



Q2 & H1 2023 results

24 July 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 Q2: Service revenue growth driven by commercial momentum

- ▶▶ **Sustainable Group service revenue growth** (+2.8% y-on-y), driven by all segments
- ▶▶ **Strong B2B service revenue growth** (+4.5% y-on-y), with all segments contributing
- ▶▶ **Consumer service revenues back to growth** (+1.3% y-on-y), fueled by Mobile
- ▶▶ Strong commercial momentum; **14k broadband and 31k postpaid net adds in B2C**
- ▶▶ **Solid progress fiber roll-out (+125k HP)**, (+184k HP incl. Glaspoort)
- ▶▶ **Adj. EBITDA AL** +0.1% y-on-y in Q2, H1 **FCF generation** impacted by phasing
- ▶▶ **Steadily improving ROCE at 13.7%**, reflecting focus on shareholder value creation
- ▶▶ **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

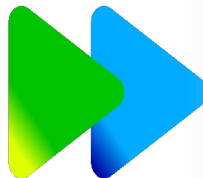
- Covering the Netherlands through fiber
- Low latency services via 5G and edge computing

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

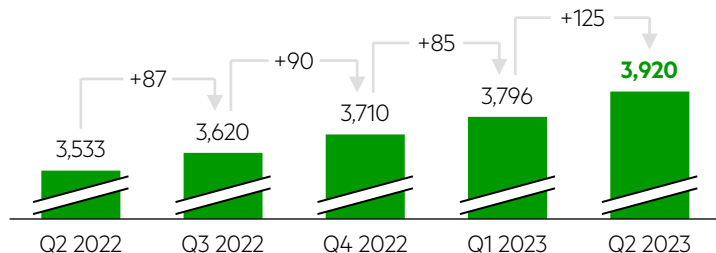


Expand
Superior network

Expand superior fiber network

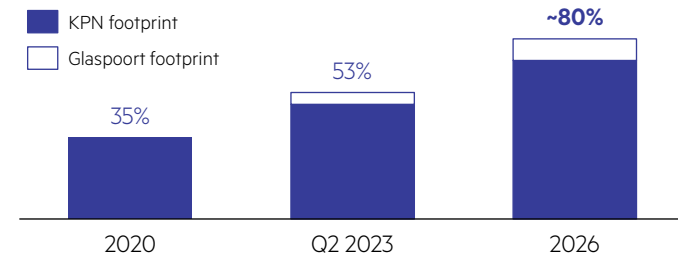
Continuously expanding fiber footprint

homes passed, k

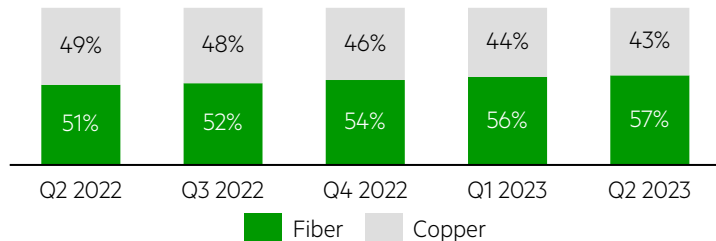


Leading position, jointly covering ~80% of NL by end 2026

homes passed, % of households

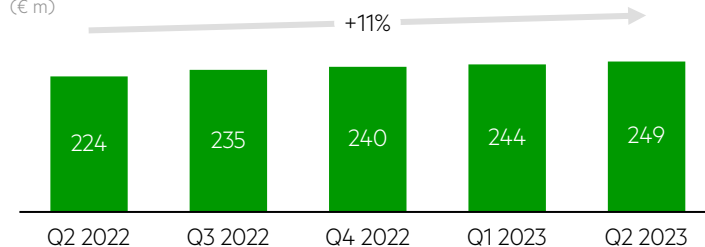


Continued growth retail fiber base



Strong retail fiber broadband service revenue growth

(€ m)



Expand superior network: Best mobile network for 6th time in a row

Excellent 5G position



Differentiated
5G services



**Leading
5G ecosystem**



Leading in
Security



Track record in critical
networks and innovation

6 consecutive Ookla
awards

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





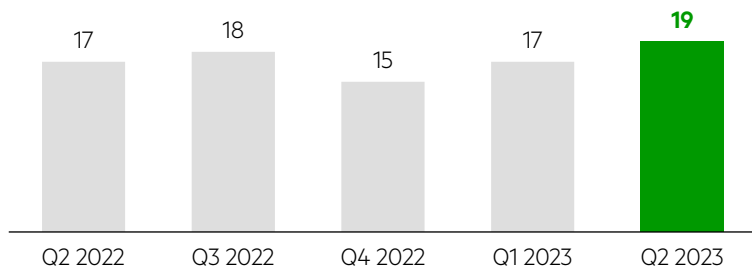
Enhance
Customer focus

B2C: Consumer service revenues reach growth inflection point

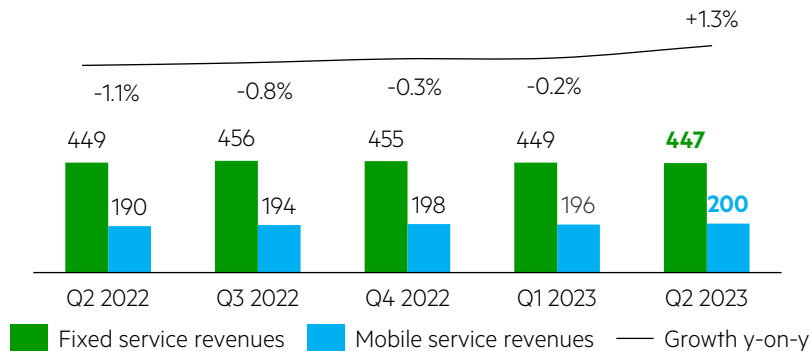
Key take-aways

- Continued growth in mobile service revenues, driven by solid base trends and growing ARPU
- Fixed service revenues supported by growing broadband service revenues. Trend improving, however still impacted by structural decline in legacy
- Commercial momentum and strong execution driving Broadband base growth
- Consumer NPS at industry leading level

Quality steering leading to industry leading Consumer NPS¹



Service revenue trend (€ m)

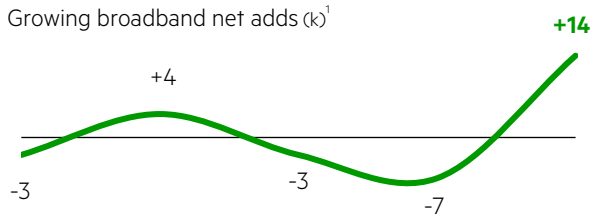


Segment revenues (€ m)

	Q2 2022	Q2 2023	Δ y-on-y
Broadband service revenues	430	432	+0.5%
o/w Fiber broadband	224	249	+11%
o/w Copper broadband	206	183	-11%
Other fixed	19	15	-18%
Mobile	190	200	+5.3%
Adjusted Consumer service revenues	638	646	+1.3%
Non-service & Other	64	59	-8.2%
Adjusted Consumer revenues	702	705	+0.4%

B2C: Strong commercial momentum

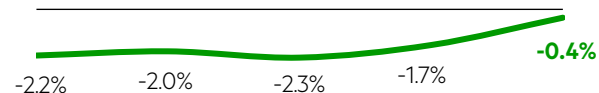
Growing broadband net adds (k)¹



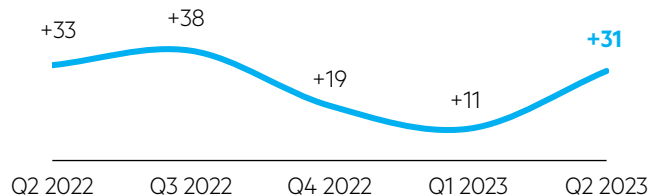
Slightly growing fixed ARPU

€ 52
+1.2% y-on-y

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



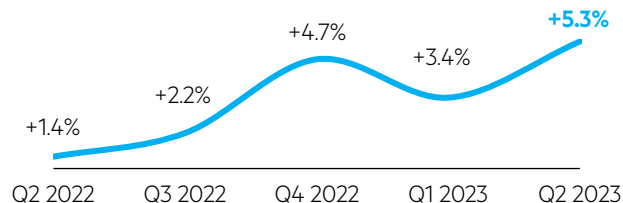
Continued positive postpaid net adds (k)



Growing mobile ARPU

€ 17
+3.0% y-on-y

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

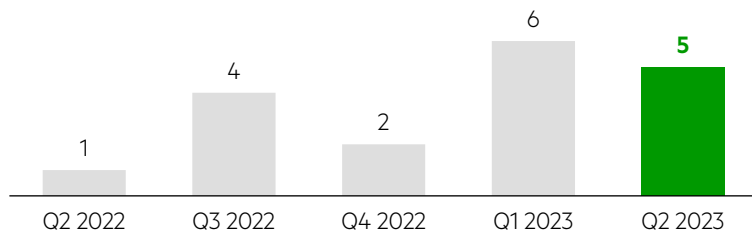


B2B: Continued strong service revenue growth, mainly driven by SME

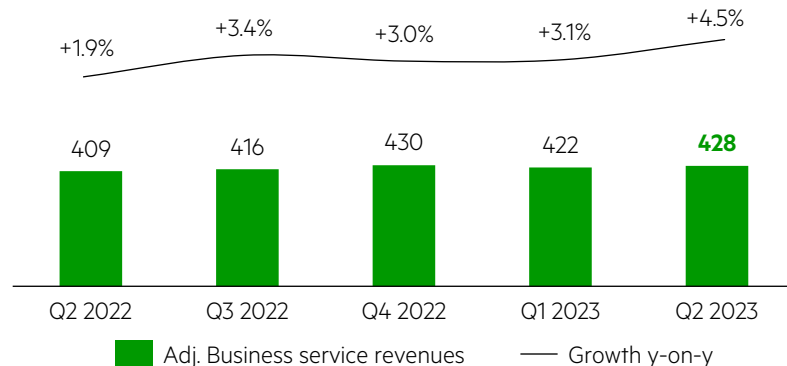
Key take-aways

- Continued strong growth in SME service revenues, mainly driven by mobile base momentum and take-up unlimited bundles
- LCE service revenues grew slightly, mainly driven by the growth in IoT and Cloud & Workplace
- Tailored Solutions service revenues increased, driven by timing in projects
- Business NPS improving year-on-year and leading in Dutch market

Business NPS remains positive¹



Service revenue trend (€ m)

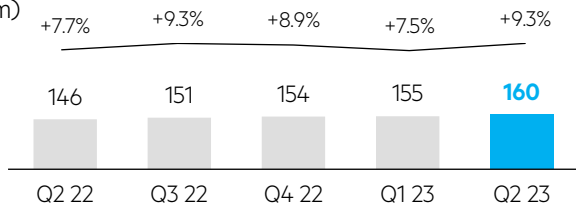


Segment revenues (€ m)

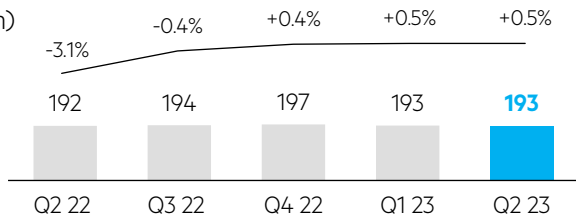
	Q2 2022	Q2 2023	Δ y-on-y
SME	146	160	+9.3%
LCE	192	193	+0.5%
Tailored Solutions	70	74	+5.5%
Adjusted Business service revenues	409	428	+4.5%
Non-service & Other	33	20	-40%
Adjusted Business revenues	442	448	+1.2%

B2B: All segments contributing to service revenue growth

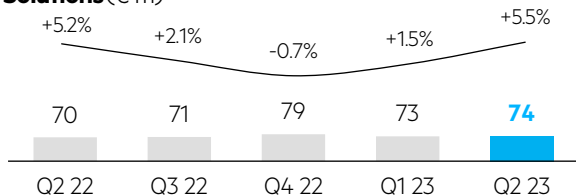
SME (€ m)



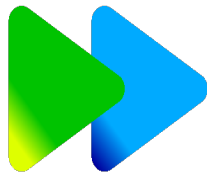
LCE (€ m)



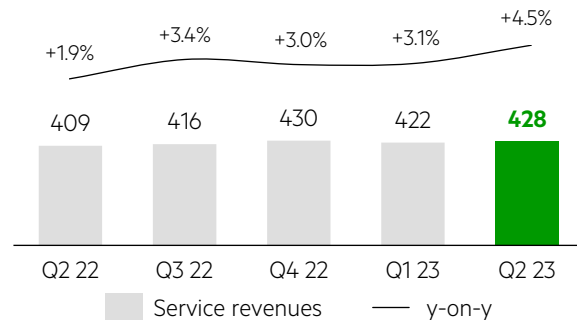
Tailored Solutions (€ m)



Service revenues y-on-y



Continued strong Business service revenue growth (€ m)



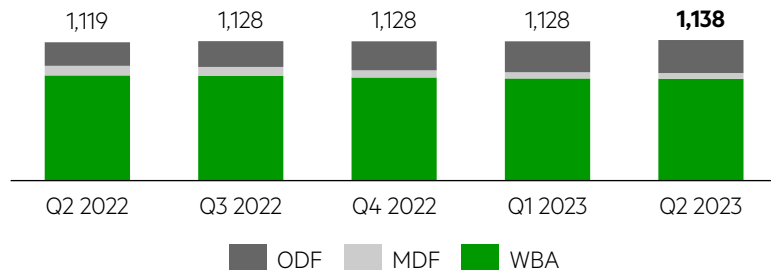
Service revenues y-on-y

Wholesale: Sustainable growth from open access model

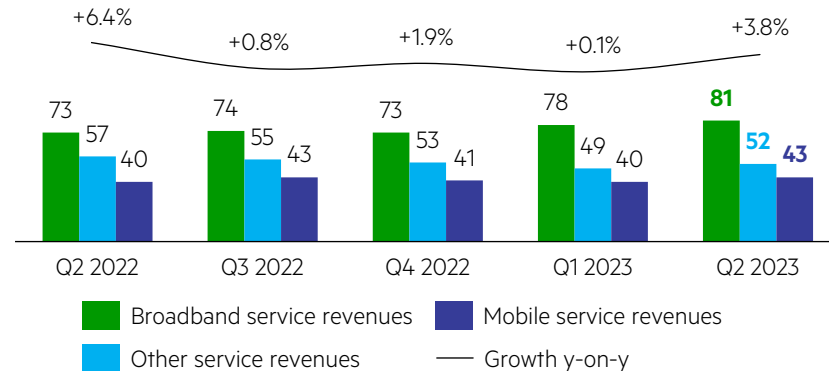
Key take-aways

- Wholesale service revenues increased, due to higher Mobile and Broadband service revenues
- Growing base, adding 17k postpaid and 10k broadband lines
- 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)



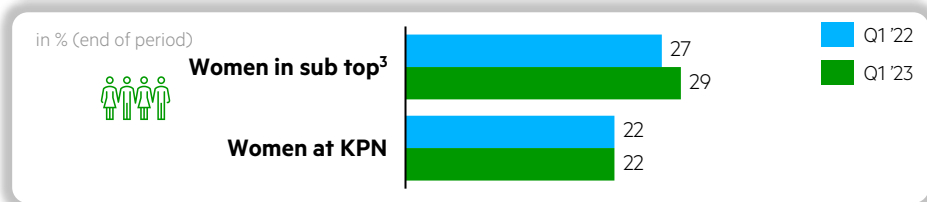
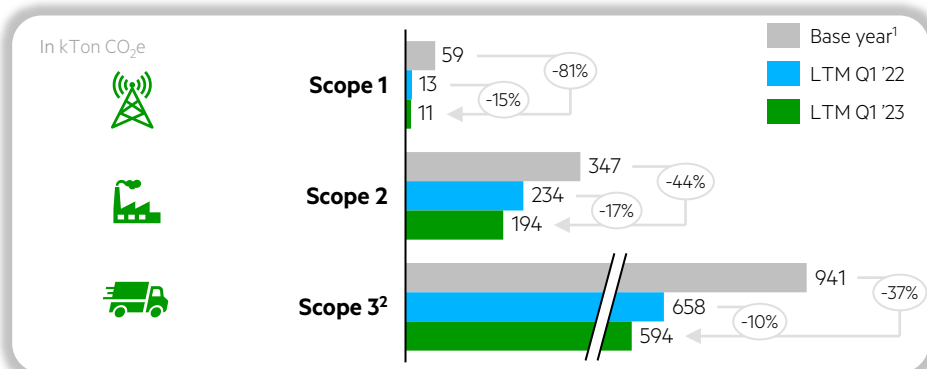
Service revenue trend (€ m)



Segment revenues (€ m)

	Q2 2022	Q2 2023	Δ y-on-y
Broadband	73	81	+11%
Mobile	40	43	+7.9%
Other	57	52	-7.8%
Adjusted Wholesale service revenues	170	177	+3.8%
Non-service & Other	-	1	n.m.
Adjusted Wholesale revenues	171	177	+4.0%

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



Deliver
Financial ambitions

Financial performance

Adjusted revenues

Q2 2023	H1 2023
€ 1,331m	€ 2,664m
+1.6%	+1.8%
Q2 2022 € 1,311m	H1 2022 € 2,618m

Adj. net indirect opex AL

Q2 2023	H1 2023
€ +30m	€ +42m

Adjusted EBITDA AL

Q2 2023	H1 2023
€ 596m	€ 1,180m
+0.1%	-0.8%
Q2 2022 € 595 m	H1 2022 € 1,189m

Q2 adjusted revenues **+1.6%** y-on-y

- Service revenue growth (+2.8% y-on-y) driven by all segments, partly offset by lower non-service revenues

Net profit

Q2 2023	H1 2023
€ 216m	€ 412m
+16%	+13%
Q2 2022 € 186m	H1 2022 € 365m

ROCE

H1 2023
13.7%
+169bps
H1 2022: 12.0%

Leverage ratio

H1 2023
2.4x
H1 2022 2.3x

Q2 adjusted EBITDA AL **+0.1%** y-on-y

- Service revenue increase partly offset by higher indirect cost base

Operational Free Cash Flow

Q2 2023	H1 2023
€ 292m	€ 578m
-2.8%	-9.2%
Q2 2022 € 300m	H1 2022 € 636m

Capex

Q2 2023	H1 2023
€ 304m	€ 602m
+3.0%	+8.9%
Q2 2022 € 295m	H1 2022 € 553m

Free Cash Flow

Q2 2023	H1 2023
€ 190m	€ 354m
-6.2%	-13%
Q2 2022 € 202m	H1 2022 € 408m

H1 FCF of € 354m **(-13%)** y-on-y

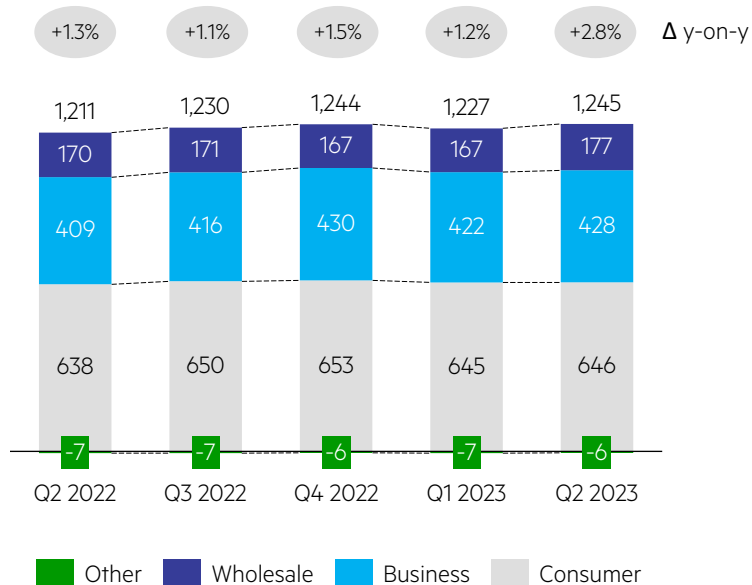
- Mainly impacted by intra-year Capex phasing

ROCE of **13.7%** +169bps y-on-y

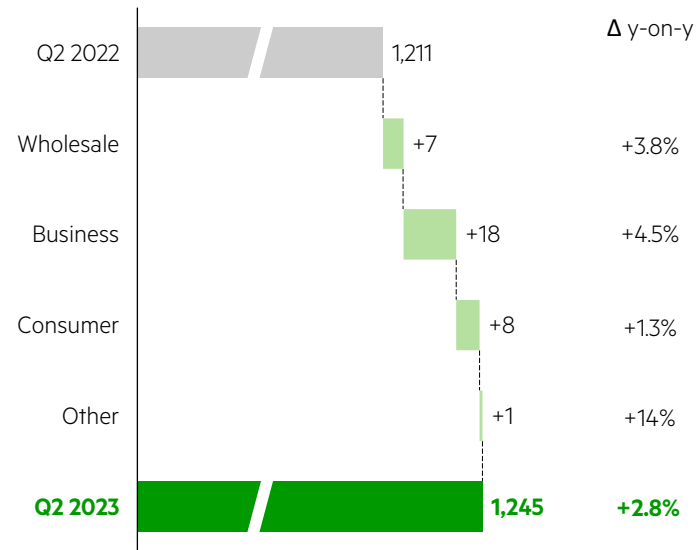
- Driven by operational efficiency

Sustainable Group service revenue growth

Continued Group service revenue growth (€ m)

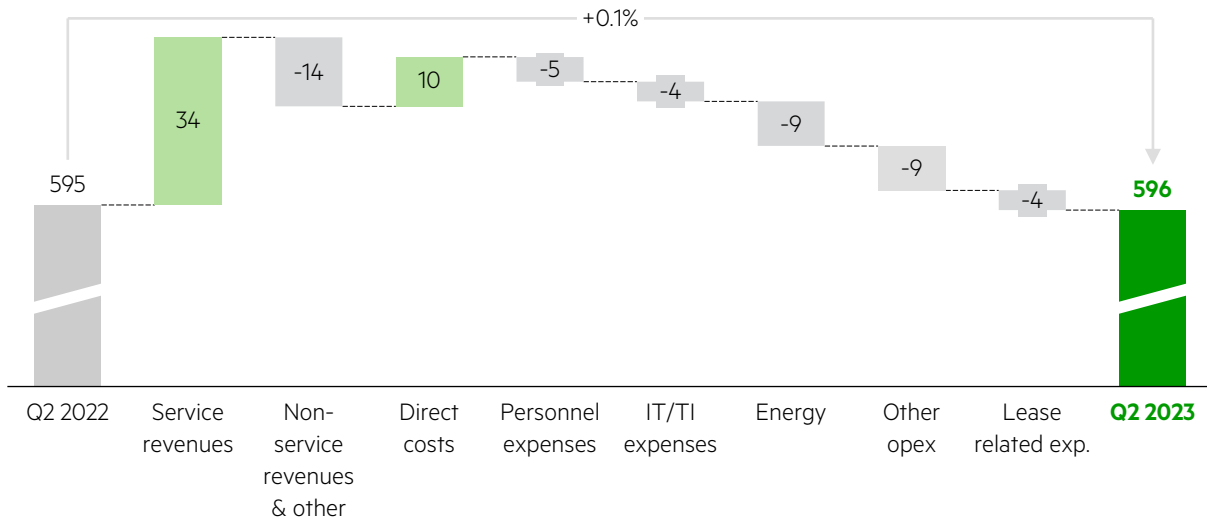


Growth driven by all segments (€ m)

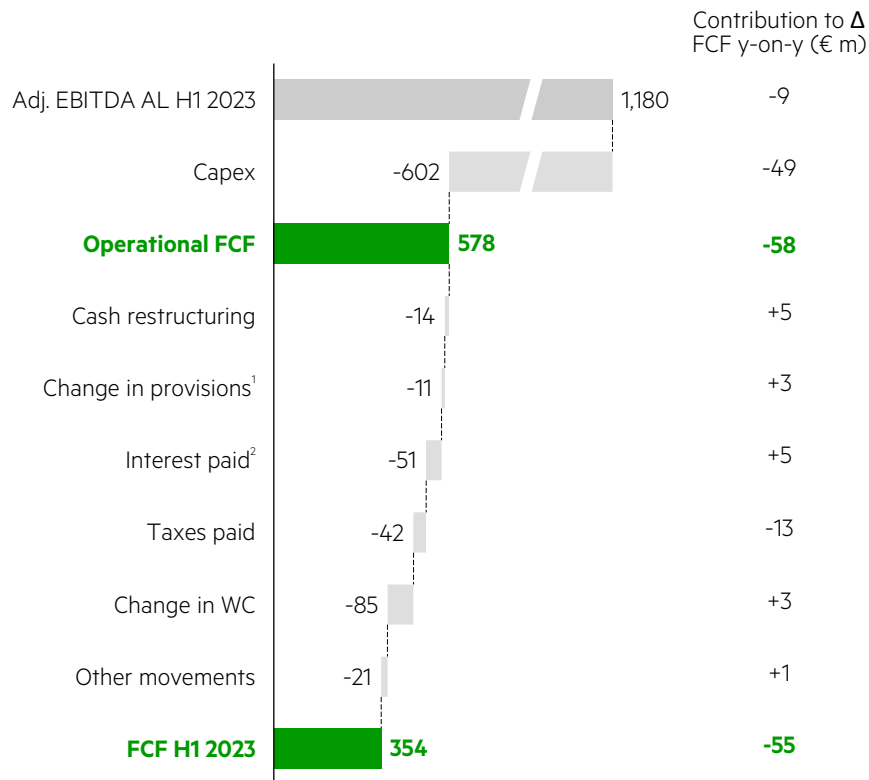


Adjusted EBITDA AL slightly higher despite higher indirect cost base

Adjusted EBITDA AL (€ m)



FCF generation impacted by intra-year phasing



►► **H1 Free Cash Flow** of **€ 354m**, 13% lower y-on-y

mainly due to:

- Capex phasing
- Higher taxes paid

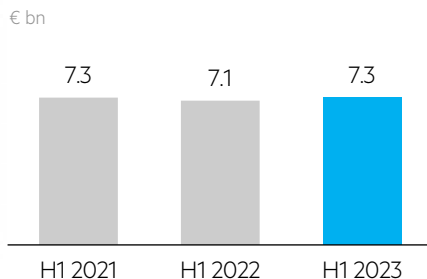
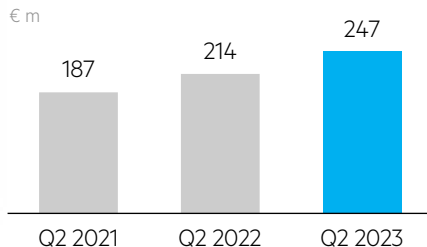
►► Cash & short-term investments of **€ 367m** per 30 June 2023

(€m)	H1 2022	H1 2023	Δ y-on-y
Free Cash Flow	408	354	-13%
<i>As % of adj. revenues</i>	<i>15.6%</i>	<i>13.3%</i>	
Acquisitions & disposals	0	27	n.m.
Change in short-term investments	110	-30	n.m.
Other investing cash flow	-12	7	n.m.
Dividends paid	-375	-382	+1.8%
Share repurchase	-81	-300	>100%
Other financing cash flow	-403	165	n.m.
Total cash flow from discontinued operations	-3	-1	-69%
Change in net cash & cash equivalents	-354	-161	-54%

Steadily improving Return on Capital

NOPLAT

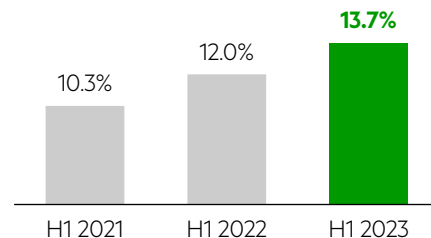
- ▶▶ Improving adjusted EBITDA AL
- ▶▶ Lower restructuring charges
- ▶▶ Lower depreciation for network equipment



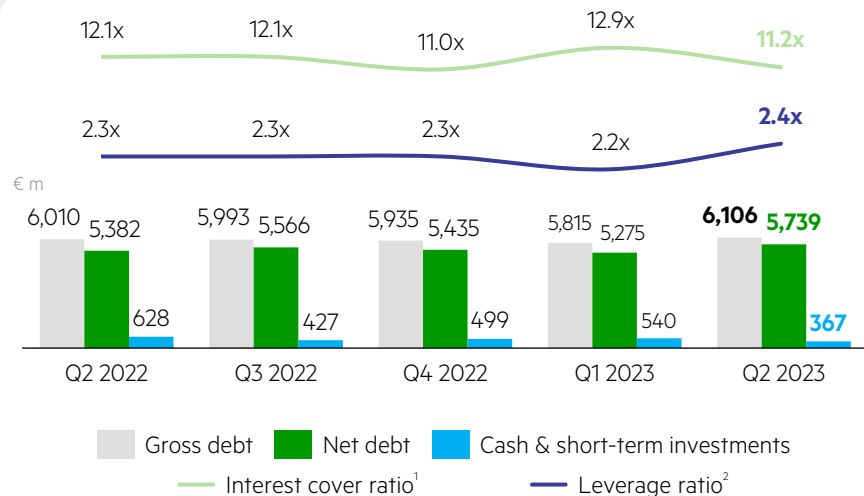
Capital employed

- ▶▶ Increasing due to network investments

ROCE¹

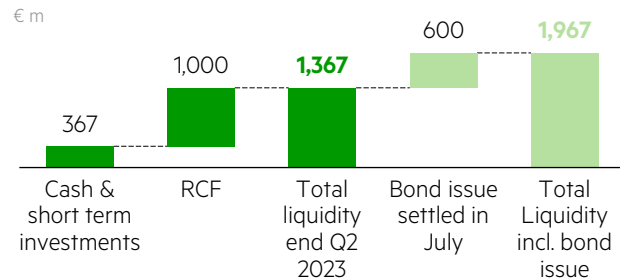


Robust liquidity position, committed to investment-grade credit profile

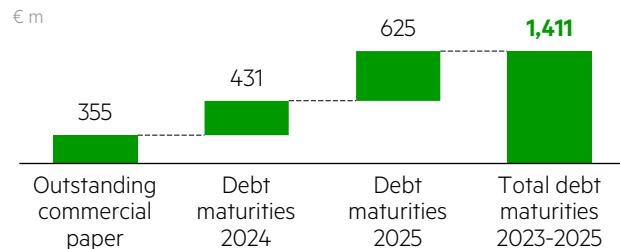


- ▶ Net debt € 464m higher q-on-q, mainly driven by shareholder remuneration
- ▶ Solid liquidity position of € 1.4bn in Q2 2023 further strengthened by € 0.6bn bond issued in July
- ▶ Leverage ratio slightly up in Q2 2023 at 2.4x
- ▶ Average cost of senior debt increased to 4.09% in Q2 2023 (+159 bps y-on-y)

Robust liquidity...



...covering debt maturities until 2025³



2023 outlook reiterated

Achievements H1 2023

Outlook FY 2023

Adjusted EBITDA AL

€ 1,180m

~€ 2,410m

Capex

€ 602m

€ 1.2bn

Free Cash Flow

€ 354m

~€ 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 Q2 2023

Regions (€ m)	P&L		Cash flow		P&L		Cash flow	
	Q2 2022	Q2 2023	Q2 2022	Q2 2023	H1 2022	H1 2023	H1 2022	H1 2023
The Netherlands	-57	-64	-18	-16	-110	-121	-29	-42
Other								
Total reported tax	-57	-64	-18	-16	-110	-121	-29	-42
Of which discontinued operations								
Reported tax from continuing operations	-57	-64	-18	-16	-110	-121	-29	-42
Effective tax rate continuing operations	23.5%	23.0%			23.3%	22.6%		

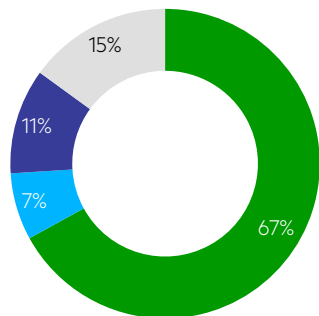
The effective tax rate for H1 2023 was mainly influenced by the Innovation Box facility, one-off effects¹ and the effect of perpetual hybrid bonds

► Excluding one-off effects¹ and the effect of perpetual hybrid bonds, the effective tax rate would have been ~23% in H1 2023

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

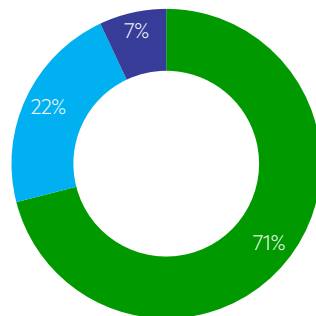
II: Debt portfolio

Nominal debt by type¹



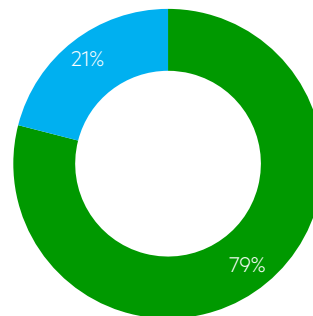
- Eurobonds
- Global bonds
- Loans & other
- Hybrid bonds

Nominal debt by currency¹



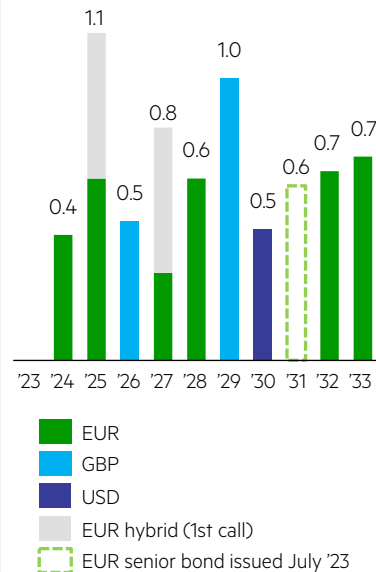
- EUR
- GBP
- USD

Fixed vs. floating interest¹



- Fixed
- Floating

Debt redemption profile² (€ bn)



- EUR
- GBP
- USD
- EUR hybrid (1st call)
- EUR senior bond issued July '23

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





KPN Investor Relations

 ir.kpn.com

