

Q1 2021 results

30 April 2021

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 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 (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 2020, unless stated otherwise.

Highlights Q1 2021

- ▶▶ **Mass-market** segments seeing encouraging base and service revenue trends
- ▶▶ **Business** segment seeing improving revenue developments
- ▶▶ **Fiber** rollout well on track, announced JV with APG
- ▶▶ **Mobile network** recognized as best in the Netherlands¹
- ▶▶ **Adj. EBITDA AL** flat on underlying basis²
- ▶▶ **Cost savings** program off to a good start, successful copper phase out in pilot areas
- ▶▶ **Free Cash Flow** well on track, partly due to different intra-year phasing

Accelerate to grow supported by three key pillars

Three strategic pillars...

1. Leverage & expand superior networks

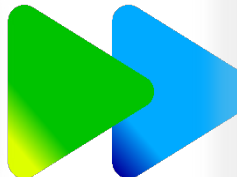
- Covering the Netherlands through fiber
- Low latency services via 5G and edge computing

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

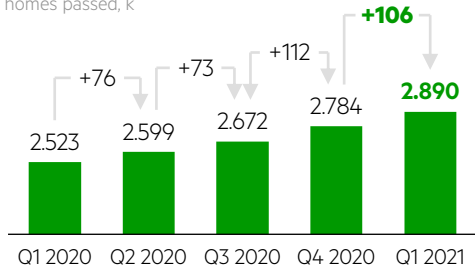
Provide attractive shareholder returns

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

Expand superior network: Fiber rollout well on track

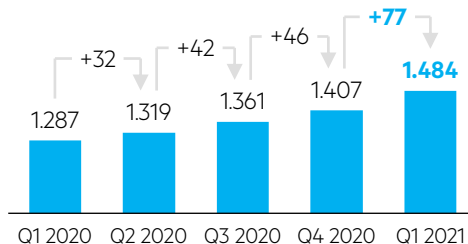
Continuously expanding fiber footprint

homes passed, k



Strong FttH activation rate

homes activated, k



Successful copper phase out

6 pilot areas



Last twelve months:

+367k HP own rollout¹

+30k HP on 3rd party FttH

Last twelve months:

+197k HA

~54% activation rate²

Joint venture with APG to further accelerate fiber rollout

Scope KPN

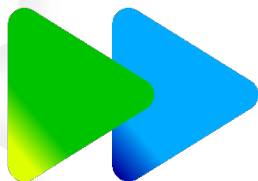
2.8m_{HP}
existing FttH footprint
(FY 2020)

2.5m_{HP}
planned FttH rollout
(2021-2025)¹

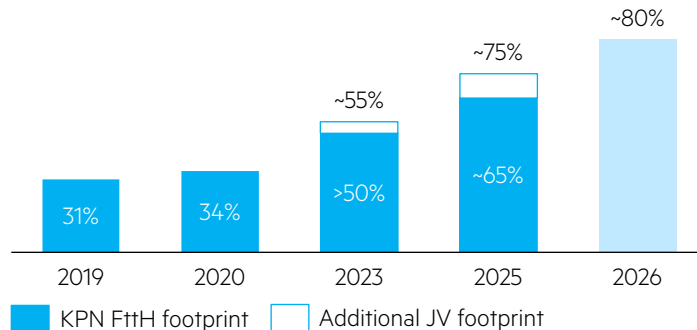
Scope JV

~685k_{HP}
in medium-dense areas

~225k
businesses



Ambition to jointly cover NL through fiber²



Large scale

copper decommissioning

as of 2023

Lower

fiber Capex

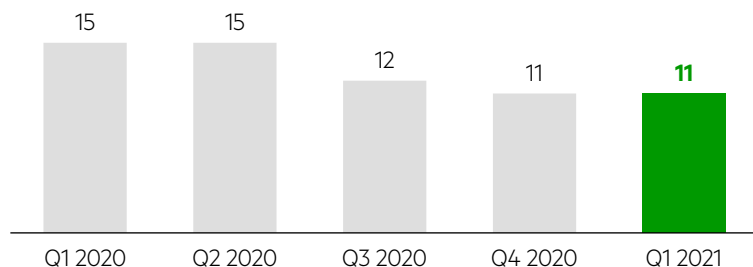
after 2026

B2C: Further improvements in base and underlying revenue trend

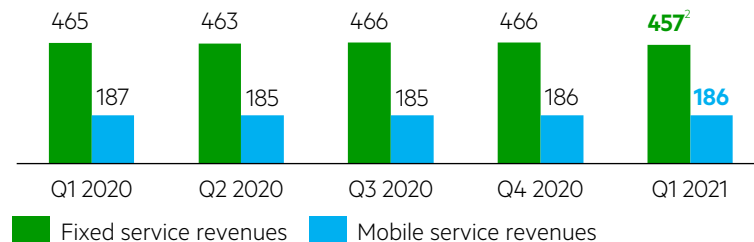
Key take-aways

- Growth in Fixed-Mobile revenues driven by higher base and ARPA
- Mobile service revenue trend improved markedly (-0.7% y-on-y), decline fully driven by continued pressure on prepaid
- Lower Fixed service revenues, impacted by one-off correction and declining Legacy portfolio
- NPS (+11) stable compared to Q4; downward trend stopped due to successful investments in customer support capacity, seeing underlying improvements, especially at former Telfort customers

Successful investments leading to flat Consumer NPS¹



Service revenue trend (€ m)

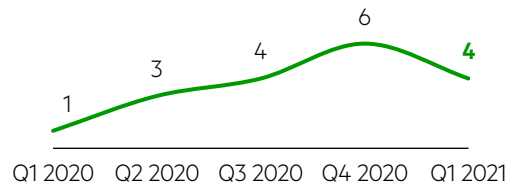


Segment revenues (€ m)

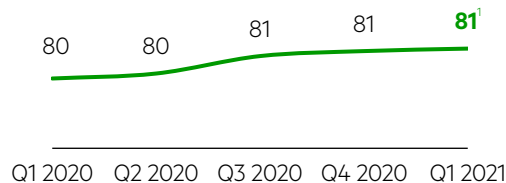
	Q1 2020	Q1 2021	Δ y-on-y ²
Fixed-Mobile	351	354	+2.0%
Fixed-only	204	192	-3.9%
Mobile-only	61	60	-1.9%
Legacy/other	37	29	-21%
Adjusted Consumer service revenues	653	635	-1,5%
Non-service & Other	59	67	13%
Adjusted Consumer revenues	712	702	-0,3%

B2C: Successful strategy underpinned by encouraging KPI developments

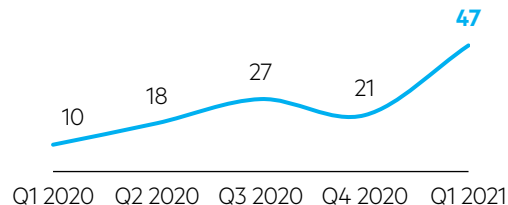
Positive Fixed-Mobile net adds (k)



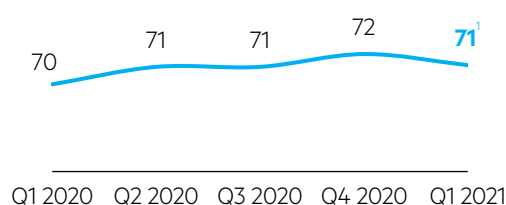
Improving Fixed-Mobile ARPA y-on-y (€)



Improving fiber household net adds (k)



Growing fiber ARPA y-on-y (€)



Increasing service revenues

**Fixed-mobile
households**



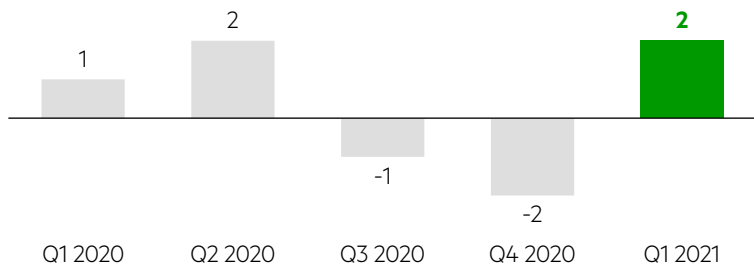
**&
Fiber**

B2B: Revenue pressure largely driven by migrations and COVID-19

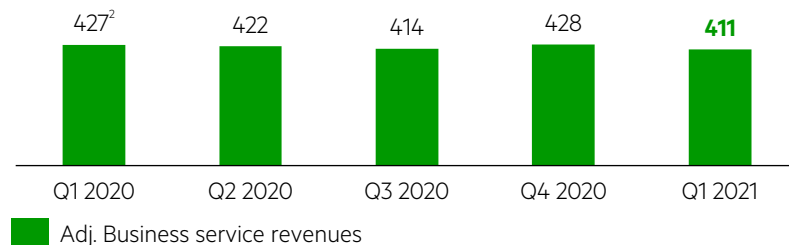
Key take-aways

- SME: growth in Broadband & Networking Services and IT Services offset by lower Mobile and Fixed Voice revenues
- LCE: lower revenues from Access & Connectivity and IT Services
- NPS improved to +2, mainly driven by customer migrations to target portfolios and reliability of products and services

Business NPS improved¹



Service revenue trend (€ m)

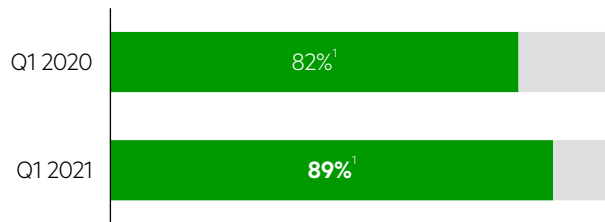


Segment revenues (€ m)

	Q1 2020	Q1 2021	Δ y-on-y (excl. divestments ²)
SME	141	133	-6,1%
LCE	194	170	-4,7%
Tailored Solutions	108	108	-0,1%
Adjusted Business service revenues	443	411	-3,8%
Non-service & Other revenues	36	29	-14%
Adjusted Business revenues	478	440	-4,6%

B2B: On track to stabilize SME service revenues by end 2021

Finalizing customer migrations¹ and cross-sell opportunities...



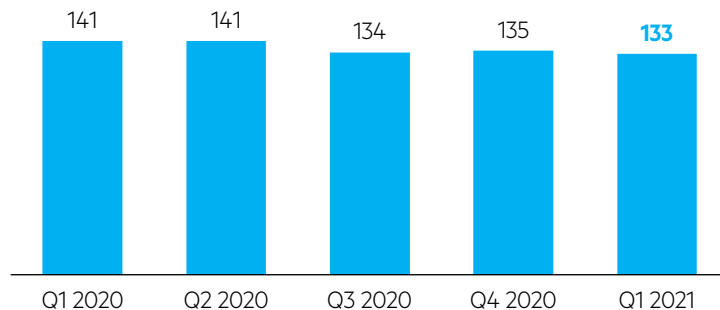
~25% of KPN EEN base in triple play

Double play biggest within KPN EEN base

Cross-sell Fixed to Mobile and Mobile to Fixed

Unlimited supporting Mobile inflow ARPU

...fueling SME service revenue stabilization by end 2021 (€ m)



-6.1% y-on-y

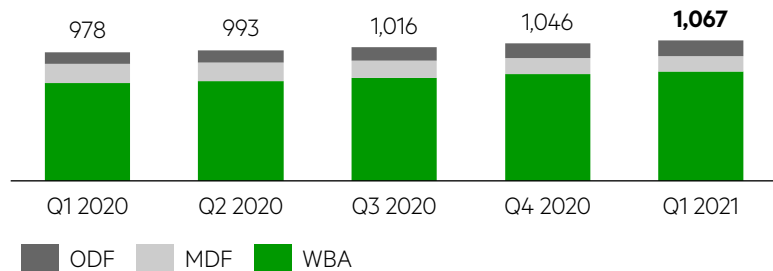
Encouraging trends in Broadband & Network Services and Workspaces

Wholesale: Sustainable growth from open access model

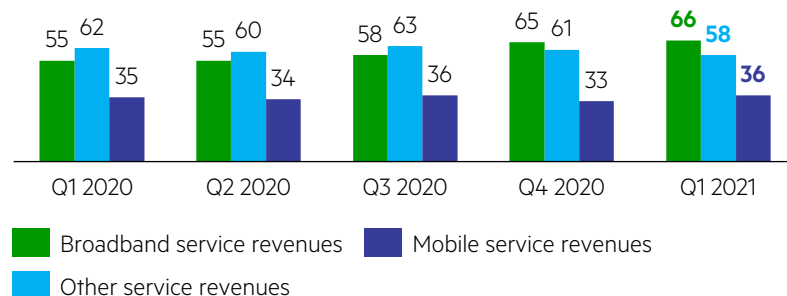
Key take-aways

- Wholesale revenues increased, driven by broadband
- Added +22k broadband lines and +30k postpaid customers

Broadband customer base (k)



Service revenue trend (€ m)



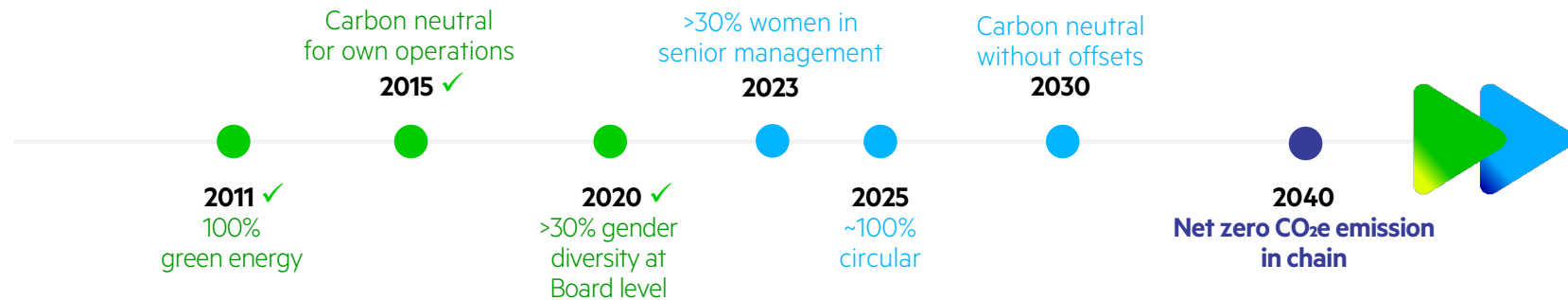
Segment revenues (€ m)

	Q1 2020	Q1 2021	Δ y-on-y
Mobile	35	36	+4.3%
Broadband	55	66	+21%
Other	62	58	-5.3%
Adjusted Wholesale service revenues	151	160	+6.4%
Non-service & Other revenues	2	-	-68%
Adjusted Wholesale revenues	153	161	+5.4%

ESG milestones and ambitions: aiming for net zero emissions by 2040

Important milestones crossed...

...and an ambitious agenda



Rankings & awards





Deliver
Financial ambitions

Financial performance impacted by one-off correction

Adjusted revenues

Q1 2021

€ 1,290m

-2.9%

Q1 2020

€ 1,329m

Adj. net indirect opex savings

Q1 2021

€ 21m

2021-2023: > €250m
indirect opex savings

Adjusted EBITDA AL

Q1 2021

€ 568m

-1.3%

Q1 2020

€ 575m

Q1 adjusted revenues -2.9% y-on-y

- **-1.2% excl. one off + divestment¹**
- Growth in Wholesale and Consumer F-M was offset by lower revenues in Business and Consumer Legacy

Net profit

Q1 2021

€ 141m

+18%

Q1 2020

€ 120m

Leverage ratio

Q1 2021

2.3x

Q1 2020

2.2x

Liquidity position

Q1 2021

€ 1.9bn

Cash & short-term investments: € 614m
Committed undrawn facilities: € 1.25bn RCF

Q1 adjusted EBITDA AL -1.3% y-on-y

- **Flat y-on-y excl. impact one off**
- Lower revenues were offset by continued disciplined cost control

Operational Free Cash Flow

Q1 2021

€ 247m

-17%

Q1 2020

€ 297m

Capex

Q1 2021

€ 321m

+15%

Q1 2020

€ 278m

Free Cash Flow

Q1 2021

€ 122m

+53%

Q1 2020

€ 80m

Q1 FCF of € 122m

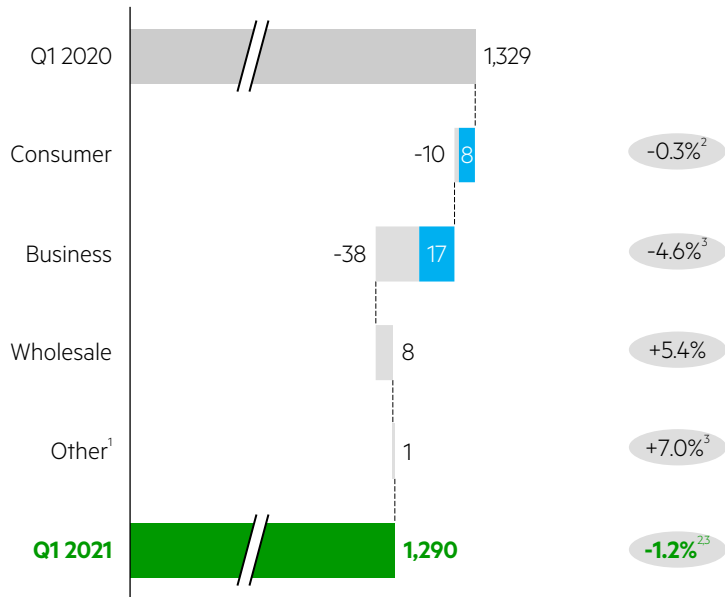
- **+53% y-on-y**
- Different intra-year phasing of working capital and less cash interest paid were partly offset by higher Capex

Strong liquidity position of € 1.9bn

On track to grow mass-market service revenues by end 2021

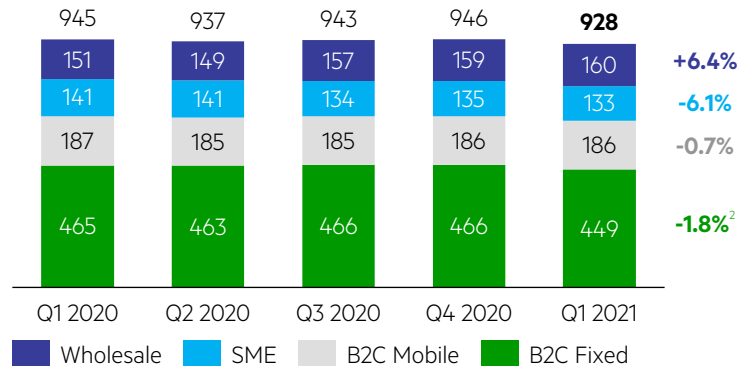
Adjusted revenues (€ m)

Δ y-on-y
excl. one off / divestment



Mass-market service revenues moving in the right direction (€ m)

Δ y-on-y
excl. one off

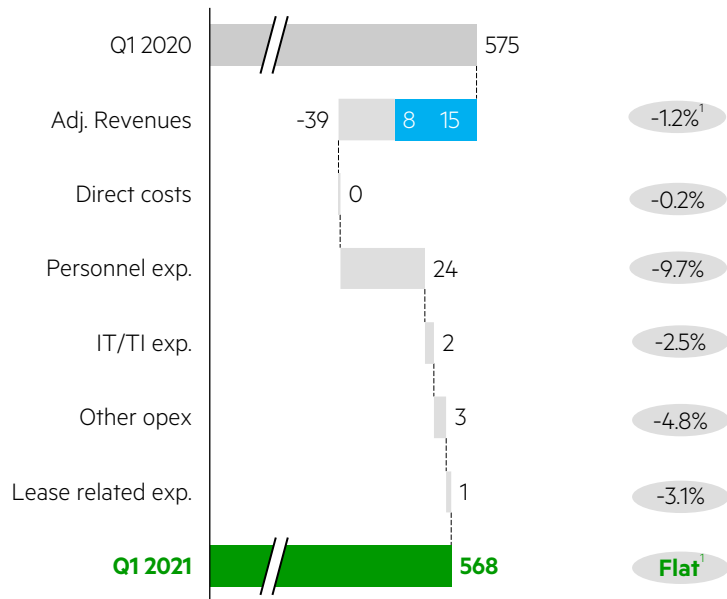


-0.9% y-on-y²
in Q1 2021

Cost savings run rate on track

Adjusted EBITDA AL (€ m)

Δ y-on-y
excl. one off / divestment



New cost savings program
off to a solid start

€ 21m

cost savings²
in Q1 2021

Reaping the benefits from rigorous working capital management

Working capital (€ m)	Q4 2020	Q1 2021	Effect delta working capital
Current assets			
Inventories	47	44	+3
Trade and other receivables	436	436	-
Prepayments and accrued income	198	244	-45
Contract assets and contract costs	49	52	-3
Current liabilities			
Trade payables	-531	-496	-34
Accruals and deferred income	-620	-667	+47
Contract liabilities	-186	-192	+5
Total working capital	-607	-579	-28
o/w change in accrued interest			+4
Other cash flow adjustments			-6
Change in working capital (cash flow statement)			-30

Higher prepayments and accrued income driven by payments related to product licenses and roaming in Wholesale and higher accrued interest related to swaps

Lower trade payables driven by seasonally increased payments to large suppliers at the beginning of the year

Higher accruals driven by settlements, higher interest accruals and bonus provisions related to 2020

Strong underlying cash generation

(€m)	Q1 2020	Q1 2021	Δ y-on-y
Adjusted EBITDA after leases	575	568	-1,3%
<i>As % of adj. revenues</i>	<i>43,3%</i>	<i>44,0%</i>	
Capex	-278	-321	15%
Operational Free Cash Flow	297	247	-17%
<i>As % of adj. revenues</i>	<i>22,4%</i>	<i>19,1%</i>	
Cash restructuring	-22	-8	-62%
Incidentals	-	-	n.m.
Change in provisions excl. restructuring	-15	-14	-21%
Interest received/(paid) excl. lease interest	-84	-52	-38%
Taxes received/(paid)	-	-10	n.m.
Change in working capital	-86	-30	-65%
Other income	-	-	n.m.
Other movements	-11	-10	-8,6%
Free Cash Flow	80	122	53%
<i>As % of adj. revenues</i>	<i>6,0%</i>	<i>9,5%</i>	
Acquisitions & disposals	9	-	-100%
Change in short-term investments	-	115	n.m.
Other investing cash flow	1	-1	n.m.
Dividends paid	-	-	n.m.
Other financing cash flow	-431	-372	-14%
Total cash flow from discontinued operations	-	-	n.m.
Change in net cash & cash equivalents	-343	-135	-61%
Cash & short term investments at end of peric	696	614	
Bank overdrafts	-	-	
Cash classified as held for sale	2	-	
Short-term investments	-275	-155	
Cash & cash equivalents (balance sheet)	422	459	

►► Lower Operational Free Cash Flow driven by higher Capex and lower adjusted EBITDA AL

►► Free Cash Flow of € 122m, 53% higher y-on-y

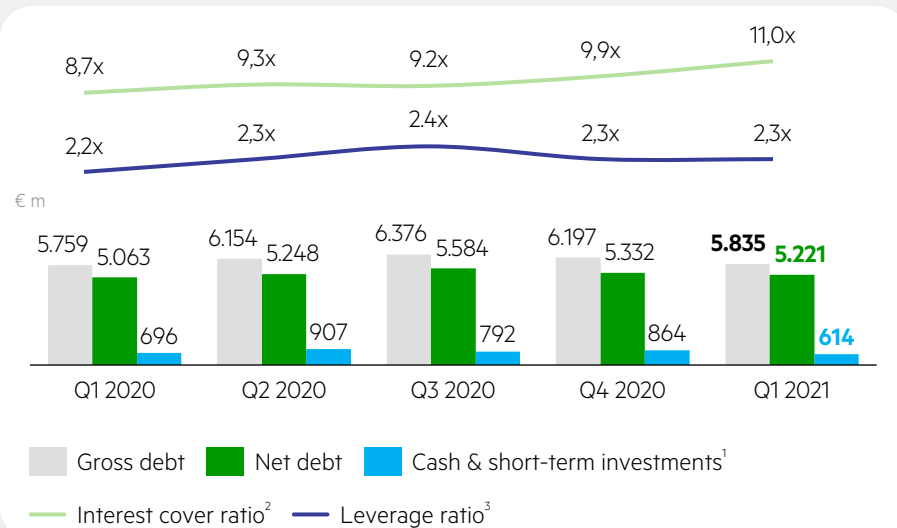
- Different intra-year phasing of working capital
- Less cash interest paid due to debt redemptions and refinancing transactions

Partly offset by

- Higher Capex due to accelerated fiber rollout

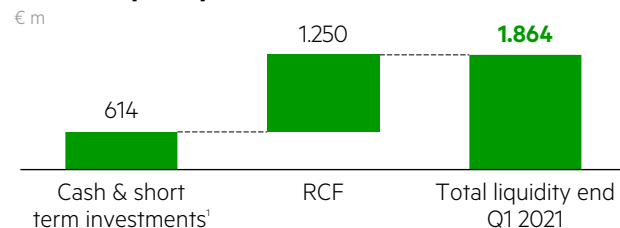
►► Strong cash position at 31 March 2021

Robust liquidity position, committed to investment-grade credit profile

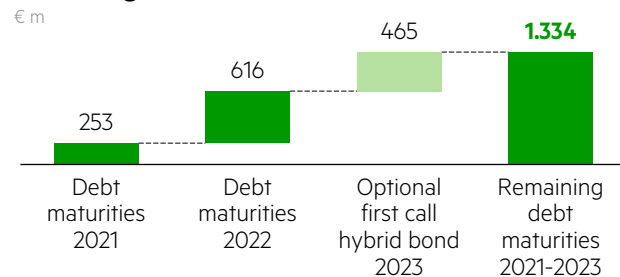


- ▶▶ Redeemed € 361m senior bond with 3.25% coupon in February
- ▶▶ Net debt € 111m lower quarter on quarter, driven by FCF generation
- ▶▶ Average cost of senior debt was 2.85% in Q1 2021, 32bps lower y-on-y

Robust liquidity...



...covering debt maturities until 2023



1. At 31 March 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

2021 outlook and 2023 ambitions reiterated

	Achievements FY 2020	Outlook FY 2021	Ambitions FY 2023
Adjusted EBITDA AL	€ 2,320m	~€ 2,345m	>€ 2,450m
Capex	€ 1,147m	€ 1,200m	€ 1.1-1.2bn
Free Cash Flow	€ 765m	~€ 765m	>€ 870m
Regular DPS	€ 13 cents	€ 13.6 cents +4.6% y-on-y	Progressive dividend +3-5% annual growth

Closing remarks & Q&A

- ▶▶ **Mass-market** segments seeing encouraging base and service revenue trends
- ▶▶ **Business** segment seeing improving revenue developments
- ▶▶ **Fiber** rollout well on track, announced JV with APG
- ▶▶ **Mobile network** recognized as best in the Netherlands
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Accelerate
to grow

Appendices

- I Tax
- II Debt portfolio
- III Treatment of hybrid bonds
- IV Spectrum

I: Tax Q1 2021

Regions (€ m)	P&L		Cash flow	
	Q1 2020	Q1 2021	Q1 2020	Q1 2021
The Netherlands	-30	-40	-	-10
Other	-	-	-	-
Total reported tax	-30	-40	-	-10
Of which discontinued operations	-	-	-	-
Reported tax from continuing operations	-30	-40	-	-10
Effective tax rate continuing operations	21,1%	22,3%		

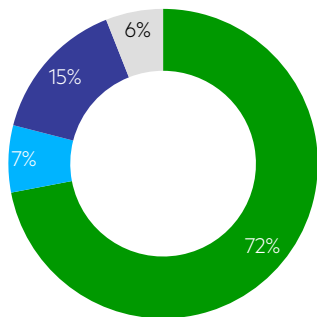
The effective tax rate for Q1 2021 was mainly influenced by tax rate changes, the Innovation Box facility and one-off effects

► Excluding one-off effects¹ the effective tax rate would have been ~22% in Q1 2021

For 2021, the effective tax rate is expected to be ~22% excluding one-off effects¹

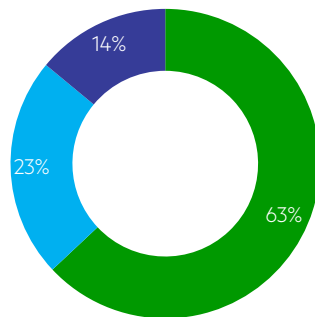
II: Debt portfolio

Nominal debt by type¹



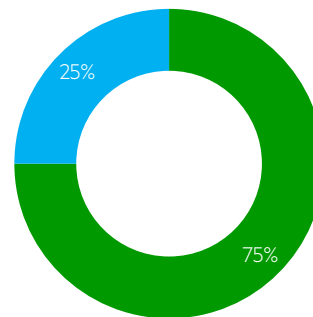
- Eurobonds
- Global bonds
- Hybrid bonds
- Loans & other

Nominal debt by currency¹



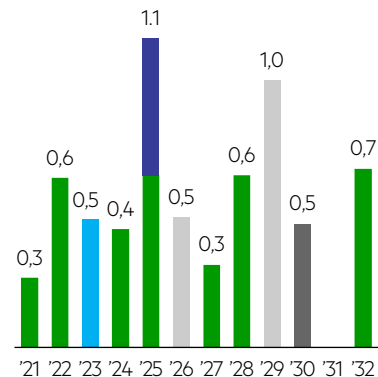
- EUR
- GBP²
- USD²

Fixed vs. floating interest¹



- Fixed
- Floating

Debt redemption profile² (€ bn)



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

III: Treatment of hybrid bonds

KPN & Credit rating agencies

Rating agencies recognize hybrid bonds as

50% equity

50% debt

Definition of KPN net debt includes: '[...], taking into account 50% of the nominal value of any hybrid capital instrument'

- ▶ Hybrid bonds are part of KPN's bond portfolio
- ▶ Independent of IFRS classification
- ▶ In line with treatment by credit rating agencies

IFRS

EUR tranche is a perpetual instrument, accounted for as **equity**

- ▶ Coupon payments treated as **equity distribution** (dividend), hence not expensed through P&L, not included in FCF, but in financing cash flow¹

USD tranche have 60 years specified maturity, accounted for as **financial liability**

- ▶ Coupon payments treated as **regular bond coupon**, hence expensed through P&L, included in FCF

Tranche	Nominal	KPN net debt	Maturity	Rates ²	IFRS principal	IFRS coupon
USD 0.6bn 7.000%	€ 465m	€ 233m	60 years (1st-call Mar-2023)	6,344%	Liability	Interest paid (incl. in FCF)
EUR 0.5bn 2.000%	€ 500m	€ 250m	Perpetual (1st-call Feb 2025)	2,000%	Equity	Financing cash flows (not incl. in FCF)
Total	€ 965m	€ 483m				

1. Cash flow item 'Paid coupon perpetual hybrid bonds'

2. Rates after swaps. USD tranche has semi-annual coupon payments (March / September); EUR tranche had short first coupon in Feb 2020 (0.25 years) thereafter annual coupons in February

IV: Spectrum in the Netherlands

700MHz (Paired)	VodZig 2 x 10	KPN 2 x 10	T-Mob 2 x 10	2 x 30	
800MHz (Paired)	T-Mob 2 x 10	VodZig 2 x 10	KPN 2 x 10	2 x 30	
900MHz (Paired)	VodZig 2 x 10	KPN 2 x 10	T-Mob 2 x 15	2 x 35	
1.4GHz (Unpaired)	VodZig 3 x 5	KPN 3 x 5	T-Mob 2 x 5	1 x 40	
1.8GHz (Paired)	KPN 2 x 20	VodZig 2 x 20	T-Mob 2 x 30	2 x 70	
2.1GHz (Paired)	VodZig 4 x 10	T-Mob 4 x 10	KPN 4 x 10	2 x 60	
2.6GHz (Unpaired)	T-Mob 25	KPN 30	T-Mob 5	1 x 60	
2.6GHz (Paired)	VodZig 2 x 30	T-Mob 2 x 5	KPN 2 x 10	T-Mob 2 x 20	2 x 65
Total	KPN 205MHz	VodZig 215MHz	T-Mob 260MHz	680MHz	



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