

Q4 & FY 2021 results

31 January 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 2020. 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 2020 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') 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 ('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 2020. 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 Q4 and FY 2021

- ▶▶ **Solid progress** 'Accelerate to grow' strategy
- ▶▶ **Delivered** on FY 2021 outlook and ambitions
- ▶▶ **Sustainable mass-market** service revenue growth
- ▶▶ Turnaround **SME** established, strong mobile and improving broadband trends at **B2C**
- ▶▶ **FY adj. EBITDA AL +1.2%** amid improving service revenues and lower cost base
- ▶▶ **Fiber roll out 433k at fastest pace ever** in the Netherlands (>500k HP incl. Glaspoort)
- ▶▶ Best **mobile network** and fastest 5G position in the Netherlands retained
- ▶▶ Steadily **improving ROCE** reflecting shareholder value creation
- ▶▶ **New € 300m SBB** and 5.1% DPS growth, returning >€ 850m to shareholders in 2022

Delivered on 2021 outlook

	Achievements FY 2021	Outlook FY 2021
Adjusted EBITDA AL	€ 2,347m	~€ 2,345m
Capex	€ 1,216m	€ 1,200m
Free Cash Flow	€ 784m	~€ 765m
Regular DPS	€ 13.6 cents ¹	€ 13.6 cents

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



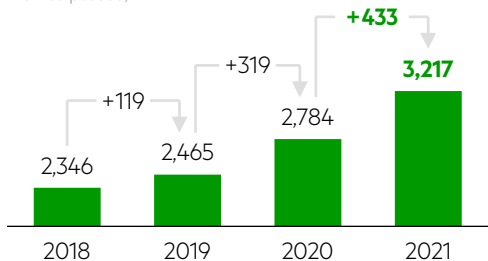
Expand
Superior network



Expand superior network: Fiber rollout on track after record 2021

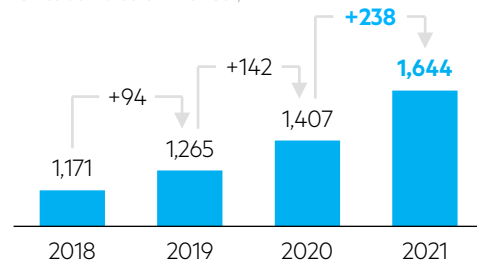
Continuously expanding fiber footprint

homes passed, k



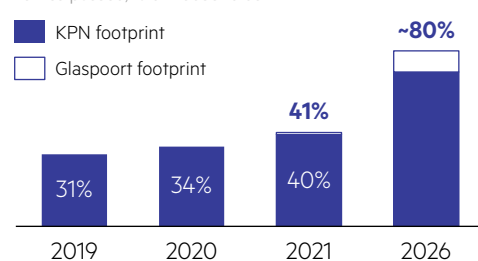
Strong FttH activation rate

homes activated own roll out, k



Jointly covering ~80% of NL by end 2026

homes passed, % of households



2021:

433k HP own rollout

2021:

~51% homes activated on fiber footprint*

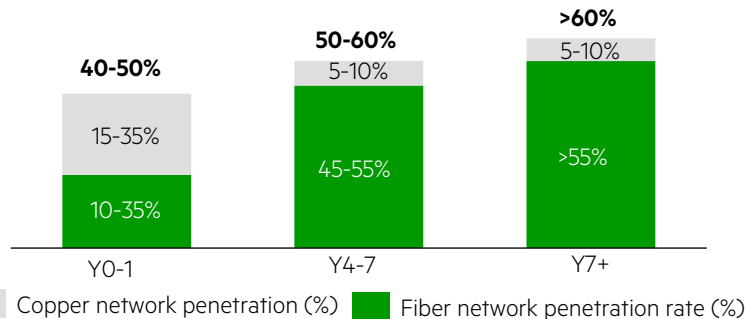
Glaspoort JV:

74k footprint per year-end

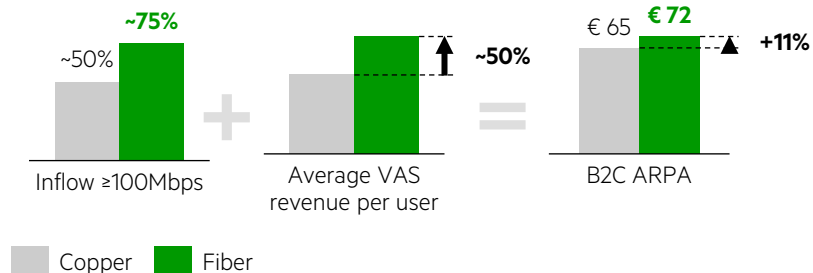
Targeting 1.2m households and businesses by 2026

Expand superior network: Creating value through fiber investments

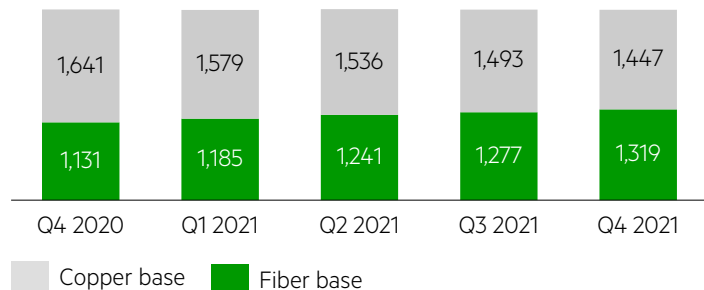
Growing total network penetration over time (incl. Wholesale)¹



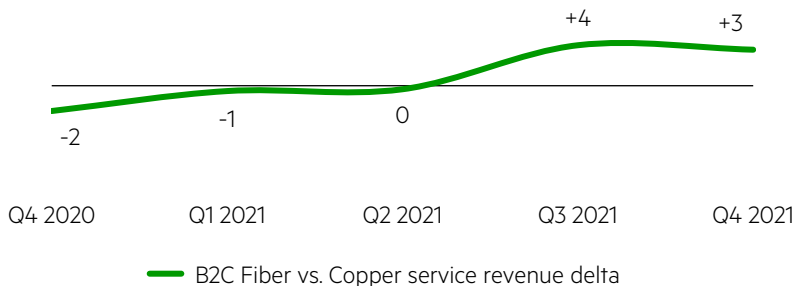
Customers increasingly willing to pay for quality



Retail fiber base on the brink of exceeding copper base² (k)



Fiber broadband service revenue offsetting copper decline³ (€ m)



Expand superior network: Best mobile network and fastest 5G

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 and
H2 2021

Best mobile network
and
Fastest 5G
in the Netherlands (3rd time in a row)

Best mobile network in the Netherlands

Highest download speed

Highest upload speed

Best coverage

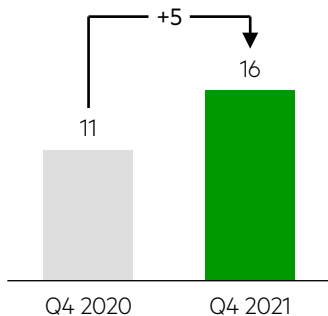
Fastest 5G



Enhance
Customer focus

Strong improvement of operational delivery

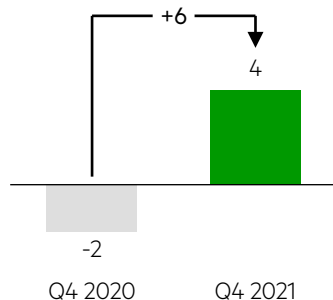
Strong uptake B2C customer satisfaction



Key drivers

- Improvement of customer experience of key customer journeys
- Increased operational stability, reducing calls to service agents
- Improvement of IPTV stability, content and user experience
- Focus on In-Home connectivity experience, with new WiFi Manager and SuperWiFi

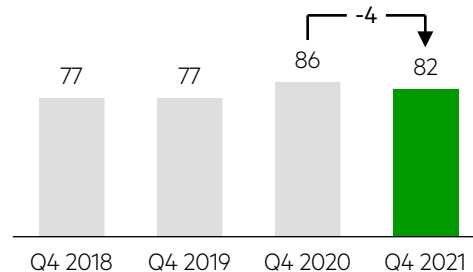
B2B NPS moved into positive territory



Key drivers

- Customer migrations to new standardized portfolio
- Higher reliability of products and services
- Increased customer centricity and faster complaint handling
- Increased focus on products and services supporting remote working and online shopping

Employee engagement remained at top-tier level throughout the pandemic



Key drivers

- Small decline compared to peak level of 2020 as a result of continued COVID-related restrictions
- KPN employees show continued pride in company
- Sustained high levels of trust in decision-making by Board of Management
- Introduction of hybrid working, and continued support regarding working from home conditions

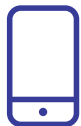
B2C: Preferred digital partner for households

Serving as a platform for household value growth



Best digital access

Convergence, fiber, WiFi & 5G fueling base growth



Best digital experience

MijnKPN app as the cornerstone for customer interaction and service delivery



Best digital third-party services

Entertainment partnerships driving household value

Achievements in 2021

Continued **SuperWiFi** campaign & attractive **1Gbps** proposition
New **4K STB**

Improved
MijnKPN app &
new **Online** shop

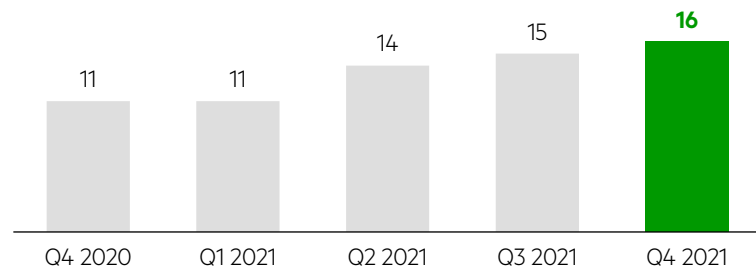
Expanded our partnerships with
Viaplay, ESPN &
Xbox Game Pass Ultimate

B2C: Continued growth in mobile and fixed improving

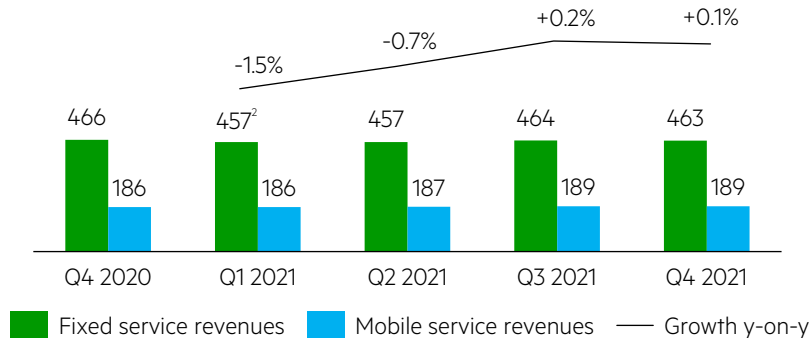
Key take-aways

- Ongoing growth in mobile service revenues, driven by solid 64k postpaid net adds LTM and growing ARPU
- Underlying fixed service revenue trend gradually improving, with fiber service revenue growth offsetting copper decline
- Growth in Fixed-Mobile service revenues driven by higher base and growing ARPA
- NPS trend continues to develop favorably

Quality steering leading to higher Consumer NPS¹



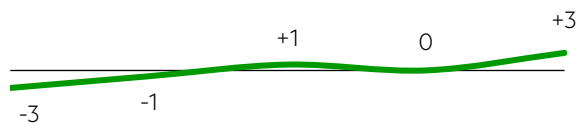
Service revenue trend (€ m)



Segment revenues (€ m)	Q4 2020	Q4 2021	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
Fixed-Mobile	360	371	+3.2%	1,416	1,455	+2.7%
Fixed-only	201	196	-2.9%	810	779	-3.9%
Mobile-only	60	60	-0.3%	242	241	-0.6%
Legacy/other	31	25	-17%	135	109	-19%
Adj. Consumer service revenues	652	652	+0.1%	2,604	2,584	-0.8%
Non-service & Other	80	78	-2.8%	259	273	5.5%
Adj. Consumer revenues	732	731	-0.3%	2,863	2,857	-0.2%

B2C: Ongoing momentum in mobile, broadband stabilizing

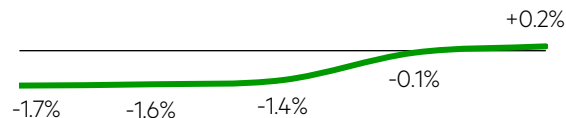
Stabilizing broadband net adds (k)¹



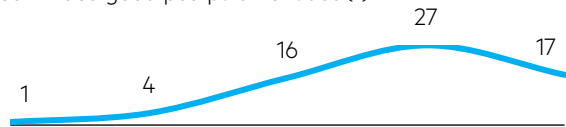
Higher fixed ARPU

€ 50
+0.9% y-on-y

Fixed service revenues stabilizing (y-on-y growth)²



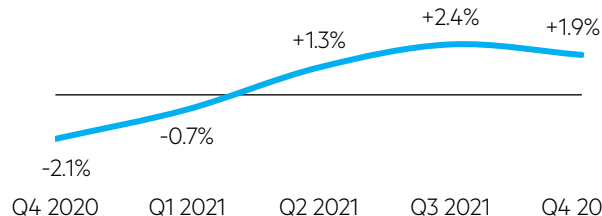
Continued good postpaid net adds (k)



Growing mobile ARPU

€ 17
+0.8% y-on-y

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



1. Corrected for migrations to, and new customers of, business propositions (10k in Q4 2021, 7k in Q3 2021, 8k in Q2 2021, 8k in Q1 2021, 8k in Q4 2020) and excl. Oxxio in Q2 2021

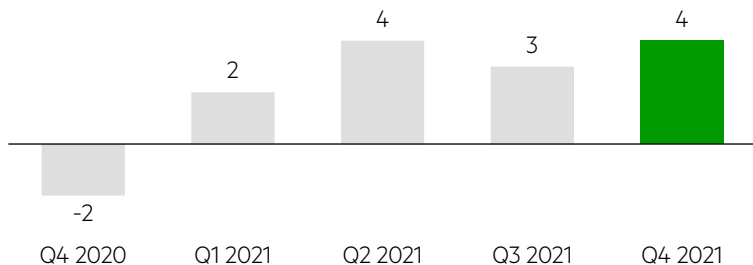
2. Adjusted for € 8m one-off correction in Q1 2021, related to quarters 2020 (based on management estimates)

B2B: Moving in the right direction driven by successful SME turnaround

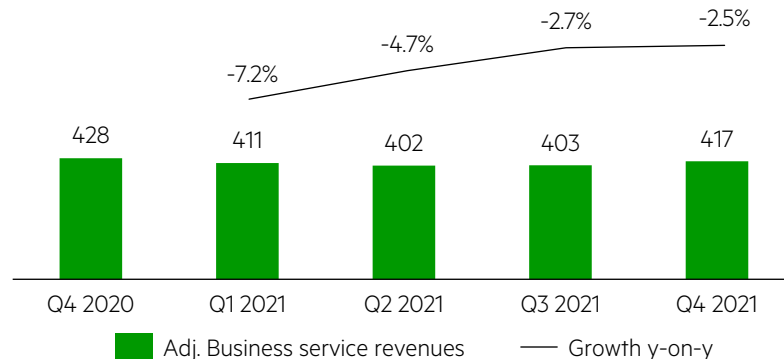
Key take-aways

- Business service revenues trend gradually improving
- Continued growth in SME, supported by good broadband and mobile base developments
- Lower revenues from Access & Connectivity (migrations & price pressure) and IT Services impacting LCE, partly offset by good base growth
- Business NPS improving y-on-y to +4, mainly driven by focus on customer centricity and reliability of products & services

Business NPS improved y-on-y¹



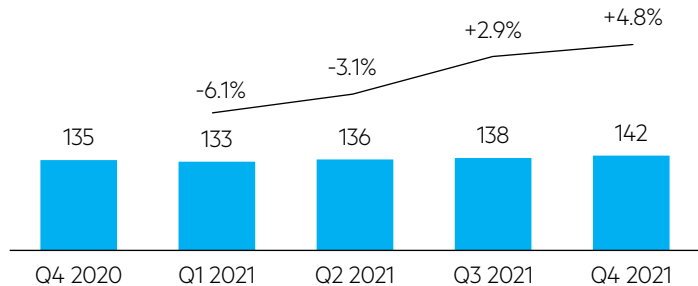
Service revenue trend (€ m)



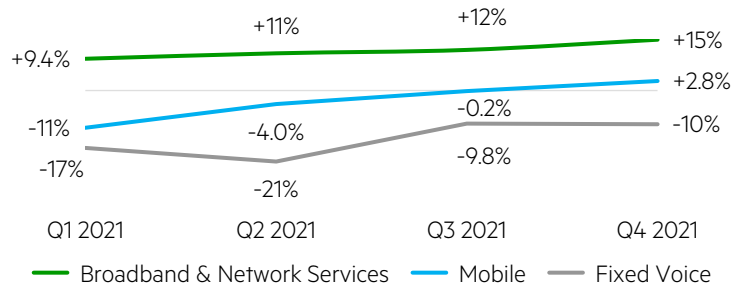
Segment revenues (€ m)	Q4 2020	Q4 2021	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
SME	135	142	+4.8%	552	549	-0.5%
LCE	176	164	-6.8%	713	657	-7.9%
Tailored Solutions	116	111	-4.5%	442	426	-3.5%
Adj. Business service revenues	428	417	-2.5%	1,706	1,633	-4.3%
Non-service & Other	46	48	+4.5%	135	130	-3.5%
Adj. Business revenues	473	465	-1.9%	1,841	1,762	-4.3%

B2B: Sustainable inflection in SME established

Financial turnaround in SME service revenues, due to...

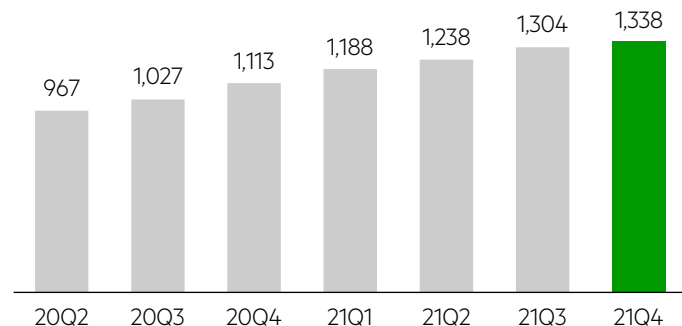


...growing Broadband, momentum in Mobile & less decline Voice



Solid base trends in KPN EEN (k)

providing platform for up and cross-sell opportunities



2-play customers: **+9%** y-on-y

3-play customers: **+31%** y-on-y

B2B: Targeting stabilizing service revenues end-2022

Segmented approach

Small & Medium Enterprises (SME)

- Migrations nearly finalized
- Sustainable turnaround established in Q3 2021

Large & Corporate Enterprises (LCE)

- KPN Smart Combinations
- Drive cross & up-sell
- Customer migrations on track 83%

Tailored Solutions

- KPN Smart Integration
- Optimize for value

...to achieve



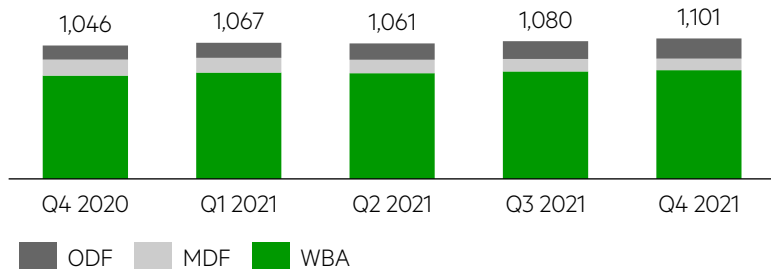
B2B service revenues
stabilizing by end-2022

Wholesale: Sustainable growth from open access model

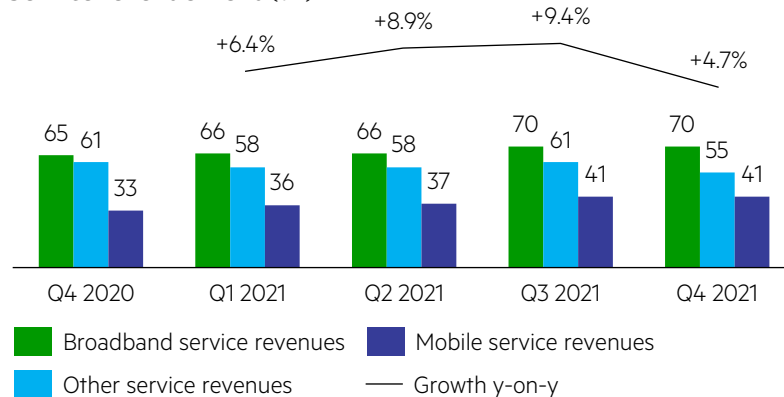
Key take-aways

- Wholesale revenues increased, driven by Broadband and Mobile
- Added 21k broadband lines and 29k postpaid customers in Q4
- Other service revenues impacted due to lower roaming, interconnect traffic and regulated tariffs, partly compensated by higher traffic COVID-related service numbers
- Successful open wholesale policy, ensuring customers have an abundant choice of service providers
- ACM fixed access market review consultation expected to start before end of Q1 2022

Broadband customer base (k)



Service revenue trend (€ m)



Segment revenues (€ m)	Q4 2020	Q4 2021	Δ y-on-y	FY 2020	FY 2021	Δ y-on-y
Mobile	33	41	+24%	138	156	+13%
Broadband	65	70	+8.6%	232	272	+17%
Other	61	55	-10%	245	233	-5.2%
Adj. Wholesale service revenues	159	166	+4.7%	615	660	+7.3%
Non-service & Other	2	1	-57%	8	2	-70%
Adj. Wholesale revenues	161	167	+4.0%	624	663	+6.3%

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 energy

2020 ✓
>30% gender diversity at Board level

>30% women in senior management
2023

All leased cars use non-fossil fuel
2025

2025
~100% circular

...and an ambitious agenda

Climate neutral without offsets
2030

2030
-55% energy consumption vs. 2010

30% reduction scope 3 emissions¹
2030

2040
Net zero CO₂e emissions in chain

Rankings & awards

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA





Deliver
Financial ambitions

Robust Q4 and FY 2021 results

Adjusted revenues

Q4 2021	FY 2021
€ 1,359m	€ 5,256m
+0.3%	-0.3%
Q4 2020 € 1,354m	FY 2020 € 5,275m

Adj. net indirect opex savings

Q4 2021	FY 2021
€ 21m	€ 47m

Adjusted EBITDA AL

Q4 2021	FY 2021
€ 584m	€ 2,347m
+4.1%	+1.2%
Q4 2020 € 561m	FY 2020 € 2,320m

Net profit

Q4 2021	FY 2021
€ 157m	€ 1,283m
-9.7%	>100%
Q4 2020 € 174m	FY 2020 € 561m

ROCE

FY 2021
11.0%
+90bps
FY 2020: 10.1%

Leverage ratio

FY 2021
2.3x
FY 2020: 2.3x

Operational Free Cash Flow

Q4 2021	FY 2021
€ 252m	€ 1,131m
-7.5%	-3.5%
Q4 2020 € 272m	FY 2020 € 1,172m

Capex

Q4 2021	FY 2021
€ 332m	€ 1,216m
+15%	+6.0%
Q4 2020 € 289m	FY 2020 € 1,147m

Free Cash Flow

Q4 2021	FY 2021
€ 251m	€ 784m
-6.2%	+2.5%
Q4 2020 € 268m	FY 2020 € 765m

Q4 adjusted revenues +0.3% y-on-y

- Growth in Consumer Mobile, SME and Wholesale was offset by lower revenues in Consumer Fixed, LCE and Tailored Solutions

Q4 adjusted EBITDA AL +4.1% y-on-y

- Adjusted EBITDA growth driven by higher service revenue and solid cost control
- Step up in cost savings in Q4

FY FCF of € 784m +2.5% y-on-y

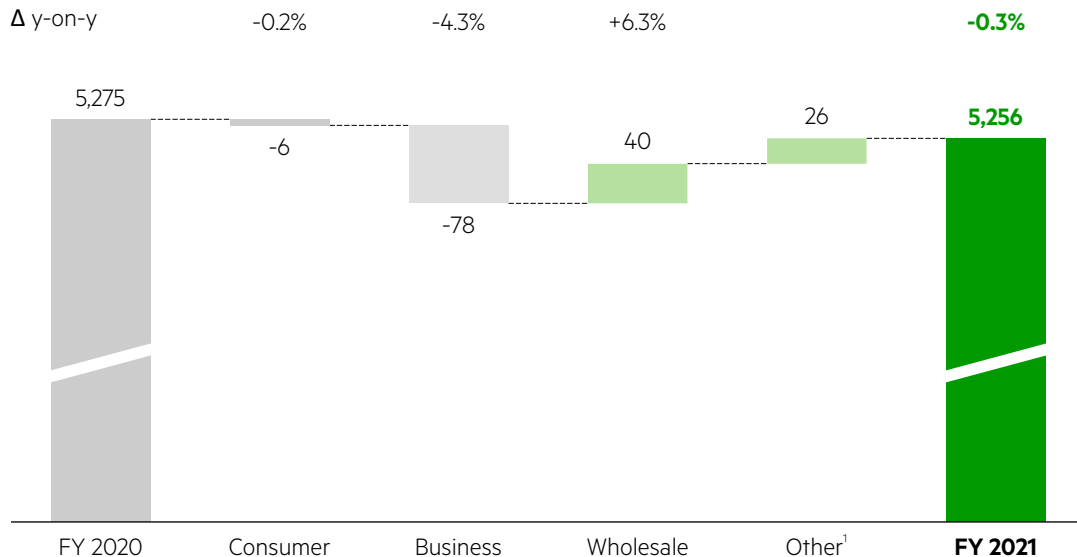
- Higher Capex and taxes more than offset by higher EBITDA, lower investments in working capital, lower interest paid and lower cash restructuring

ROCE of 11.0%

- +90bps y-on-y

Adjusted revenues: Wholesale growth, offset by decline in B2B

Adjusted revenues (€ m)



Consumer revenues flattish as growth in mobile service revenues was offset by Legacy services

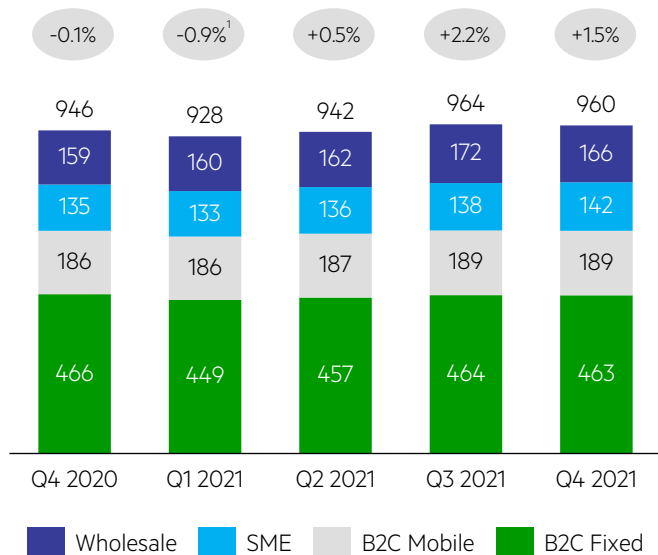
Business revenue decline driven by LCE and Tailored Solutions, SME inflected

Wholesale revenue growth driven by Broadband and Mobile service revenues

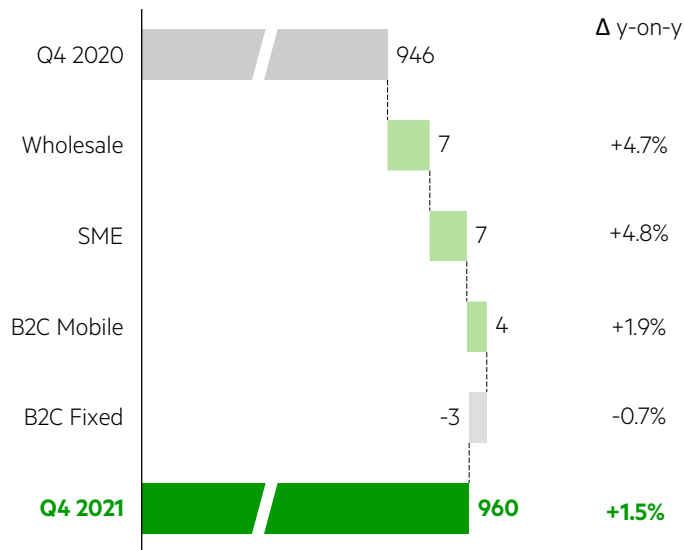
Other revenue growth mainly supported by lower intercompany charges (reduced regulated interconnect tariffs), higher non-recurring IPR benefits and SLA fees Glaspoort

Further sustainable mass-market service revenue growth

Encouraging trend in mass-market service revenues (€ m)



Growth driven by Wholesale, SME and Consumer mobile (€ m)



EBITDA growth due to mass-market service revenues and lower cost base

Adjusted EBITDA AL (€ m)



Net indirect opex savings

of € 47m FY 2021

Cost savings 2021

Supported by:

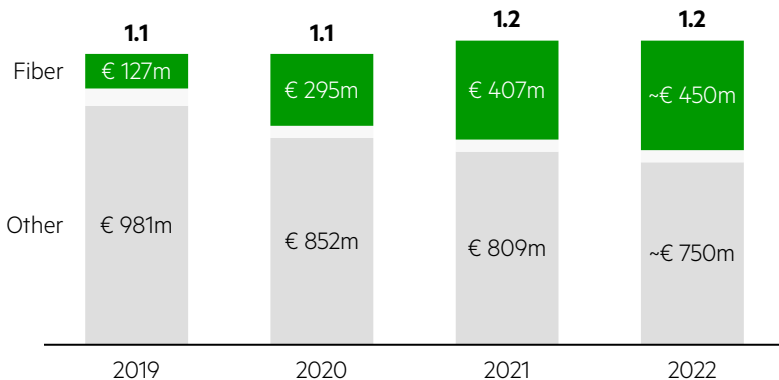
- Less FTE
- Simplification driving savings in IT/TI

Partly offset by:

- Re-investments to support top-line
- Less tailwind COVID-related savings
- Employee related provisions

Making clear decisions: fiber rollout at full pace

Increasing fiber Capex (€ bn)



Lower **other Capex** mainly driven by rationalization and increased effectiveness in

- Copper infrastructure
- IT
- Mobile access

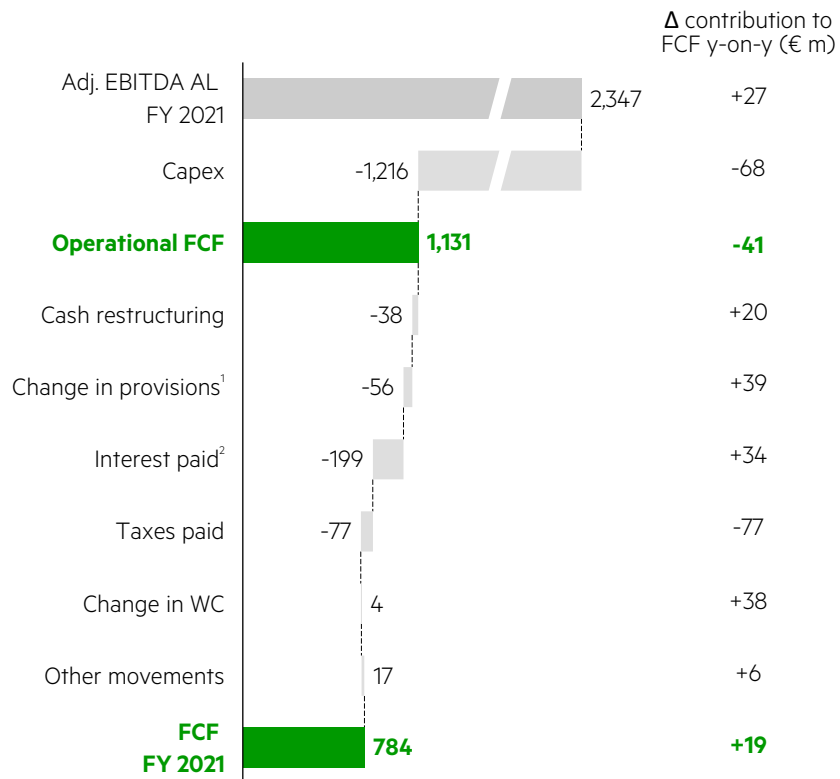
Fiber Capex ~€ 450m in **2022**

Lower fiber Capex after **2026**

Capex / sales (%)

Fiber	2.3	5.6	7.7	8-10
Other	18.2	16.2	15.4	13-15
Total	20.5	21.8	23.1	~23

Strong underlying cash generation



- ▶▶ Free Cash Flow of **€784m**, 2.5% higher y-on-y
 - EBITDA growth
 - More favorable working capital developments
 - Lower cash interest paid
 - Lower cash restructuring
- Partly offset by
 - Higher Capex due to accelerated fiber rollout
 - Higher cash taxes paid

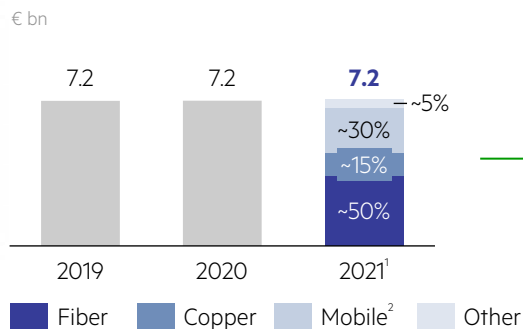
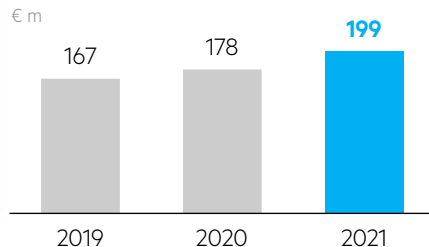
▶▶ Cash & short-term investments of **€793m** per 31 December 2021

(€m)	FY 2020	FY 2021	Δ y-on-y
Free Cash Flow	765	784	2.5%
<i>As % of adj. revenues</i>	<i>14.5%</i>	<i>14.9%</i>	
Acquisitions & disposals	15	-31	n.m.
Change in short-term investments	5	-30	n.m.
Other investing cash flow	-422	61	n.m.
Dividends paid	-529	-554	4.8%
Share repurchase	-	-200	n.m.
Other financing cash flow	-6	172	n.m.
Total cash flow from discontinued operations	-1	-4	>100%
Change in net cash & cash equivalents	-173	198	n.m.

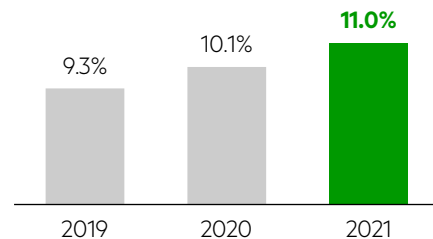
Steadily improving Return on Capital

NOPLAT

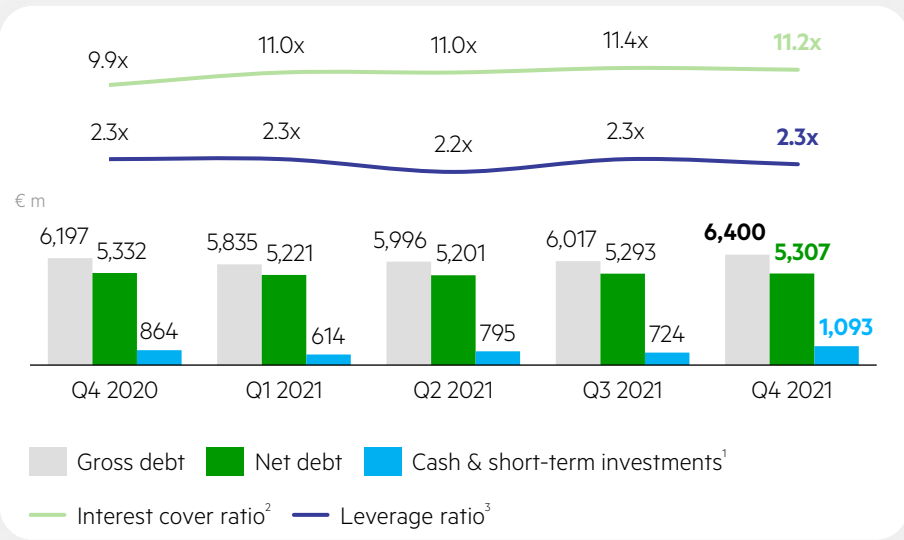
- ▶▶ Improving adjusted EBITDA AL
- ▶▶ Lower restructuring charges



ROCE³

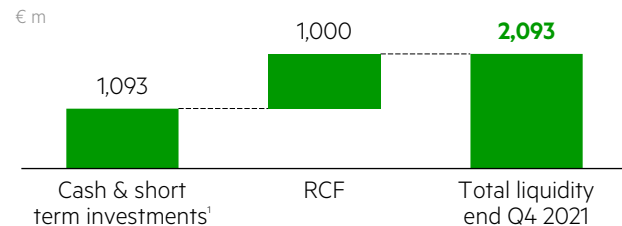


Robust liquidity position, committed to investment-grade credit profile

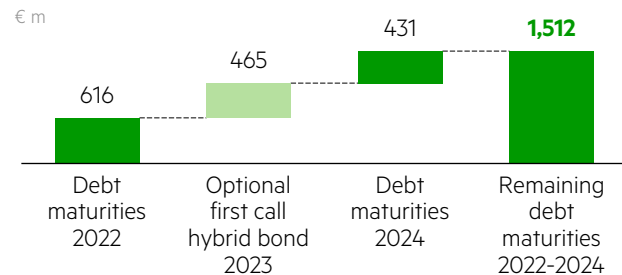


- ▶▶ Net debt € 14m higher q-on-q driven by share buyback and tax payments, partly offset by FCF generation in Q4 2021
- ▶▶ Average cost of senior debt was 2.69% in Q4 2021, 19 bps lower y-on-y

Robust liquidity...



...covering debt maturities until 2024



1. At 31 December 2021, KPN had € 60m outstanding under its € 1bn STEP-labelled Euro Commercial Paper program

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

3. Net debt (excl. leases) / LTM adjusted EBITDA AL

2022 outlook and 2023 ambitions

	Achievements FY 2021	Outlook FY 2022	Ambitions FY 2023
Adjusted EBITDA AL	€ 2,347m	~€ 2,400m	>€ 2,450m
Capex	€ 1,216m	€ 1.2bn	€ 1.2bn
Free Cash Flow	€ 784m	>€ 825m	>€ 870m
Regular DPS	€ 13.6 cents ¹	€ 14.3 cents +5.1% y-on-y	Progressive dividend +3-5% annual growth
Share buyback	€ 200m	€ 300m	

Disciplined financial framework aimed at long-term value creation

Successful strategy execution

1) Creating long-term value for stakeholders

2) Healthy multi-year cash generation perspective

- Recurring FCF (>€ 870m in 2023)
- Incidental cash flows

Disciplined, value creating reinvestment

- Capex: € 1.2bn
- Fiber ~€ 450m
 - Other ↓

Maintaining robust balance sheet

Leverage:

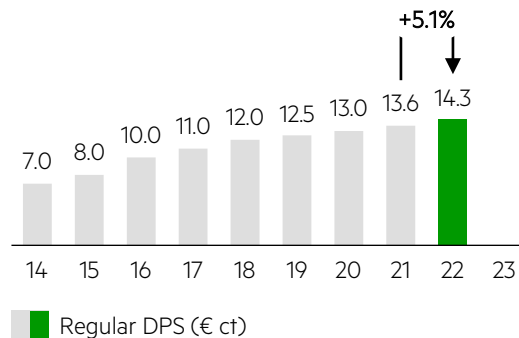
<2.5x
Q4 2021: 2.3x

Progressive regular dividend per share

- Targeting +3-5% growth annually
- 5.1% growth in 2022

Excess cash

Committed to distribute excess cash to shareholders



Value creating growth opportunities
(e.g. M&A, spectrum)

Additional capital returns
structural part of shareholder remuneration

€ 200m share buyback completed
in 2021

Intention to buyback € 300m of shares
in 2022

Highlights Q4 and FY 2021

- ▶▶ **Solid progress** 'Accelerate to grow' strategy
- ▶▶ **Delivered** on FY 2021 outlook and ambitions
- ▶▶ **Sustainable mass-market** service revenue growth
- ▶▶ Turnaround **SME** established, strong mobile and improving broadband trends at **B2C**
- ▶▶ **FY adj. EBITDA AL +1.2%** amid improving service revenues and lower cost base
- ▶▶ **Fiber roll out 433k at fastest pace ever** in the Netherlands (>500k HP incl. Glaspoort)
- ▶▶ Best **mobile network** and fastest 5G position in the Netherlands retained
- ▶▶ Steadily **improving ROCE** reflecting shareholder value creation
- ▶▶ **New € 300m SBB** and 5.1% DPS growth, returning >€ 850m to shareholders in 2022

A nighttime cityscape featuring a prominent skyscraper illuminated with a grid of green and blue lights. The building's facade is covered in a pattern of small, glowing dots. In the foreground, a bridge with blue lighting spans across the scene. The sky is dark, and other city buildings are visible in the background.

Accelerate
to grow

Appendices

- I Tax
- II Debt portfolio

I: Tax Q4 and FY 2021

Regions (€ m)	P&L		Cash flow		P&L		Cash flow	
	Q4 2020	Q4 2021	Q4 2020	Q4 2021	FY 2020	FY 2021	FY 2020	FY 2021
The Netherlands	25	-29	-	-38	-89	-344	-	-77
Other	-	-	-	-	1	-	-	-
Total reported tax	25	-29	-	-38	-88	-344	-	-77
Of which discontinued operations	-	-	-	-	-	-	-	-
Reported tax from continuing operations	25	-29	-	-38	-88	-344	-	-77
Effective tax rate continuing operations	-16.4%	15.6%			13.7%	21.1%		

The effective tax rate for Q4 2021 was mainly influenced by the Innovation Box facility and one-off effects

►► Excluding one-off effects¹ the effective tax rate would have been ~22% in Q4 2021

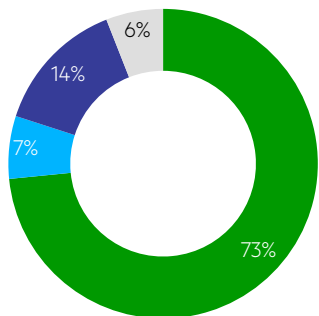
The effective tax rate FY 2021 was mainly influenced by the Innovation Box facility and one-off effects

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

Next to the operating cash flow stated above, an amount of € 197m was paid related to investing activities (Glaspoort) since June 2021

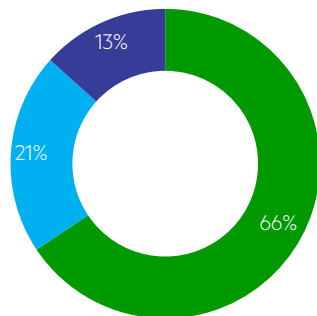
II: Debt portfolio

Nominal debt by type¹



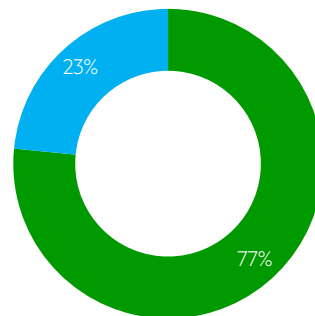
- Eurobonds
- Global bonds
- Hybrid bonds
- Loans & other

Nominal debt by currency¹



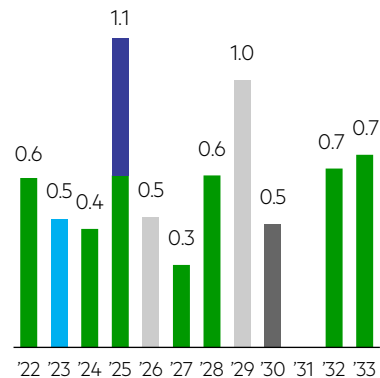
- EUR
- GBP
- USD

Fixed vs. floating interest¹



- Fixed
- Floating

Debt redemption profile² (€ bn)



- USD hybrid (1st call)
- EUR hybrid (1st call)
- GBP
- USD
- EUR

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



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