	70	+5.2%
Adjusted Business service revenues	402	409	+1.9%
Non-service & Other	27	33	+20%
Adjusted Business revenues	429	442	+3.0%

B2B: Service revenues per segment

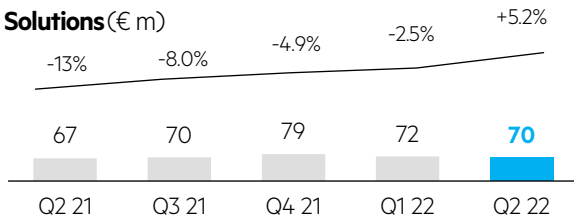
SME (€ m)



LCE (€ m)

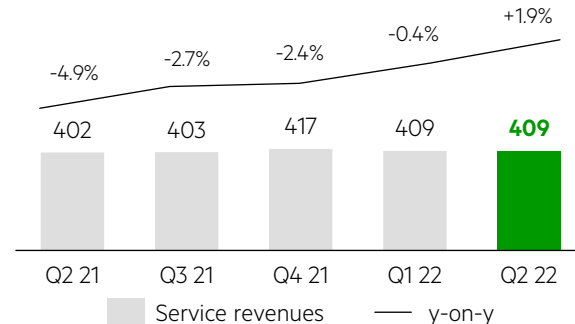


Tailored Solutions (€ m)



Service revenues y-on-y

Gradual turnaround in Business service revenues (€ m)



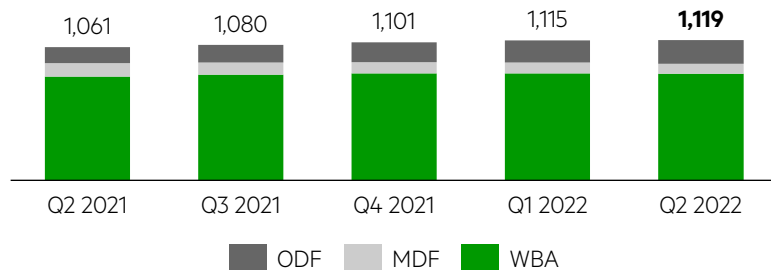
Service revenues y-on-y

Wholesale: Sustainable growth from open access model

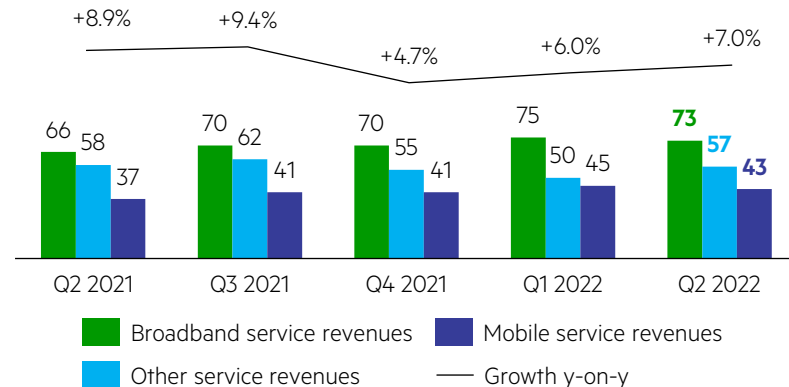
Key take-aways

- Wholesale service revenues increased, due to higher Mobile and Broadband service revenues
- Growing base, YTD adding 43k postpaid customers and 18k broadband lines
- Other service revenues declined due to lower regulated tariffs and less COVID-19 related traffic, partly offset by higher visitor roaming
- Consultation period voluntary wholesale offer concluded; final decision ACM expected in Q3 2022

Broadband customer base (k)



Service revenue trend (€ m)



Segment revenues (€ m)

	Q2 2021	Q2 2022	Δ y-on-y
Mobile	37	43	+16%
Broadband	66	73	+11%
Other	58	57	-3.2%
Adjusted Wholesale service revenues	162	173	+7.0%
Non-service & Other	1	-	-29%
Adjusted Wholesale revenues	163	174	+6.8%



Deliver
Financial ambitions

Financial performance: on track

Adjusted revenues

Q2 2022	H1 2022
€ 1,314m	€ 2,624m
+1.4%	+1.5%
Q2 2021 € 1,295m	H1 2021 € 2,586m

Adj. net indirect opex savings

Q2 2022	H1 2022
€ 13m	€ 21m

Adjusted EBITDA AL

Q2 2022	H1 2022
€ 595m	€ 1,189m
+1.1%	+2.8%
Q2 2021 € 589 m	H1 2021 € 1,156m

Q2 adjusted revenues **+1.4%** y-on-y

- Growth in Wholesale, Business and Consumer Mobile

Net profit

Q2 2022	H1 2022
€ 186m	€ 365m
+18% ¹	+19% ¹
Q2 2021 € 800m	H1 2021 € 941m

ROCE

Q2 2022
12.0%
~170bps
H1 2021 10.3%

Leverage ratio

H1 2022
2.3x
H1 2021 2.2x

Q2 adjusted EBITDA AL **+1.1%** y-on-y

- Supported by higher revenues and lower indirect cost base (€ 13m), partly offset by higher direct costs

Operational Free Cash Flow

Q2 2022	H1 2022
€ 300m	€ 636m
+5.6%	+20%
Q2 2021 € 284m	H1 2021 € 531m

Capex

Q2 2022	H1 2022
€ 295m	€ 553m
-3.0%	-12%
Q2 2021 € 304m	H1 2021 € 625m

Free Cash Flow

Q2 2022	H1 2022
€ 202m	€ 408m
+13%	+35%
Q2 2021 € 179m	H1 2021 € 301m

H1 FCF of € 408m (**+35%** y-on-y)

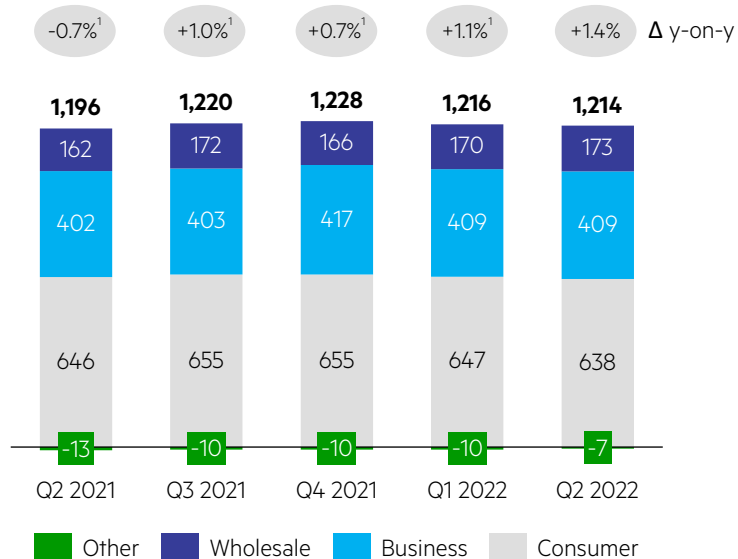
- Supported by growing EBITDA and intra-year phasing of Capex

ROCE of **12.0%** ~170bps y-on-y

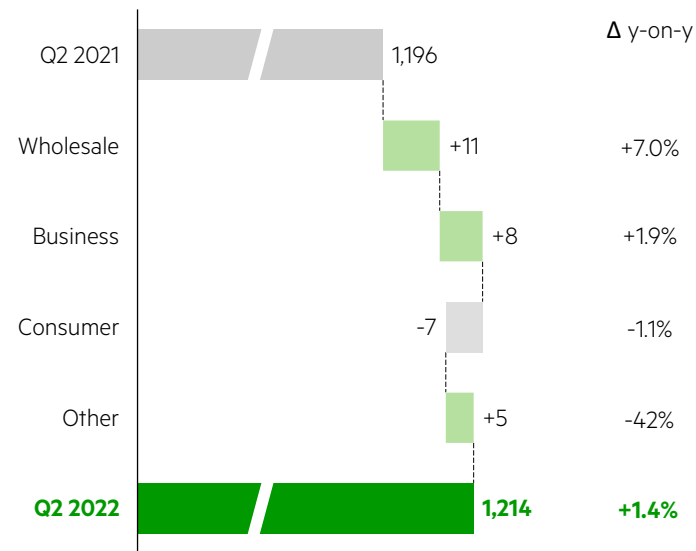
- Driven by higher NOPLAT

Sustainable Group service revenue growth

Encouraging trend in Group service revenues (€ m)

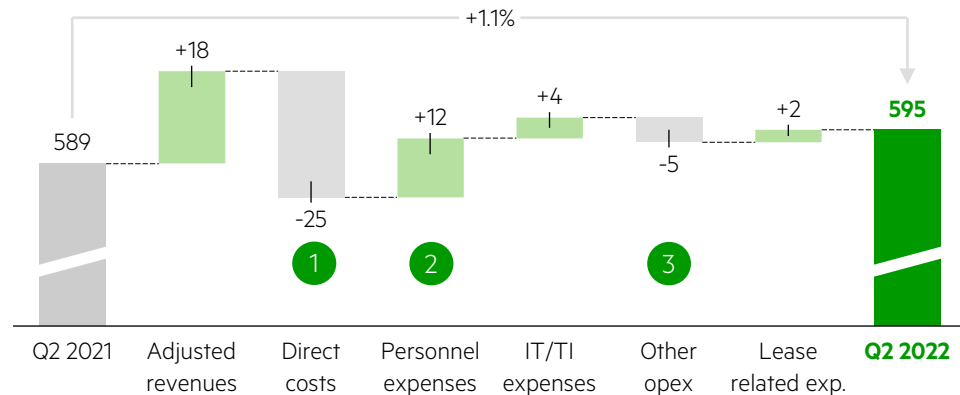


Growth driven by Wholesale and Business (€ m)



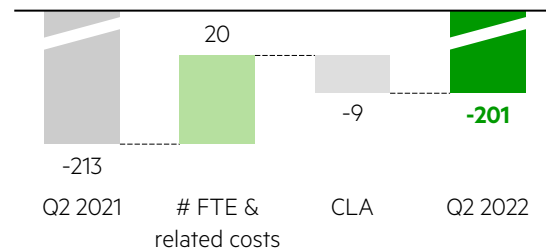
Adjusted EBITDA AL growth

Adjusted EBITDA AL (€ m)

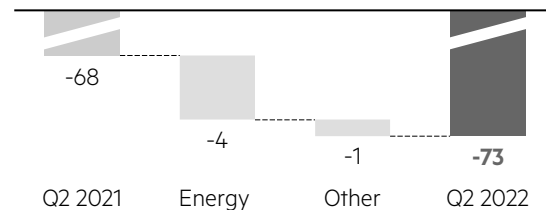


- Higher direct costs y-on-y
 - Higher non-service revenues
 - Glaspoort access costs
 - B2B service revenue mix

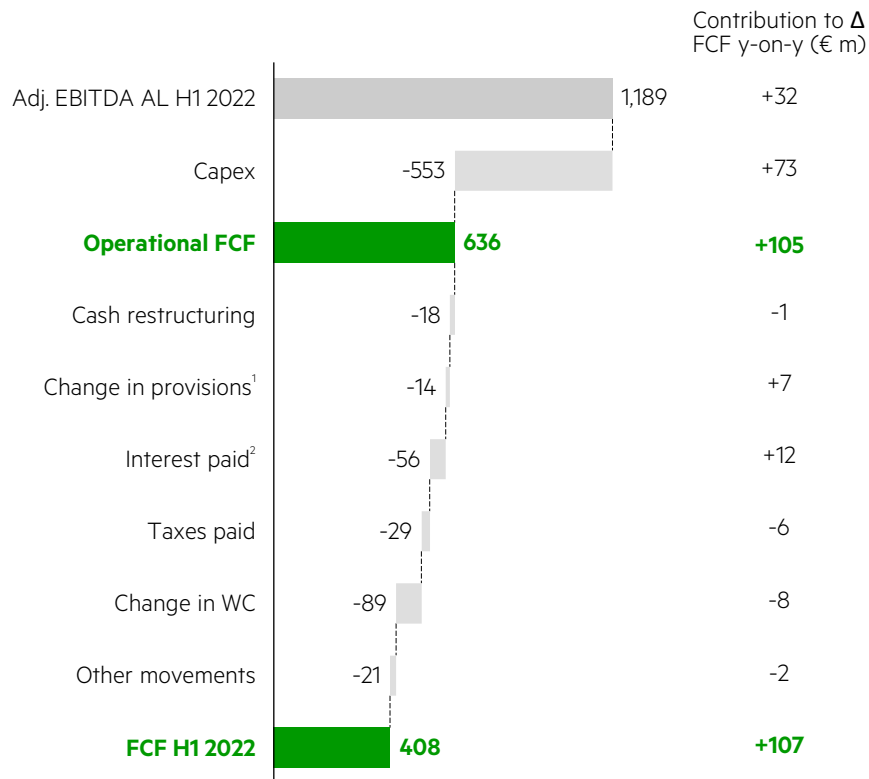
- Personnel expenses lower y-on-y



- Other opex higher y-on-y



Strong underlying cash generation



►► **Free Cash Flow** of **€ 408m**; 35% higher y-on-y

- EBITDA growth
- Phasing Capex
- Less cash interest paid

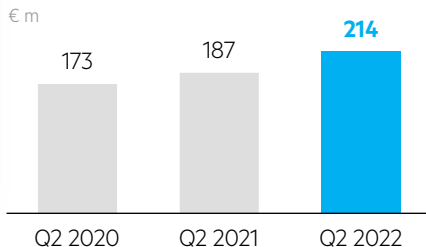
►► Cash & short-term investments of **€ 628m** per 30 June 2022

(€m)	H1 2021	H1 2022	Δ y-on-y
Free Cash Flow	301	408	35%
<i>As % of adj. revenues</i>	<i>11.7%</i>	<i>15.6%</i>	
Acquisitions & disposals	216	-	n.m.
Change in short-term investments	15	110	>100%
Other investing cash flow	-7	-12	62%
Dividends paid	-365	-375	2.6%
Share repurchase	-	-81	n.m.
Other financing cash flow	-212	-403	90%
Total cash flow from discontinued operations	-3	-3	11%
Change in net cash & cash equivalents	-54	-354	>100%

Steadily improving Return on Capital

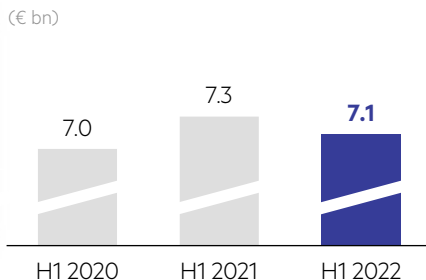
NOPLAT

- ▶▶ Improving adjusted EBITDA AL
- ▶▶ Lower restructuring charges
- ▶▶ Lower depreciation for network equipment

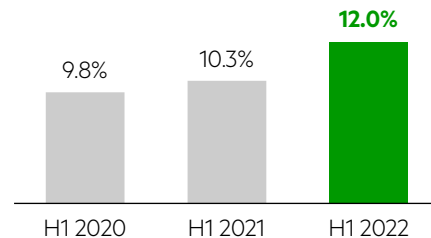


Capital employed

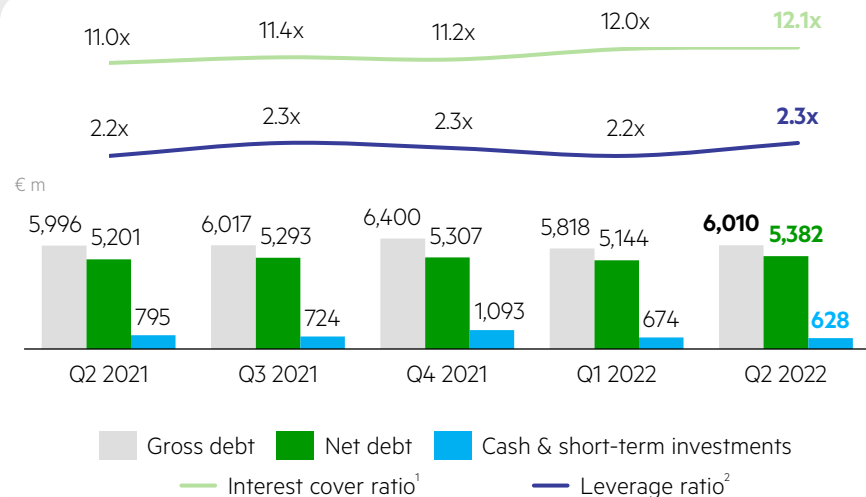
- ▶▶ D&A higher than Capex



ROCE

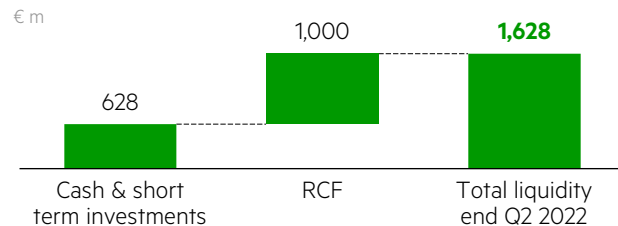


Robust liquidity position, committed to investment-grade credit profile

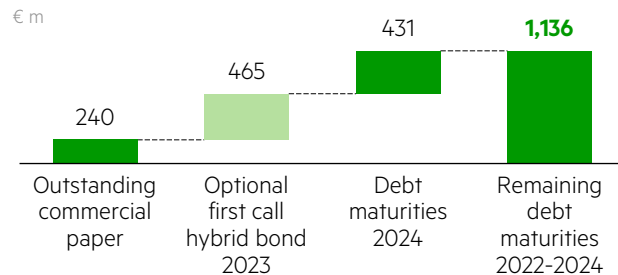


- ▶▶ Net debt € 238m higher q-on-q, driven by final dividend payment and share buy back, partly offset by FCF generation
- ▶▶ Average cost of senior debt was 2.50% end Q2 2022, 26 bps lower y-on-y

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 raised for adjusted EBITDA AL and Free Cash Flow

	Achievements H1 2022	Outlook FY 2022	Ambitions FY 2023
Adjusted EBITDA AL	€ 1,189m	>€ 2,400m	>€ 2,450m
Capex	€ 553m	€ 1.2bn	€ 1.2bn
Free Cash Flow	€ 408m	~€ 850m	>€ 870m
Regular DPS	€ 4.8 cents interim dividend ¹	€ 14.3 cents +5.1% y-on-y	Progressive dividend +3-5% annual growth
Share buyback	€ 81m	€ 300m	

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**Accelerate
to grow**

Appendices

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

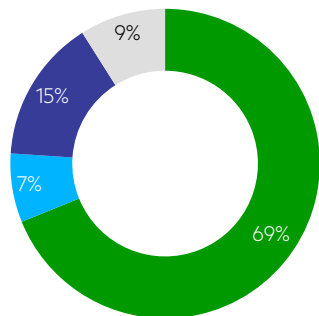
I: Tax Q2 2022 and H1 2022

Regions (€ m)	P&L		Cash flow		P&L		Cash flow	
	Q2 2021	Q2 2022	Q2 2021	Q2 2022	H1 2021	H1 2022	H1 2021	H1 2022
The Netherlands	-235	-57	-14	-18	-275	-110	-24	-29
Other	-	-	-	-	-	-	-	-
Total reported tax	-235	-57	-14	-18	-275	-110	-24	-29
Of which discontinued operations	-	-	-	-	-	-	-	-
Reported tax from continuing operations	-235	-57	-14	-18	-275	-110	-24	-29
Effective tax rate continuing operations	22.7%	23.5%			22.6%	23.3%		

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

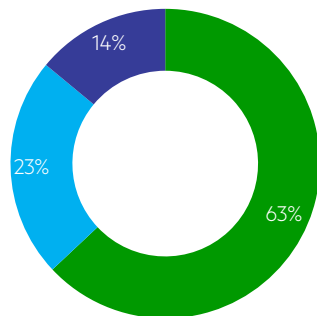
II: Debt portfolio

Nominal debt by type¹



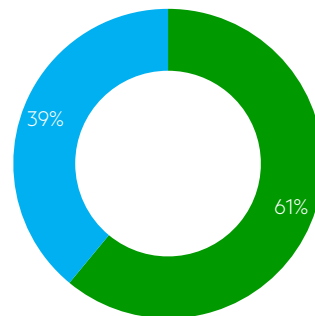
- Eurobonds
- Global bonds
- Hybrid bonds
- Loans & other

Nominal debt by currency¹



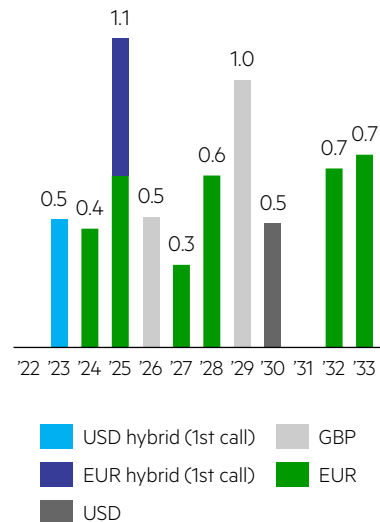
- EUR
- GBP
- USD

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





KPN Investor Relations

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