

KPN delivers on FY 2022 outlook with sustainable Group service revenue growth

- Continued Group service revenue growth in Q4 (+1.5% y-on-y)
- Turnaround Business service revenues established in 2022 driven by strong growth in SME
- Strong service revenue growth in Consumer Mobile, fixed market remains competitive
- Solid FY 2022 adjusted EBITDA AL growth up to € 2,404m (+2.4% y-on-y) and FCF generation at € 862m (+9.9% y-on-y)
- Awarded best mobile network in the Netherlands for 5th time in a row and best All-in-1 broadband provider in the Netherlands
- Expanding fiber footprint with +348k homes passed in 2022 (+544k homes passed including Glaspoort), covering 47% of the Netherlands
- Steadily improving ROCE to 13.1%, reflecting shareholder value creation
- 2023 outlook: adjusted EBITDA AL of ~€ 2,410m, Capex of € 1.2bn, FCF of ~€ 870m, DPS of € 15.0 cents
- New € 300m share buyback for 2023 announced

Message from the CEO, Joost Farwerck

“We are proud to have delivered on our 2022 outlook and ambitions. Throughout the year, we have consistently grown our Group service revenues, a clear proof point of the success of our strategy which is aimed at sustainable growth. Business service revenues grew for the third consecutive quarter, displaying momentum and we are confident that our Business segment has reached an inflection point. In Consumer, our fiber service revenues and mobile service revenues showed continued growth, partially offsetting challenging competitive dynamics in the wider broadband market. Supported by our open access policy, the Wholesale segment continued to show growth. Whilst cost progress was affected by increased energy prices and one-off allowances to our staff, we achieved strong underlying productivity growth. Together with improving service revenue trends, cost savings enabled us to protect our margins, deliver solid EBITDA growth and exceed our guidance in terms of Free Cash Flow delivery.

The investments we do in our networks and services are paying off, with both the Umlaut and Ookla benchmarks recognizing KPN as best mobile network. Alongside this we’re also recognized as best All-in-1 broadband provider, a great sign of appreciation from customers for our products and services. We also kept expanding our fiber footprint, and together with Glaspoort, we passed a record number of fiber households. Jointly, we now cover almost half of the country with fiber and we see more and more customers benefiting from this next generation digital infrastructure. In a world increasingly dependent on digital interactions, the stability and reliability of our networks are fundamental and the importance of cyber security is becoming more evident every day, which is why we continue to put security first. These achievements would not have been possible without the continued determination and expertise of our people, who do everything in their power to connect everyone in the Netherlands to a sustainable digital future. Employee engagement remains at an elevated level and colleagues continue to express their involvement and pride to work at KPN. In December, we agreed on a new collective labor agreement for 2023, which contains several aspects that support our employees with the rising cost of living.

We are fully committed to creating sustainable long-term value for all our stakeholders. I am therefore proud that KPN is once again recognized as one of the companies that are global climate leaders and are at the forefront of reducing CO2 emissions and mitigating climate change, according to the Carbon Disclosure Project (CDP). Moreover, in 2022 we signed an agreement with Eneco for the purchase of wind energy from 2027, which is aligned with KPN’s ambitious sustainability targets and de-risking our long-term energy price exposure.

Although we are facing a difficult macro-economic environment with wage indexation and rising energy costs likely to affect our cost savings run rate, the measures we have put in place provide us with confidence in our ability to maintain healthy margins and a growing Free Cash Flow. This, combined with our strong financial position, enables us to grow shareholder returns for 2023 through a growing dividend and new share buyback.”

Key figures

Group financials (unaudited) (in € m, unless stated otherwise)	Q4 2021	Q4 2022	Δ y-on-y	FY 2021	FY 2022	Δ y-on-y
Adjusted revenues	1,358	1,366	+0.5%	5,255	5,327	+1.4%
Adjusted EBITDA AL	584	598	+2.4%	2,347	2,404	+2.4%
As % of adjusted revenues	43.0%	43.8%		44.7%	45.1%	
Operating profit (EBIT)	253	291	+15%	1,862	1,214	-35%
Net profit	157	190	+21%	1,283	766	-40%
Capex	332	391	+18%	1,216	1,206	-0.8%
As % of adjusted revenues	24.4%	28.6%		23.1%	22.6%	
Operational Free Cash Flow	252	207	-18%	1,131	1,199	+6.0%
As % of adjusted revenues	18.5%	15.2%		21.5%	22.5%	
Free Cash Flow	251	189	-25%	784	862	+9.9%
As % of adjusted revenues	18.5%	13.8%		14.9%	16.2%	
Net debt				5,307	5,435	
ROCE				11.0%	13.1%	

Solid operational momentum

- **Consumer:** mobile service revenues continue to grow (+4.7% y-on-y) driven by both strong base growth in the last 12 months and higher ARPU (supported by price increase in October)
 - Fixed-Mobile households: +1k (Q3 2022: +11k); Fixed-Mobile ARPA at € 84 (+0.5% y-on-y)
 - Broadband: +50k fiber net adds (Q3 2022: +37k), total broadband net adds -3k (Q3 2022: +4k)¹; ARPU fixed € 53 (+0.3% y-on-y)
 - Postpaid: +19k net adds (Q3 2022: +38k); ARPU higher at € 17 (+2.0% y-on-y)
 - NPS slightly down y-on-y to +15 (Q4 2021: +16); driven by rising cost of living impacting customer sentiment
- **Business:** service revenue growth of 3.0% y-on-y, mainly driven by SME
 - Broadband lines: +5k net adds (Q3 2022: +4k)
 - Mobile SIMS: +4k net adds (Q3 2022: +29k); SME +10k (Q3 2022: +19k)
 - NPS decreased to +2 (Q4 2021: +4); driven by challenging macro-economic environment
- **Wholesale:** success of open wholesale policy illustrated by continued service revenue growth
 - Broadband lines flat (Q3 2022: +10k)
 - Postpaid SIMS: +23k net adds (Q3 2022: +18k)
- **Network:** further expansion fiber footprint, +348k in 2022 (+544k homes passed including Glaspoort), covering 47% of the Netherlands
 - Recognized as the best mobile network according to Umlaut and Ookla benchmarks
 - Awarded best All-in-1 broadband provider according to the Dutch Consumers' Association (Consumentenbond)
- **Cost savings:** Net indirect opex savings € 4m in Q4, absorbing one-off cost of living allowance for personnel (FY 2022: € 38m)

Solid financial performance

- Q4 2022 **adjusted revenues** increased 0.5% y-on-y mainly due to continued Group service revenue growth (+1.5% y-on-y), with growth in Business, Wholesale and Consumer Mobile, partly offset by competitive dynamics in Consumer Fixed. FY 2022 adjusted revenues increased 1.4% y-on-y, mainly supported by Group service revenue growth (+1.5% y-on-y)
- Q4 2022 **adjusted EBITDA AL** increased 2.4% y-on-y, supported by growing Group service revenues and lower costs. FY 2022 adjusted EBITDA AL increased 2.4% y-on-y driven by higher Group service revenues and a lower indirect cost base, partly offset by higher direct costs. Adjusted EBITDA AL margin increased 50 bps to 45.1%
- Q4 2022 **net profit** of € 190m increased € 33m y-on-y, mainly driven by lower depreciation and higher EBITDA, partly offset by higher income taxes. FY 2022 underlying net profit (excluding Glaspoort incidentals) increased € 101m or 16% y-on-y
- **Capex** increased € 59m y-on-y in Q4 2022 due to timing investment projects. FY 2022 Capex remained broadly stable at € 1,206m
- **Operational Free Cash Flow in Q4 2022** of € 207m decreased 18% y-on-y due to higher Capex. FY 2022 Operational Free Cash Flow increased 6.0% y-on-y mainly due to higher adjusted EBITDA AL
- **FY 2022 Free Cash Flow** of € 862m increased € 78m or around 10% y-on-y, mainly due to € 57m higher adjusted EBITDA AL
- Steadily improving **ROCE** to 13.1% in FY 2022 (+210bps y-on-y), driven by higher NOPLAT

Outlook for 2023

KPN achieved its upgraded FY 2022 outlook. KPN confirms to pay a regular dividend per share of € 14.3 cents over 2022. The final regular dividend of € 9.5 cents per share is subject to shareholder approval at the Annual General Meeting of Shareholders on 12 April 2023. The provisional ex-dividend date is 14 April 2023, and the provisional payment date is 19 April 2023.

The FY 2023 adjusted EBITDA AL outlook is set at approximately € 2,410m, as KPN is able to compensate for the impact of >€ 100m higher costs, mainly related to energy, labor and leases. Capex will stay stable at € 1.2bn. The FY 2023 Free Cash Flow outlook is set at approximately € 870m. The expected dividend payout over 2023 is € 15.0 cents per share (+4.9% y-on-y). KPN's execution of its strategy and multi-year cash generation perspective enables the company to structurally return additional capital to its shareholders. In this respect, KPN announces a new share buyback program of € 300m in 2023; effectively distributing Free Cash Flow to its shareholders.

	Achievements FY 2022	Outlook FY 2022	Outlook FY 2023
Adjusted EBITDA AL	€ 2,404m	>€ 2,400m	~€ 2,410m
Capex	€ 1,206m	€ 1.2bn	€ 1.2bn
Free Cash Flow	€ 862m	~€ 850m	~€ 870m
Regular DPS	€ 14.3ct	€ 14.3ct	€ 15.0ct, +4.9% y-on-y
Share buyback	€ 300m	€ 300m	€ 300m

¹ Corrected for migrations to, and new customers of, business propositions (5k in Q4 2022, 6k in Q3 2022, 7k in Q2 2022, 9k in Q1 2022, 10k in Q4 2021)

Financial review KPN Group Q4 and FY 2022

Key financial metrics

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q4 2021	Q4 2022	Δ y-on-y	FY 2021	FY 2022	Δ y-on-y
Service revenues	1,228	1,247	+1.5%	4,839	4,909	+1.5%
Non-service revenues & other	130	119	-8.5%	416	418	+0.3%
Adjusted revenues	1,358	1,366	+0.5%	5,255	5,327	+1.4%
Cost of goods & services	365	363	-0.4%	1,325	1,379	+4.1%
Personnel expenses	216	213	-1.5%	844	809	-4.1%
IT/TI	78	77	-1.7%	307	298	-2.8%
Other operating expenses	81	79	-2.8%	291	303	+4.5%
Total adjusted opex	740	732	-1.1%	2,766	2,790	+0.8%
Depreciation right-of-use asset	30	31	+4.8%	123	115	-6.2%
Interest lease liabilities	4	5	+5.4%	20	18	-8.4%
Total adjusted indirect opex after leases	410	405	-1.2%	1,583	1,544	-2.5%
Adjusted EBITDA AL	584	598	+2.4%	2,347	2,404	+2.4%
<i>As % of adjusted revenues</i>	<i>43.0%</i>	<i>43.8%</i>		<i>44.7%</i>	<i>45.1%</i>	
Operating profit (EBIT)	253	291	+15%	1,862	1,214	-35%
Net profit	157	190	+21%	1,283	766	-40%
ROCE*				11.0%	13.1%	
FTE own personnel (#)				9,699	9,452	-2.6%

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

Q4 2022

Adjusted revenues increased 0.5% y-on-y, mainly driven by growth in Business (+1.7% y-on-y) and Wholesale (+2.0% y-on-y). Adjusted Group service revenues increased 1.5% y-on-y, with growth in Business service revenues, Wholesale and Consumer Mobile, partly offset by lower service revenues from Consumer Fixed. Mass-market² service revenues increased 1.5% y-on-y mainly driven by continued growth in SME, Wholesale and Consumer Mobile.

Cost of goods and services decreased 0.4% y-on-y, mainly due to lower non-service revenues such as handset and hardware sales, partly offset by higher third-party access costs (mainly Glaspoort). Personnel expenses declined 1.5% y-on-y, driven by natural attrition and fewer personnel due to the ongoing digital transformation of KPN. IT/TI expenses decreased 1.7% y-on-y, while adjusted other opex decreased 2.8% y-on-y. Further simplification and digitalization of the company resulted in a decline of 1.2% of total adjusted indirect opex after leases. Net indirect opex savings totaled € 4m. The run rate of indirect opex savings was impacted by a € 7m one-off employee payment in December 2022 and the effects of higher energy prices and wage indexation.

Adjusted EBITDA AL increased 2.4% y-on-y, driven by the positive effects of higher revenues and continued cost control. Adjusted EBITDA AL margin increased 80bps to 43.8%.

Operating profit (EBIT) of € 291m increased € 38m y-on-y driven by lower depreciation and higher EBITDA.

Net profit of € 190m increased € 33m y-on-y, mainly due to higher EBIT.

FY 2022

Adjusted revenues increased 1.4% y-on-y, mainly driven by higher Group service revenues (+1.5% y-on-y). Mass-market service revenues increased 1.9% y-on-y, driven by continued growth in SME, Wholesale and Consumer Mobile.

Cost of goods and services increased 4.1% y-on-y mainly due to higher non-service revenues, mix effects in Business service revenues and higher third-party access costs. Personnel expenses declined 4.1% y-on-y due to the ongoing digital transformation of KPN and natural attrition. IT/TI expenses declined 2.8% y-on-y, while adjusted other opex increased 4.5% y-on-y. Total net indirect opex savings were € 38m.

Adjusted EBITDA AL increased 2.4% y-on-y, driven by service revenue growth and continued cost control, partially offset by higher direct costs. Adjusted EBITDA AL margin increased 50bps to 45.1%.

² Mass market consists of Consumer, SME and Wholesale segments

Operating profit (EBIT) of € 1,214m decreased € 649m or 35% y-on-y, impacted by a one-off € 845m book gain related to the ‘Glaspoort’ transaction in 2021 and a € 47m book gain related to the periodic sale of assets to Glaspoort in FY 2022. Excluding these incidentals, operating profit would have increased by € 150m or 15% y-on-y driven by lower depreciation and amortization.

Net profit of € 766m decreased € 517m y-on-y or 40% y-on-y, impacted by net effects of € 638m related to the ‘Glaspoort’ transaction in 2021 and a € 47m book gain related to the periodic sale of assets to Glaspoort in FY 2022. Excluding these incidentals, net profit would have increased by € 101m or 16% y-on-y (net of tax), mainly driven by higher operating profit.

ROCE was 13.1% in FY 2022, an increase of 210 basis points compared to FY 2021 (11.0%). 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>	Q4 2021	Q4 2022	Δ y-on-y	FY 2021	FY 2022	Δ y-on-y
Operational Free Cash Flow	252	207	-18%	1,131	1,199	+6.0%
As % of adjusted revenues	18.5%	15.2%		21.5%	22.5%	
Free Cash Flow	251	189	-25%	784	862	+9.9%
As % of adjusted revenues	18.5%	13.8%		14.9%	16.2%	
Net debt				5,307	5,435	
Gross debt				6,400	5,935	
Cash & short-term investments				1,093	499	
Leverage ratio*				2.3x	2.3x	
Interest cover ratio**				11.2x	11.0x	
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)

FY 2022

Operational Free Cash Flow of € 1,199m was 6.0% higher y-on-y due to higher EBITDA AL. Free Cash Flow of € 862m increased € 78m, or 9.9% y-on-y, driven by operational Free Cash Flow generation, lower cash taxes paid and less cash restructuring costs, partly offset by an additional voluntary pension contribution of € 23m related to the termination of the DB plan of Getronics US. Free Cash Flow margin improved ~130 basis points to 16.2%.

At the end of Q4 2022, net debt amounted to € 5,435m, € 128m higher compared to end Q4 2021. The movement in net debt is mainly related to various non-Free Cash Flow items since the € 571m dividend payments and the € 300m share buyback program in 2022, are mostly offset by Free Cash Flow generation during the year. Sequentially, net debt decreased € 131m driven by Free Cash Flow generation during the quarter.

KPN had a strong balance sheet and liquidity position at the end of Q4 2022. Nominal debt outstanding was € 6,406m including € 60m short-term commercial paper. KPN's committed liquidity consisted of € 499m cash & short-term investments and a € 1.0bn undrawn revolving credit facility which covers debt maturities through 2024. At 31 December 2022, the net debt to EBITDA ratio was 2.3x (Q3 2022: 2.3x). KPN's interest cover ratio was 11.0x at the end of the fourth quarter (Q4 2021: 11.2x). At 31 December 2022, the weighted average cost of senior debt was 3.52%, 83 basis points higher y-on-y (Q4 2021: 2.69%), the increase is mainly driven by higher short-term interest rates on floating rate debt.

Today, KPN announces its intention to redeem the remaining outstanding principal amount (approximately USD 146m) of the USD 600m 7.0% hybrid bond at its first call date (28 March 2023) in accordance with the terms and conditions of this security. The instrument was already refinanced by the issuance of a € 500m perpetual hybrid bond with a coupon of 6.0% in September 2022.

At the end of Q4 2022, Group equity amounted to € 3,652m, € 422m higher compared to end of Q4 2021 last year. This was mainly driven by the issuance of a € 500m perpetual hybrid bond and net profit generated during the year, partly offset by shareholder distributions.

In 2022, KPN completed a € 300m share buyback program, repurchasing 92,840,654 ordinary shares at an average price of € 3.23 per share. 91,840,654 of the repurchased shares have been cancelled. KPN retained the remaining 1,000,000 shares to cover employee share plans. As per 31 December 2022, the total shares outstanding amounted to 4,037,319,593 of which 3,622,014 Treasury shares.

Capex

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q4 2021	Q4 2022	Δ y-on-y	FY 2021	FY 2022	Δ y-on-y
Fiber rollout	106	126	+18%	407	377	-7.2%
Customer driven	42	65	+54%	159	178	+12%
Other	184	200	+9.0%	651	650	0.0%
Capex	332	391	+18%	1,216	1,206	-0.8%
<i>As % of adjusted revenues</i>	<i>24.4%</i>	<i>28.6%</i>		<i>23.1%</i>	<i>22.6%</i>	

FY 2022 Capex remained broadly stable y-on-y at 22.6% of adjusted revenues (FY 2021: 23.1%). Investments in fiber rollout decreased by € 30m due to project timing and labor shortages resulting in lower homes passed. Customer driven Capex increased to € 178m in order to support Group service revenue growth by investments in e.g. CPE and mechanics. Other Capex remained stable y-on-y.

Personnel

# FTE own personnel by segment at the end of the period <i>(unaudited)</i>	FY 2021	FY 2022	Δ y-on-y	Δ y-on-y
Consumer	2,566	2,538	-28	-1.1%
Business	2,694	2,638	-56	-2.1%
Wholesale	213	222	+10	+4.5%
Network, Operations & IT	3,232	3,090	-142	-4.4%
Other	993	963	-30	-3.1%
KPN Group	9,699	9,452	-247	-2.6%

At the end of 2022, KPN employed 9,452 own personnel (in FTEs). This is 247 FTE lower compared to the end of 2021. The decline in personnel is mainly related to KPN's simplification and digitalization program supported by restructurings in KPN's Business and Network, Operations & IT organization, and natural attrition.

Financial and operating review per segment Q4 and FY 2022

Consumer

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q4 2021	Q4 2022	Δ q-on-q	Δ y-on-y	FY 2021	FY 2022	Δ y-on-y
Fixed service revenue	465	455		-2.3%	1,840	1,817	-1.3%
Broadband service revenues	438	438		+0.1%	1,732	1,744	+0.7%
o/w Fiber broadband service revenues	211	240		+14%	795	920	+16%
o/w Copper broadband service revenues	227	199		-13%	937	824	-12%
Other Fixed service revenues	27	16		-41%	109	73	-33%
Mobile service revenues	189	198		+4.7%	752	771	+2.6%
Adjusted Consumer service revenues	655	653		-0.3%	2,592	2,588	-0.2%
Non-service & Other revenues	76	71		-6.7%	265	269	+1.4%
Adjusted Consumer revenues	731	724		-0.9%	2,857	2,857	0.0%
Households (k)							
Fiber households	1,319	1,487	+50	+168			
Copper households	1,447	1,259	-56	-187			
Postpaid-only households	766	774	+4	+7			
Total Consumer households	3,532	3,520	-2	-12			
o/w Fixed-Mobile households	1,496	1,525	+1	+29			
ARPA (€)							
ARPA Fixed-Mobile households	83	84		+0.5%			
ARPA total Consumer households	59	60		+1.1%			
NPS Consumer	16	15	-3	-1			

On the one hand, KPN's mobile service revenues are showing continued growth, driven by solid base developments and stable to slightly growing ARPU. On the other hand, in a challenging competitive environment fixed service revenues remained in an anticipated decline in Q4, impacted by declining service revenues from KPN's legacy portfolio. 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.

Q4 2022

Adjusted Consumer service revenues decreased 0.3% y-on-y. Fixed service revenues decreased 2.3% y-on-y, impacted by a structural decline in legacy, a shift in accounting for content packages, lower voice traffic and increased competition, putting pressure on commercial performance. Broadband service revenues grew slightly, as fiber broadband service revenues continue to grow strongly (+14% y-on-y), offsetting the decline in copper (-13% y-on-y). Operational performance on fiber remains strong, as KPN activated 50k fiber households in the quarter (Q3 2022: +37k). Broadband net adds showed a decline (-3k net adds in Q4 2022)³, influenced by competitive pressures. Fixed ARPU remained broadly stable at € 53. KPN's Fixed-Mobile household base grew 1k to 1,525k and represents 56% of total Fixed households. Fixed-Mobile ARPA increased slightly with 0.5% y-on-y to € 84.

Consumer mobile service revenues increased 4.7% y-on-y, driven by both base growth and higher ARPU (supported by CPI increase in October). KPN's postpaid base increased with 19k net adds (Q3 2022: +38k). Postpaid ARPU was 2.0% higher y-on-y as a result of the aforementioned price increase.

Consumer NPS at +15 was slightly down y-on-y (Q4 2021: +16), mainly due to the rising cost of living impacting consumer sentiment. Nonetheless, KPN's customer satisfaction remains leading in the Dutch market. In this respect, in Q4, KPN was recognized as best All-in-1 provider in the Netherlands by Consumentenbond (Consumers' Association), a great sign of appreciation from customers for KPN's products and services.

FY 2022

Adjusted Consumer service revenues decreased 0.2% y-on-y as higher service revenues from fiber and mobile were offset by declining service revenues from KPN's copper and legacy portfolio.

³ Corrected for migrations to, and new customers of, small business propositions (5k in Q4 2022, 6k in Q3 2022, 7k in Q2 2022, 9k in Q1 2022, 10k in Q4 2021)

Business

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q4 2021	Q4 2022	Δ q-on-q	Δ y-on-y	FY 2021	FY 2022	Δ y-on-y
SME service revenues	142	154		+8.9%	548	596	+8.8%
LCE service revenues	196	197		+0.4%	795	776	-2.3%
Tailored Solutions service revenues	79	79		-0.7%	289	292	+0.8%
Adjusted Business service revenues	417	430		+3.0%	1,632	1,664	+2.0%
Non-service & Other revenues	48	42		-11%	130	134	+3.5%
Adjusted Business revenues	464	472		+1.7%	1,762	1,798	+2.1%
KPIs (k)							
Broadband lines	353	375	+5	+21			
Mobile SIMs	2,021	2,105	+4	+83			
NPS Business	+4	+2	-2	-2			

Adjusted Business service revenues grew for the third consecutive quarter, providing momentum and confidence that it has reached a sustainable inflection. B2B service revenue growth is mainly driven by strong and sustainable performance in SME. The LCE service revenue trend is on the right track to deliver sustainable growth in 2023. Significant progress has been made in transforming the portfolio to future-proof solutions and 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 opportunities.

Q4 2022

Adjusted Business service revenues grew 3.0% y-on-y, driven by continued strong growth in SME and positive developments in LCE. Operational performance was steady, with +4k net adds in Mobile and +5k broadband net adds.

SME service revenues grew 8.9% y-on-y (Q3 2022: +9.3%), supported by continued solid commercial momentum in Broadband, Mobile and Workplace & Cloud. With all customers migrated to new portfolio's and the introduction of relevant new services, both customer base and the number of products per customer grew. Alongside a growing customer base, revenues from Access & Connectivity also benefitted from higher Mobile ARPU due to the uptake of unlimited data bundles and increased roaming levels.

LCE service revenues show a positive development and reported 0.4% y-on-y growth (Q3 2022: -0.4%). The trend continued to improve, supported by growth in IoT and IT services.

Tailored Solutions service revenues were broadly stable at -0.7% y-on-y (Q3 2022: +2.1%), and remain subject to timing in projects and related hardware sales.

Business NPS at +2 declined (Q4 2021: +4; Q3 2022: +4), mainly impacted by the general difficult economic environment. Customers continue to value KPN for the stability, reliability and quality of its network and services. KPN's customer satisfaction remains leading in the Dutch market.

FY 2022

Adjusted Business revenues grew 2.1% y-on-y, as the service revenue decline in LCE (-2.3% y-on-y) was offset by continued strong performance in the SME segment (+8.8% y-on-y), slight growth at Tailored Solutions (+0.8% y-on-y) and higher Non-service & Other revenues (+3.5% y-on-y).

Wholesale

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q4 2021	Q4 2022	Δ q-on-q	Δ y-on-y	FY 2021	FY 2022	Δ y-on-y
Mobile	41	44		+8.4%	156	178	+14%
Broadband	70	73		+4.1%	272	296	+8.7%
Other	55	53		-4.8%	234	214	-8.4%
Adjusted Wholesale service revenues	166	170		+2.5%	661	688	+4.1%
Non-service & Other revenues	1	0		-73%	2	1	-46%
Adjusted Wholesale revenues	167	171		+2.0%	663	689	+3.9%
# Customers (k)							
Postpaid SIMs	659	742	+23	+84			
Broadband lines	1,101	1,128	-	+27			

In Wholesale, KPN continues its open access policy to offer access to third-party operators. Fiber contributes to continued growth of broadband network penetration.

Q4 2022

Adjusted Wholesale service revenues increased 2.5% y-on-y, driven by higher Mobile and Broadband service revenues.

Mobile service revenues increased 8.4% y-on-y, driven by a growing mobile base and increased data volumes. Wholesale added 23k postpaid SIMs during the quarter.

KPN's broadband wholesale portfolio was stable sequentially due to increased competition. Despite the slow-down in operational momentum broadband service revenues increased 4.1% y-on-y due to a higher base compared to last year.

Other service revenues declined by 4.8%, mainly due to lower regulated tariffs leading to a decrease in low-margin interconnect revenues and less COVID-19 related traffic.

FY 2022

Adjusted Wholesale service revenues increased 4.1% y-on-y, largely driven by growing Broadband and Mobile service revenues.

Network, Operations & IT

Segment KPIs <i>(in thousands)</i>	Q4 2021	Q4 2022	Δ y-on-y	FY 2021	FY 2022	Δ y-on-y
FttH households own rollout	120	95	-21%	3,217	3,564	+11%
FttH households 3rd party access o/w Glaspoort	52	69	+33%	190	412	>100%
	41	64	+58%	74	270	>100%
FttH households total	172	164	-5.0%	3,406	3,976	+17%
FttH households activated on own rollout	58	68	+18%	1,644	1,863	+13%

KPN continues to leverage and expand its superior network as it sees attractive returns from fiber investments with increased network penetration, more loyal customers with an increased willingness to pay for quality, and lower maintenance costs. In 2022, KPN's own fiber rollout reached 348k homes passed. Together with Glaspoort (+196k), a record number of 544k households were passed with fiber in 2022 (compared to +507k homes passed in 2021), jointly covering 47% of Dutch households. KPN's 5G strategy is focused on differentiated services for B2B customers in specific industries. KPN's field labs are continuously exploring the added value of 5G benefits such as higher speeds, lower latency and network slicing together with its business customers.

Q4 2022

In Q4 2022, KPN added 95k households to its fiber footprint. In this quarter, KPN activated 68k households on own infrastructure. KPN is further optimizing the way it rolls out and connects households. On top of traditionally reported homes passed numbers, KPN covers additional households by fiber through street presence which it also uses in its commercial approach. As per Q1 2023, KPN will start to report according to this definition; using this, the number of fiber homes passed was 3,710k at the end of 2022 and the increase in its fiber homes passed base was 375k in 2022.

KPN has signed a 15-year agreement with Eneco for the purchase of wind energy from the wind farm Hollandse Kust that will be built in the North Sea over the coming years. The company wants wind energy to power more than half of its electricity use in 2027. From 2027, KPN will purchase more than 200 GWh (gigawatt hours), by then more than half of its electricity use, every year from the wind farm getting built 50 km off the Dutch coast near IJmuiden.

KPN's network modernization program is paying off with both the Umlaut and Ookla benchmarks recognizing KPN as the best mobile network in the world and the Netherlands, respectively.

The 3.5GHz spectrum auction which was scheduled for Q2 2023 is likely to be postponed by the Dutch government, and is now expected to take place in H2 2023.

Analysis of adjusted results Q4 and FY 2022

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

Revenues (in € m)	Q4 2021	Q4 2022	Δ y-on-y	FY 2021	FY 2022	Δ y-on-y
Consumer	731	724	-0.9%	2,857	2,857	0.0%
Business	464	472	+1.7%	1,762	1,798	+2.1%
Wholesale	175	171	-2.5%	684	689	+0.7%
Network, Operations & IT	24	22	-11%	34	72	>100%
Other (incl. eliminations)	-23	-10	-56%	785	-43	n.m.
Total revenues	1,371	1,378	+0.5%	6,122	5,374	-12%
Revenue incidentals						
Consumer	-	-	n.m.	-	-	n.m.
Business	-	-	n.m.	-	-	n.m.
Wholesale	8	-	-100%	21	-	-100%
Network, Operations & IT	15	12	-18%	15	47	>100%
Other (incl. eliminations)	-10	-	-100%	830	-	-100%
Total revenue incidentals	13	12	-4.8%	866	47	-95%
Consumer	731	724	-0.9%	2,857	2,857	0.0%
Business	464	472	+1.7%	1,762	1,798	+2.1%
Wholesale	167	171	+2.0%	663	689	+3.9%
Network, Operations & IT	9	9	+0.4%	19	25	+36%
Other (incl. eliminations)	-13	-10	-22%	-45	-43	-6.4%
Total adjusted revenues	1,358	1,366	+0.5%	5,255	5,327	+1.4%

The following table specifies the revenue incidentals in more detail:

Revenue incidentals (in € m)	Segment	Q4 2021	Q4 2022	FY 2021	FY 2022
Release of revenue related provisions	Wholesale	8	-	21	-
Book gain on sale of JV (Glaspoort)	Other	-10	-	830	-
Book gain on sale of assets to JV (Glaspoort)	NOI	15	12	15	47
Total revenue incidentals		13	12	866	47

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

<i>(in € m)</i>	Q4 2021	Q4 2022	Δ y-on-y	FY 2021	FY 2022	Δ y-on-y
EBITDA	625	641	+2.6%	3,322	2,560	-23%
Incidentals	-13	-12	-6.9%	-870	-47	-95%
Restructuring	7	6	-17%	38	24	-36%
Lease-related expenses						
Depreciation right-of-use asset ⁴	-30	-31	+4.8%	-123	-115	-6.2%
Interest lease liabilities	-4	-5	+5.4%	-20	-18	-8.4%
Adjusted EBITDA AL	584	598	+2.4%	2,347	2,404	+2.4%

The following table specifies the EBITDA incidentals in more detail:

EBITDA incidentals <i>(in € m)</i>	Category	Q4 2021	Q4 2022	FY 2021	FY 2022
Release of revenue related provision	Revenues	8	-	21	-
Book gain on sale of JV (Glaspoort)	Revenues	-10	-	830	-
Book gain on sale of asset to JV (Glaspoort)	Revenues	15	12	15	47
Release of provisions	Other opex	-	-	4	-
Total EBITDA incidentals		13	12	870	47

⁴ Excludes a € 16m right-of-use asset impairment in Q4 2022, relates to KPN's Office building in The Hague which will be closed permanently

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 2022, as included in this report, unless stated otherwise.