

KPN delivers B2B service revenue growth ahead of schedule; full year 2022 Free Cash Flow outlook raised

- Continued Group service revenue growth (+1.4% y-on-y) in Q2 2022
- Inflection of Business service revenues (+1.9% y-on-y), solid mass-market service revenue growth (+1.6% y-on-y)
- Ongoing growth in Consumer Mobile offset by lower revenues in Consumer Fixed
- Sustainable adjusted EBITDA AL growth (+1.1% y-on-y) driven by service revenue growth and lower indirect costs
- Solid progress fiber roll out (+102k HP); fiber retail broadband base surpassed copper in Q2 2022
- Awarded best mobile network in the Netherlands for 4th consecutive time¹
- Net profit (excl. incidentals) increased to € 174m (+18% y-on-y) in Q2 2022
- Strong Free Cash Flow generation in H1 2022, supported by higher adjusted EBITDA and intra-year Capex phasing
- Full year 2022 outlook raised to >€ 2,400m adjusted EBITDA AL and ~€ 850m FCF

Message from the CEO, Joost Farwerck

“We launched our Accelerate to grow strategy in November 2020 and are now halfway through the execution of our ambitious three year plan. This compelling strategy is centered around three clear pillars; to leverage and expand our superior networks, grow and strengthen our customer footprint and simplify and streamline our operating model. Over the last year and a half, we have delivered significant progress on all three.

During the quarter, Group service revenues continued to grow supported by solid mass-market service revenue growth and inflection of our B2B service revenues. Our mobile network has received the Ookla award for best coverage and fastest 5G speeds for the fourth time in a row, proving once again the superiority of our mobile services. We continue to expand our fiber footprint and we’re consistently delivering fiber connections to households in the Netherlands.

The mobile customer base and service revenues are showing growth across the board. In a challenging competitive environment, Consumer fiber broadband revenues showed continued growth, with copper and legacy in an anticipated decline. With the current level of fiber roll out, our commercial regional approach and attractive portfolio, we are confident that performance in Consumer Fixed will improve.

Despite rising work pressure as a result of the war on talent, employee engagement remains at an elevated level, as our colleagues continue to express their involvement and pride to work at KPN. Thanks to their strong contribution and expertise we continue to show best-in-class customer satisfaction levels across our segments.

Evidently, we are also not immune to inflationary effects in a challenging macro-economic environment. Wage indexation and rising energy costs will affect our cost savings run rate, but with mitigating measures we are confident of our ability to maintain healthy margins and a growing free cash flow. As a result of the progress made to date and the solid performance we have shown in the first half of the year, we raise our 2022 guidance for EBITDA and Free Cash Flow.”

Key figures

Group financials (unaudited) (in € m, unless stated otherwise)	Q2 2021	Q2 2022	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
Adjusted revenues	1,295	1,314	+1.4%	2,586	2,624	+1.5%
Adjusted EBITDA AL	589	595	+1.1%	1,156	1,189	+2.8%
As % of adjusted revenues	45.5%	45.3%		44.7%	45.3%	
Operating profit (EBIT)	1,093	307	-72%	1,329	598	-55%
Net profit	800	186	-77%	941	365	-61%
Capex	304	295	-3.0%	625	553	-12%
As % of adjusted revenues	23.5%	22.5%		24.2%	21.1%	
Operational Free Cash Flow	284	300	+5.6%	531	636	+20%
As % of adjusted revenues	22.0%	22.9%		20.5%	24.2%	
Free Cash Flow	179	202	+13%	301	408	+35%
As % of adjusted revenues	13.8%	15.4%		11.7%	15.6%	
Net debt				5,201	5,382	
ROCE				10.3%	12.0%	

¹ KPN has been awarded the Ookla ‘best mobile network’ Q1-Q2 2022

Continued strong operational momentum

- **Consumer:** mobile service revenues continue to grow (+1.4% y-on-y), driven by base growth and broadly stable ARPU
 - Fixed-Mobile households: +8k net adds (Q1 2022: +8k); Fixed-Mobile ARPA at € 81 (-1.1% y-on-y)
 - Broadband: +34k fiber net adds (Q1 2022: +42k), -3k total broadband net adds, (Q1 2022: +7k)²
 - Postpaid: +33k net adds (Q1 2022: +21k); ARPU broadly stable at € 17
 - NPS remains strong at +17 (Q1 2022: +19)
- **Business:** service revenue growth of 1.9% y-on-y, supported by strong growth in SME and project timing in Tailored Solutions
 - Broadband lines: +6k net adds (Q1 2022: +7k)
 - Mobile SIMs: +24k net adds (Q1 2022: +27k); SME +17k (Q1 2022: +26k)
 - NPS still positive but lower at +1 (Q1 2022: +4); mainly driven by difficult economic environment and smaller events
- **Wholesale:** success of open wholesale policy illustrated by continued revenue and base growth
 - Broadband lines: +4k net adds (Q1 2022: +14k)
 - Postpaid SIMs: +17k net adds (Q1 2022: +26k)
 - Consultation period concluded on voluntary wholesale offer; final decision ACM expected in Q3 2022
- **Network:** fiber roll out at steady pace, total own footprint 3.4m homes passed
 - Added 102k FttH households to KPN's fiber footprint (+150k including Glaspoort) in Q2
 - Mobile network once again recognized by Ookla as best in the Netherlands with fastest 5G
- **Cost savings:** Net indirect opex savings of € 13m in the quarter

Solid financial performance

- **Adjusted revenues** increased 1.4% y-on-y, supported by growing mass-market service revenues (+1.6% y-on-y) and Tailored Solutions (+5.2% y-on-y). Adjusted Group service revenues increased 1.4% y-on-y, driven by growth in Wholesale, Business and Consumer Fixed-Mobile. H1 2022 adjusted revenues increased 1.5% y-on-y
- **Adjusted EBITDA AL** increased 1.1% y-on-y, driven by higher service revenues and continued indirect cost control, partly offset by higher direct costs. Adjusted EBITDA AL margin remained stable at 45.3% (Q2 2021: 45.5%). H1 2022 adjusted EBITDA AL increased 2.8% y-on-y
- **Net profit** of € 186m decreased € 614m y-on-y, mainly impacted by net effects of € 649m related to the 'Glaspoort' transaction and a € 3m release of provision in Q2 2021, and € 12m related to the periodic sale of assets to Glaspoort in Q2 2022. Excluding these incidentals, net profit would have increased to € 174m (+18% y-on-y) in Q2 2022. H1 2022 net profit excluding incidentals would have increased 19% y-on-y
- **Capex** of € 295m was € 9m lower y-on-y in Q2 2022. H1 2022 Capex decreased € 73m y-on-y, mainly driven by timing of investment projects
- **Operational Free Cash Flow** of € 300m increased 5.6% y-on-y due to higher adjusted EBITDA AL and intra-year Capex phasing. H1 2022 Operational Free Cash Flow increased 20% y-on-y
- **Free Cash Flow** of € 202m increased € 23m y-on-y in Q2 2022. H1 2022 Free Cash Flow increased € 107m compared to the same period last year driven by higher adjusted EBITDA AL and lower Capex
- Steadily improving **ROCE** to 12.0% in H1 2022 (~170bps y-on-y), driven by higher NOPLAT
- Strong **liquidity** of € 1,628m, covering debt maturities until 2024

Outlook 2022 raised, ambitions 2023 reiterated

KPN upgrades its FY 2022 outlook to an adjusted EBITDA AL of more than € 2,400m and Free Cash Flow of approximately € 850m, with Capex remaining stable at € 1.2bn. KPN intends to pay a regular dividend per share of € 14.3 cents over 2022. An interim dividend of € 4.8 cents per share will be paid on 4 August 2022. The ex-dividend date is 29 July 2022. KPN reiterates its 2023 ambitions as provided at the Strategy Update on 24 November 2020. KPN's successful execution of its strategy and multi-year cash generation perspective enables the company to structurally return additional capital to its shareholders. KPN is currently running a share buyback program of € 300m, with 41% bought back per 22 July 2022, which will be ultimately completed by 17 August 2022.

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

² Corrected for migrations to, and new customers of, business propositions (7k in Q2 2022, 9k in Q1 2022, 10k in Q4 2021, 7k in Q3 2021, 8k in Q2 2021)

Financial review KPN Group Q2 and H1 2022

Key financial metrics

Group financials (unaudited) (in € m, unless stated otherwise)	Q2 2021	Q2 2022	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
Service revenues	1,196	1,214	+1.4%	2,391	2,429	+1.5%
Non-service revenues & other	99	100	+1.1%	194	195	+0.4%
Adjusted revenues	1,295	1,314	+1.4%	2,586	2,624	+1.5%
Cost of goods & services	312	337	+7.9%	634	662	+4.5%
Personnel expenses	213	201	-5.4%	429	410	-4.5%
IT/TI	78	74	-5.3%	155	147	-5.3%
Other operating expenses	68	73	+7.1%	139	150	+8.1%
Total adjusted opex	671	685	+2.1%	1,356	1,368	+0.9%
Depreciation right-of-use asset	30	28	-5.0%	62	58	-6.6%
Interest lease liabilities	5	4	-17%	11	9	-16%
Total adjusted indirect opex after leases	394	381	-3.4%	796	774	-2.8%
Adjusted EBITDA AL	589	595	+1.1%	1,156	1,189	+2.8%
<i>As % of adjusted revenues</i>	<i>45.5%</i>	<i>45.3%</i>		<i>44.7%</i>	<i>45.3%</i>	
Operating profit (EBIT)	1,093	307	-72%	1,329	598	-55%
Net profit	800	186	-77%	941	365	-61%
ROCE*				10.3%	12.0%	
FTE own personnel (#)				9,805	9,492	-3.2%

* ROCE is calculated on a 4-quarter average rolling basis

Q2 2022

Adjusted revenues increased 1.4% y-on-y, driven by Wholesale (+6.8% y-on-y), Business (+3.0% y-on-y) and Consumer Mobile (+1.4% y-on-y). Adjusted Group service revenues increased 1.4% y-on-y, with growth in Wholesale and Business service revenues being partly offset by lower service revenues from Consumer Fixed. Mass-market³ service revenues increased 1.6% y-on-y driven by strong growth in SME and ongoing momentum in Wholesale and Consumer Mobile.

Cost of goods and services increased 7.9% y-on-y due to higher non-service revenues such as handset and hardware sales, higher third-party access costs (mainly Glaspoort) and a change in service revenue mix in Business. Personnel expenses declined 5.4% y-on-y, driven by natural attrition and fewer personnel due to the ongoing digital transformation of KPN. IT/TI expenses declined 5.3% y-on-y, while adjusted other opex increased 7.1% y-on-y, mainly driven by higher energy costs. Further simplification and digitalization of the company resulted in a decline of 3.4% of total adjusted indirect opex after leases. Net indirect opex savings totaled € 13m. The run rate of indirect opex savings was impacted by the effects of higher energy prices and wage indexation.

Adjusted EBITDA AL increased 1.1% y-on-y. The positive effects of higher revenues and continued cost control were partially offset by higher direct costs, inflationary effects and an IPR benefit in Q2 2021. Adjusted EBITDA AL margin remained stable at 45.3% (Q2 2021: 45.5%).

Operating profit (EBIT) of € 307m decreased € 786m y-on-y, impacted by a one-off € 840m book gain related to the 'Glaspoort' transaction in Q2 2021, a € 4m release of provision in Q2 2021 and a € 16m book gain related to the periodic sale of assets to Glaspoort in Q2 2022. Excluding these incidentals, operating profit would have increased by € 42m driven by lower depreciation and amortization.

Net profit of € 186m decreased € 614m y-on-y, impacted by net effects of € 649m related to the 'Glaspoort' transaction in Q2 2021, a € 3m release of provision in Q2 2021 and a € 12m book gain related to the periodic sale of assets to Glaspoort in Q2 2022. Excluding these incidentals, net profit would have increased by € 26m (net of tax) mainly due to a higher operating profit.

³ Mass market consists of Consumer, SME and Wholesale segments

H1 2022

Adjusted revenues increased 1.5% y-on-y, partly supported by an € 8m one-off correction in Q1 2021 to Consumer Fixed service revenues related to the timing of revenue recognition in 2020. Corrected for this, adjusted revenues increased 1.2%, mainly driven by higher mass-market service revenues.

Cost of goods and services increased 4.5% y-on-y mainly due to higher non-service revenues and higher third-party access costs. Personnel expenses declined 4.5% y-on-y due to the ongoing digital transformation of KPN and natural attrition. IT/TI expenses declined 5.3% y-on-y. Total net indirect opex savings for H1 2022 were € 21m. Adjusted EBITDA AL increased 2.8% y-on-y, driven by revenue growth and continued cost control.

Operating profit (EBIT) of € 598m decreased € 731m y-on-y, impacted by a one-off € 840m book gain related to the 'Glaspoort' transaction in Q2 2021, a € 4m release of provision in Q2 2021 and a € 27m book gain related to the periodic sale of assets to Glaspoort in H1 2022. Excluding these incidentals, operating profit would have increased by € 87m driven by lower depreciation and amortization.

Net profit of € 365m decreased € 576m y-on-y, impacted by net effects of € 649m related to the 'Glaspoort' transaction in Q2 2021, a € 3m release of provision in Q2 2021 and a € 21m book gain related to the periodic sale of assets to Glaspoort in H1 2022. Excluding these incidentals, net profit would have increased by € 56m (net of tax) mainly driven by higher operating profit and partially offset by higher income tax.

ROCE was 12.0% in H1 2022, an increase of ~170 basis points compared to H1 2021 (10.3%). This increase was mainly driven by higher NOPLAT as operational efficiency increased, driven by cost control and lower depreciation and amortization.

Financial position

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q2 2021	Q2 2022	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
Operational Free Cash Flow	284	300	+5.6%	531	636	+20%
<i>As % of adjusted revenues</i>	22.0%	22.9%		20.5%	24.2%	
Free Cash Flow	179	202	+13%	301	408	+35%
<i>As % of adjusted revenues</i>	13.8%	15.4%		11.7%	15.6%	
Net debt				5,201	5,382	
Gross debt				5,996	6,010	
Cash & short-term investments				795	628	
Leverage ratio*				2.2x	2.3x	
Interest cover ratio**				11.0x	12.1x	
Credit ratings				Rating	Outlook	
Standard & Poor's				BBB	Stable	
Fitch Ratings				BBB	Stable	
Moody's				Baa3	Stable	

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

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

H1 2022

Operational Free Cash Flow of € 636m was 20% higher y-on-y. Free Cash Flow of € 408m increased € 107m, or 35% y-on-y due to higher adjusted EBITDA AL and intra-year phasing of Capex. Free Cash Flow margin improved ~390 basis points to 15.6%.

At the end of Q2 2022, net debt amounted to € 5,382m, € 238m higher compared to end Q1 2022. The seasonal increase in net debt was mainly driven by the € 375m final dividend payment over 2021 in April 2022 and the share buyback program, partly offset by Free Cash Flow generation during the quarter.

KPN had a strong balance sheet and liquidity position at the end of Q2 2022. Nominal debt outstanding was € 6,432m including € 240m short-term commercial paper. KPN's committed liquidity consisted of € 628m cash & short-term investments and a € 1.0bn undrawn revolving credit facility which covers debt maturities through 2024. At 30 June 2022, the net debt to EBITDA ratio was 2.3x (Q1 2022: 2.2x). KPN's interest cover ratio was 12.1x at the end of the second quarter (Q1 2022: 12.0x). At 30 June 2022, the weighted average cost of senior debt was 2.50%, 26 basis points lower y-on-y.

At the end of Q2 2022, Group equity amounted to € 3,180m, € 198m lower compared to the end of Q1 2022. This was driven by the final dividend payment over 2021, partially offset by net income generated during the quarter.

Capex

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q2 2021	Q2 2022	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
Fiber rollout	106	99	-6.0%	218	180	-18%
Customer driven	35	38	+9.1%	77	74	-4.5%
Other	164	157	-3.9%	330	299	-9.3%
Capex	304	295	-3.0%	625	553	-12%
<i>As % of adjusted revenues</i>	<i>23.5%</i>	<i>22.5%</i>		<i>24.2%</i>	<i>21.1%</i>	

Capex was € 295m in Q2 2022. H1 2022 Capex decreased € 73m y-on-y to 21.1% of adjusted revenues (H1 2021: 24.2%) as timing in projects impacted fiber roll out (-€ 39m y-on-y). Other Capex declined by € 30m (-9.3%), mainly driven by optimization of investments in copper infrastructure, IT, and mobile access. The percentage of Other Capex over adjusted revenues declined by ~140bps y-on-y to 11.4% (H1 2021: 12.8%).

Personnel

# FTE own personnel by segment at the end of the period <i>(unaudited)</i>	H1 2021	H1 2022	Δ y-on-y	Δ y-on-y
Consumer	2,455	2,519	+64	+2.6%
Business	2,828	2,632	-196	-6.9%
Wholesale	207	212	+5	+2.4%
Network, Operations & IT	3,321	3,155	-166	-5.0%
Other	994	975	-20	-2.0%
KPN Group	9,805	9,492	-313	-3.2%

At the end of Q2 2022, KPN employed 9,492 own personnel (in FTEs). This is 313 FTE lower compared to the end of Q2 2021 while also having insourced 155 FTE external personnel. The decline in personnel is mainly related to KPN's simplification and digitalization program, and natural attrition.

Financial and operating review per segment Q2 and H1 2022

Consumer

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q2 2021	Q2 2022	Δ q-on-q	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y	Δ y-on-y excl. one-off ⁴
Fixed-Mobile service revenues	363	366		+0.9%	718	735	+2.4%	
Fixed-only service revenues	195	189		-3.3%	388	381	-1.9%	
Postpaid-only service revenues	60	60		+0.3%	120	122	+1.6%	
Legacy/other service revenues	28	24		-15%	57	48	-16%	
Adjusted Consumer service revenues	646	638		-1.1%	1,283	1,285	+0.2%	-0.4%
Non-service & Other revenues	60	64		+5.9%	125	129	+2.7%	
Adjusted Consumer revenues	706	702		-0.5%	1,408	1,414	+0.4%	-0.1%
Households (k)								
Fixed-Mobile households	1,478	1,513	+8	+35				
Fixed-only households	1,299	1,241	-16	-58				
Postpaid-only households	774	768	+4	-6				
Total Consumer households	3,551	3,522	-4	-29				
ARPA (€)								
ARPA Fixed-Mobile households	82	81		-1.1%				
ARPA total Consumer households	58	58		Flat				
NPS Consumer	14	17	-3	+3				

KPN has achieved sustainable mobile service revenue growth for the fifth consecutive quarter, driven by solid base developments and stable ARPU. Fixed service revenues showed a decline in Q2 in a competitive market, but the trend is expected to gradually improve fueled by the current level of fiber roll out and focus on best digital customer experience. KPN's strategy for the consumer market is focused on being the preferred digital partner for households through (i) the best digital access with fiber, 5G, and in-home WiFi; (ii) the best digital omni-channel experience with a mobile-first and app-centric customer approach; and (iii) the best digital third-party services through entertainment partnerships.

Q2 2022

In Q2 2022, KPN has expanded its content offering by announcing its partnership with Disney+ and ESPN, giving access to a unique combination of sports and entertainment. The fixed market saw increased competition at the end of Q1 and early in Q2, leading to a short dip in commercial performance.

Adjusted Consumer service revenues decreased 1.1% y-on-y. Service revenue growth in KPN's Fixed-Mobile (+0.9% y-on-y) and Postpaid-only portfolio (+0.3% y-on-y) was offset by declining service revenues from Fixed-only service revenues (-3.3% y-on-y) mainly driven by a shift in accounting for content packages and a decline in voice traffic. Service revenues from KPN's Legacy portfolio declined -15%. Consumer non-service revenues increased 5.9% y-on-y, mainly driven by higher handset sales.

KPN's Fixed-Mobile household base grew 8k to 1,513k and represents 55% of total Fixed households. Fixed-Mobile ARPA decreased slightly with 1.1% y-on-y to € 81.

Fixed service revenues decreased 2.2% y-on-y, impacted by a structural decline in legacy, a shift in accounting for content packages and lower voice traffic. Net of the accounting shift, underlying broadband service revenues are growing, as fiber broadband service revenues continue to grow strongly, offsetting the decline in copper. Operational performance on fiber remains strong, as KPN activated 36k fiber households in the quarter (Q1 2022: +45k). The retail fiber base has now exceeded the copper base, which should fuel further stabilization of the broadband base. Broadband net adds showed a decline (-3k net adds Q2 2022), influenced by short-term competitive pressures and the fading effect of the successful commercial launch of Viaplay F1 in Q1. Fixed ARPU remained stable at € 52. In May, KPN announced price adjustments of 3.5% on its broadband portfolio, taking effect 1 July 2022.

Consumer mobile service revenues increased 1.4% y-on-y, driven by solid operational performance. KPN's postpaid base improved markedly with 33k net adds (Q1 2022: +21k). Postpaid ARPU was stable at € 17. Postpaid-only ARPA increased 1.2% to € 26.

⁴ Corrected for € 8m one-off in Consumer Fixed service revenues related to timing of revenue recognition in Q1 2021

In Q2 2022, Consumer NPS remained strong, at +17 (Q2 2021: +14, Q1 2022: +19). KPN successfully invested in quality improvements in customer journeys and customer service delivery, such as the introduction of new features in the MijnKPN app.

H1 2022

Adjusted Consumer revenues increased 0.4% y-on-y, impacted by an € 8m one-off correction in Q1 2021 on Consumer Fixed service revenues related to timing of revenue recognition in 2020. Corrected for this one-off, adjusted Consumer revenues declined by -0.1% y-on-y. Declining service revenues from KPN's Legacy and Fixed-only portfolio were partially offset by higher service revenues from KPN's Fixed-Mobile and Postpaid-only portfolio.

Business

Segment financials (unaudited) (in € m, unless stated otherwise)	Q2 2021	Q2 2022	Δ q-on-q	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
SME service revenues	136	146		+7.7%	268	291	+8.5%
LCE service revenues	199	193		-3.1%	404	385	-4.5%
Tailored Solutions service revenues	67	70		+5.2%	141	142	+1.1%
Adjusted Business service revenues	402	409		+1.9%	812	818	+0.7%
Non-service & Other revenues	27	33		+20%	56	61	+8.4%
Adjusted Business revenues	429	442		+3.0%	869	879	+1.2%
KPIs (k)							
Broadband lines	340	366	+6	+26			
Mobile SIMs	1,960	2,072	+24	+112			
NPS Business	+4	+1	-3	-3			

Adjusted Business service revenues inflected ahead of schedule. B2B service revenue growth is driven by strong and sustainable performance in SME, and project timing in Tailored Solutions. Significant progress has been made in transforming the portfolio to future-proof solutions, by completing the phasing out of 3G, ISDN, SDH Access and legacy Conferencing Services in Q2. The LCE service revenue trend is on the right track, with revenue decline showing a sequential improvement. The migration of LCE customers with traditional voice and legacy broadband services to the Smart Combinations portfolio is close to completion, leading to enhanced cross- and upsell possibilities.

Q2 2022

Adjusted Business service revenues grew 1.9% y-on-y, as the decline in LCE service revenues was more than offset by solid, continued growth in SME and positive developments in Tailored Solutions. Operational performance was strong, with +24k net adds in Mobile and +6k broadband net adds.

SME service revenues increased 7.7% y-on-y. Growth in Mobile, Broadband & Network Services and IT Services were partly offset by lower revenues from Legacy products such as Fixed Voice. Mobile service revenues increased 9.5% y-on-y, driven by a growing base (+17k net adds) and higher ARPU (+1.0% y-on-y) due to the uptake of unlimited data bundles and increased roaming levels. Broadband & Network saw continued growth at 15% y-on-y driven by a growing customer base of +5k net adds (Q1 2022: +9k). IT Services increased 16% y-on-y, mainly driven by Cloud & Workspace services. Fixed Voice revenues declined 12% y-on-y due to ongoing customer migrations and line rationalization, as ISDN services have been terminated.

LCE service revenues declined 3.1% y-on-y. Access & Connectivity revenues declined 3.3% y-on-y, mainly due to ongoing competition in the mobile market pressurizing mobile ARPU and rationalization towards a future-proof portfolio. Revenues from IT Services declined 2.7% y-on-y due to portfolio optimization.

Tailored Solutions service revenues increased 5.2% y-on-y, driven by timing in projects and related hardware sales.

Business NPS remained positive at +1 (Q2 2021: +4; Q1 2022: +4), impacted by the general difficult economic environment and several smaller events. Customers continue to value KPN for the stability, reliability and quality of our network and services. KPN's customer satisfaction remains leading in the Dutch market.

H1 2022

Adjusted Business revenues grew 1.2% y-on-y, as service revenue declines in LCE (-4.5% y-on-y) was offset by strong performance in the SME segment (+8.5% y-on-y) and Tailored Solutions (+1.1%).

Wholesale

Segment financials (unaudited) (in € m, unless stated otherwise)	Q2 2021	Q2 2022	Δ q-on-q	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
Mobile	37	43		+16%	73	88	+20%
Broadband	66	73		+11%	132	149	+12%
Other	58	57		-3.2%	117	107	-8.7%
Adjusted Wholesale service revenues	162	173		+7.0%	322	343	+6.5%
Non-service & Other revenues	1	0		-29%	1	1	-30%
Adjusted Wholesale revenues	163	174		+6.8%	323	344	+6.4%
# Customers (k)							
Postpaid SIMs	596	702	+17	+105			
Broadband lines	1,061	1,119	+4	+57			

On 1 April 2022, KPN introduced to ACM a voluntary offer to amend its fiber wholesale access tariffs. ACM published a draft decision on 15 April 2022 to declare this offer binding and started a consultation period. This consultation period has been closed and a final decision is expected to be announced in Q3 2022.

Q2 2022

Adjusted Wholesale revenues increased 6.8% y-on-y, driven by higher Broadband and Mobile service revenues.

Continued demand for KPN's broadband wholesale portfolio (+4k net adds Q2 2022) led to solid growth in broadband service revenues of 11%. The sum of total broadband net adds between Consumer and Wholesale was +1k⁵ in Q2 2022.

Mobile service revenues increased 16% y-on-y, driven by a growing mobile base and increased data volumes. Wholesale added +17k postpaid SIMs during the quarter.

Other service revenues declined by 3.2%, mainly due to lower regulated tariffs leading to a decrease in low-margin interconnect revenues and less COVID-19 related traffic, partly offset by higher visitor roaming.

H1 2022

Adjusted Wholesale revenues increased 6.4% y-on-y, largely driven by growing Broadband and Mobile service revenues.

Network, Operations & IT

Segment KPIs (in thousands)	H1 2021	H1 2022	Δ q-on-q	Δ y-on-y
FttH households own roll out	3,003	3,394	+102	+391
FttH households 3rd party access	103	284	+54	+181
Of which Glaspoort	12	159	+48	+147
FttH households total	3,106	3,677	+156	+571
FttH households activated on own roll out	1,540	1,726	+41	+186

Since 2020, KPN has accelerated its fiber roll out and targets fiber coverage of approximately 80% of Dutch households by the end of 2026, together with Glaspoort. In the first half year of 2022, KPN, together with Glaspoort, added 261k households to its fiber footprint.

KPN's 5G strategy is focused on differentiated services for B2B customers in specific industries. KPN's fieldlabs are surveying the added value of 5G together with private and public sector parties. The benefits of higher speeds, lower latency and network slicing are explored through multiple use-cases, such as in the field of autonomous driving together with the automotive sector.

Q2 2022

In Q2 2022, KPN's rollout continued at its steady pace, organically adding 102k households to its fiber footprint. More than 44% of households are now connected to KPN's fiber network. During the quarter, KPN activated 41k households on its own infrastructure.

For the fourth time in a row, KPN's mobile network has been recognized by Ookla as the best mobile network in the Netherlands. The network modernization program is paying off and showing KPN's superior network quality, as evidenced by both user tests such as Ookla as well as drive and walk tests done by Umlaut.

Supply chain scarcities and labor shortages are impacting the timing of investments throughout our network. KPN has mitigated the financial impact through the use of substitutionary products, increased inventory levels and budget prioritization.

⁵ Corrected for migrations to, and new customers of, business propositions (7k in Q2 2022)

Analysis of adjusted results Q2 and H1 2022

The following table shows the reconciliation between reported revenues and adjusted revenues:

Revenues (in € m)	Q2 2021	Q2 2022	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
Consumer	706	702	-0.5%	1,408	1,414	+0.4%
Business	429	442	+3.0%	869	879	+1.2%
Wholesale	163	174	+6.8%	323	344	+6.4%
Network, Operations & IT	4	21	>100%	6	36	>100%
Other (incl. eliminations)	833	-10	n.m.	820	-22	n.m.
Total revenues	2,136	1,329	-38%	3,426	2,651	-23%
Revenue incidentals						
Consumer	-	-		-	-	
Business	-	-		-	-	
Wholesale	-	-		-	-	
Network, Operations & IT	-	16		-	27	
Other (incl. eliminations)	840	-		840	-	
Total revenue incidentals	840	16	-98%	840	27	-97%
Consumer	706	702	-0.5%	1,408	1,414	+0.4%
Business	429	442	+3.0%	869	879	+1.2%
Wholesale	163	174	+6.8%	323	344	+6.4%
Network, Operations & IT	4	5	+17%	6	10	+69%
Other (incl. eliminations)	-7	-10	+41%	-20	-22	+8.4%
Total adjusted revenues	1,295	1,314	+1.4%	2,586	2,624	+1.5%

The following table specifies the revenue incidentals in more detail:

Revenue incidentals (in € m)	Segment	Q2 2021	Q2 2022	H1 2021	H1 2022
Book gain on Glaspoort	Other	840	-	840	-
Book gain on sales of assets to JV (Glaspoort)	NOI	-	16	-	27
Total revenue incidentals		840	16	840	27

The following table shows the reconciliation between reported EBITDA and adjusted EBITDA AL:

(in € m)	Q2 2021	Q2 2022	Δ y-on-y	H1 2021	H1 2022	Δ y-on-y
EBITDA	1,459	640	-56%	2,058	1,273	-38%
Incidentals	-844	-16	-98%	-844	-27	-97%
Restructuring	10	4	-59%	16	10	-35%
Lease-related expenses						
Depreciation right-of-use asset	-30	-28	-5.0%	-62	-58	-6.6%
Interest lease liabilities	-5	-4	-17%	-11	-9	-16%
Adjusted EBITDA AL	589	595	+1.1%	1,156	1,189	+2.8%

The following table specifies the EBITDA incidentals in more detail:

EBITDA incidentals (in € m)	Category	Q2 2021	Q2 2022	H1 2021	H1 2022
Book gain on Glaspoort	Revenues	840	-	840	-
Book gain on sale of assets to JV (Glaspoort)	Revenues	-	16	-	27
Release of provisions	Other opex	4	-	4	-
Total EBITDA incidentals		844	16	844	27

All related documents can be found on KPN's website: ir.kpn.com

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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 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. 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 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, unless stated otherwise.