

KPN delivers continued Group service revenue growth

- Group service revenue growth (+1.2% y-on-y), driven by Business and Consumer Mobile
- Sustainable Business service revenue growth (+3.1% y-on-y), supported by continued strong SME performance
- Ongoing Consumer mobile service revenue growth (+3.4% y-on-y)
- Customer satisfaction levels improving sequentially in Consumer and Business
- Expanding fiber footprint with +85k HP (+113k HP incl. Glaspoot)
- Recognized as best fixed and mobile network in the Netherlands by Umlaut
- Adjusted EBITDA AL -1.6% y-on-y, FCF generation impacted due to intra-year Capex phasing
- On track to reach full year 2023 outlook for adjusted EBITDA AL and FCF

Message from the CEO, Joost Farwerck

“We’ve made good progress with our Accelerate to Grow strategy over the last two years. In the first quarter we continued with the solid execution of our ambitious strategy.

Our Group service revenues continued to grow, mainly supported by the Business segment and Consumer Mobile. Business service revenues grew for the fourth quarter in row. Consumer mobile service revenues continued to grow, partly offsetting the competitive dynamics in fixed, where we observed gradual improvements during the quarter. Thanks to the efforts of all colleagues and our investments in the quality and reliability of our digital services, customer experience and NPS are improving again.

The significant investments we make in our networks and services are paying off. Both our fixed and mobile network were tested best-in-class. Moreover, KPN was also recognized as the best ‘all-in-1 provider’ of the Netherlands, both on fiber (1st place) and copper (2nd place), demonstrating the qualities of our service. Alongside our best-in-class mobile network we are on track with our fiber roll out. Moreover, we recently started to decommission our copper network in fiber areas, making super-fast internet via fiber the norm, resulting in significant quality improvements and spend savings going forward.

I am pleased that our sustainability achievements and ambitions are recognized and appreciated by Dutch consumers and that KPN has again been chosen by the Sustainable Brand Index as the most sustainable Dutch telecom brand.

We also announced the appointments of two new members of the Board of Management. With the intended appointments we ensure that we can continue to successfully execute our ambitious Accelerate to Grow strategy for which we will present the next chapter to the markets later this year, during our next Capital Markets Day.

Finally, despite relatively high wage indexation and rising energy and lease costs affecting our cost levels, the sustainable service revenue growth run-rate and measures we have put in place provide us with confidence in our ability to return to EBITDA growth during the year and therefore confidently reiterate our outlook.”

Key figures

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q1 2022	Q1 2023	Δ y-on-y
Adjusted revenues	1,308	1,333	+1.9%
Adjusted EBITDA AL	593	584	-1.6%
As % of adjusted revenues	45.4%	43.8%	
Operating profit (EBIT)	291	316	+8.6%
Net profit	179	196	+9.7%
Capex	257	298	+16%
As % of adjusted revenues	19.7%	22.3%	
Operational Free Cash Flow	336	286	-15%
As % of adjusted revenues	25.7%	21.5%	
Free Cash Flow	206	164	-20%
As % of adjusted revenues	15.8%	12.3%	
Net debt	5,144	5,275	

Solid operational performance

- **Consumer:** ongoing mobile service revenue growth offset by competitive dynamics in fixed
 - Fixed-Mobile households: -3k net adds (Q4 2022: +1k); Fixed-Mobile ARPA at € 83 (+1.3% y-on-y)
 - Broadband: +35k fiber net adds (Q4 2022: +50k), -7k total broadband net adds (Q4 2022: -3k)¹
 - Postpaid: +11k net adds (Q4 2022: +19k); ARPU slightly up at € 17 (+0.8% y-on-y)
 - NPS: +17 increased q-on-q (Q4 2022: +15), down y-on-y (Q1 2022: +19)
- **Business:** all segments contributing to service revenue growth (+3.1% y-on-y) in Q1 2023
 - Broadband lines: -2k net adds (Q4 2022: +5k)
 - Mobile SIMs: +20k net adds (Q4 2022: +4k)
 - NPS: +6 increased both y-on-y (Q1 2022: +4) and q-on-q (Q4 2022: +2)
- **Wholesale:** y-on-y growth levelled-off due to several positive one-offs in Q1 2022
 - Broadband lines: flat (Q4 2022: flat)
 - Postpaid SIMs: +25k net adds (Q4 2022: +23k)
- **Network:** further expansion fiber footprint, covering 51% of the Netherlands (including Glaspoort)
 - Added 85k FttH households to fiber footprint (113k including Glaspoort) in Q1 2023
 - Recognized as the best fixed and mobile network of the Netherlands according to Umlaut benchmark

Financial performance supported by service revenue growth

- **Adjusted revenues** increased 1.9% y-on-y driven by continued Group service revenue growth and non-service revenue & other growth
- **Group service revenues** grew 1.2% y-on-y, with growth in Business (+3.1% y-on-y) and Consumer Mobile (+3.4% y-on-y), partly offset by competitive dynamics in Consumer Fixed (-1.7% y-on-y)
- **Adjusted EBITDA AL** declined 1.6% y-on-y, mainly driven by higher indirect costs due to inflation. Adjusted EBITDA AL margin decreased to 43.8% (Q1 2022: 45.4%)
- **Net profit** of € 196m increased 9.7% y-on-y, mainly driven by lower depreciation and amortization
- **Capex** of € 298m increased € 40m y-on-y, driven by different phasing of fiber related Capex
- **Operational Free Cash Flow** of € 286m decreased 15% y-on-y due to higher Capex and lower adjusted EBITDA AL
- **Free Cash Flow** of € 164m decreased € 42m y-on-y, mainly due to higher Capex
- **Strong liquidity** of € 1,540m; € 540m cash & short-term investments and € 1.0bn undrawn revolving credit facility

Outlook 2023 reiterated

KPN maintains its FY 2023 outlook for adjusted EBITDA AL of approximately € 2,410m, Capex of € 1.2bn, and Free Cash Flow of approximately € 870m. KPN intends to pay a regular dividend per share of € 15.0 cents over 2023.

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

¹ Corrected for migrations to, and new customers of, business propositions (4k in Q1 2023, 5k in Q4 2022, 6k in Q3 2022, 7k in Q2 2022 and 9k in Q1 2022)

Financial review KPN Group Q1

Key financial metrics

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q1 2022	Q1 2023	Δ y-on-y
Service revenues	1,213	1,227	+1.2%
Non-service revenues & other	95	106	+12%
Adjusted revenues	1,308	1,333	+1.9%
Cost of goods & services	322	344	+7.0%
Personnel expenses	208	206	-1.3%
IT/TI	73	70	-4.7%
Other operating expenses	77	92	+20%
Total adjusted opex	680	711	+4.6%
Depreciation right-of-use asset	30	33	+8.6%
Interest lease liabilities	4	5	+17%
Total adjusted indirect opex after leases	393	405	+3.1%
Adjusted EBITDA AL	593	584	-1.6%
<i>As % of adjusted revenues</i>	<i>45.4%</i>	<i>43.8%</i>	
Operating profit (EBIT)	291	316	+8.6%
Net profit	179	196	+9.7%

Q1 2023

Adjusted revenues increased 1.9% y-on-y, mainly driven by growth in Business (+3.9% y-on-y) and Consumer (+0.6% y-on-y). Adjusted Group service revenues increased 1.2% y-on-y, supported by growth in Business and Consumer Mobile, partly offset by lower service revenues from Consumer Fixed.

Cost of goods and services increased 7.0% y-on-y, mainly due to higher non-service revenues such as handset and hardware sales, and higher third-party access costs (mainly Glaspoort). Personnel expenses declined 1.3% y-on-y despite wage indexation, driven by natural attrition and fewer personnel due to the ongoing digital transformation of KPN. IT/TI expenses decreased 4.7% y-on-y, while adjusted other opex increased 20% y-on-y due to higher energy costs.

Adjusted EBITDA AL decreased 1.6% y-on-y, impacted by higher indirect costs, partly offset by higher service revenues and mitigating measures to absorb the impact of inflation. Adjusted EBITDA AL margin decreased approximately 160bps to 43.8%.

Operating profit (EBIT) of € 316m increased € 25m y-on-y driven by lower depreciation and amortization.

Net profit of € 196m increased € 17m y-on-y, mainly due to higher EBIT, partly offset by higher income taxes.

Financial position

Group financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q1 2022	Q1 2023	Δ y-on-y
Operational Free Cash Flow	336	286	-15%
<i>As % of adjusted revenues</i>	25.7%	21.5%	
Free Cash Flow	206	164	-20%
<i>As % of adjusted revenues</i>	15.8%	12.3%	
Net debt	5,144	5,275	
Gross debt	5,818	5,815	
Cash & short-term investments	674	540	
Leverage ratio*	2.2x	2.2x	
Interest cover ratio**	12.0x	12.9x	
Credit ratings	Rating	Outlook	
Standard & Poor's	BBB	Stable	
Fitch Ratings	BBB	Stable	
Moody's	Baa3	Stable	

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

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

Q1 2023

Operational Free Cash Flow of € 286m was 15% lower y-on-y due to intra-year Capex phasing and lower adjusted EBITDA AL.

Free Cash Flow of € 164m decreased € 42m, or 20% y-on-y. This decrease was mainly the result of higher Capex. Free Cash Flow margin decreased 345bps points to 12.3%.

At the end of Q1 2023, net debt amounted to € 5,275m, € 131m higher compared to end Q1 2022. Compared to Q4 2022, net debt decreased

€ 160m, mainly driven by Free Cash Flow generation during the quarter.

KPN had a strong balance sheet and liquidity position at the end of Q1 2023. Nominal debt outstanding was € 6,293m including € 60m short-term commercial paper. KPN's committed liquidity consisted of € 540m cash & short-term investments and a € 1.0bn undrawn revolving credit facility which covers debt maturities through 2025. In March 2023, KPN redeemed the remaining outstanding principal amount (approximately € 113m) of the USD 600m 7.0% hybrid bond which has been refinanced in 2022. At 31 March 2023, the net debt to EBITDA ratio was 2.2x (Q4 2022: 2.3x). KPN's interest cover ratio increased to 12.9x at the end of the first quarter (Q1 2022: 12.0x). This increase is the result of phasing of interest payments and is expected to normalize in the remainder of the year. At 31 March 2023, the weighted average cost of senior debt was 3.90%, 146 basis points higher y-on-y.

At the end of Q1 2023, Group equity amounted to € 3,794m, € 142m higher compared to the end of Q4 2022. This was mainly driven by net profit generated during the quarter.

Financial and operating review per segment Q1

Consumer

Segment financials (unaudited) (in € m, unless stated otherwise)	Q1 2022	Q1 2023	Δ q-on-q	Δ y-on-y
Fixed service revenue	457	449		-1.7%
Broadband service revenues	437	434		-0.6%
o/w Fiber broadband service revenues	222	244		+9.9%
o/w Copper broadband service revenues	215	191		-11%
Other Fixed service revenues	20	15		-27%
Mobile service revenues	189	196		+3.4%
Adjusted Consumer service revenues	647	645		-0.2%
Non-service & Other revenues	65	70		+8.5%
Adjusted Consumer revenues	711	715		+0.6%
Households (k)				
Fiber households	1,365	1,522	+35	+157
Copper households	1,396	1,215	-45	-182
Postpaid-only households	765	778	+4	+13
Total Consumer households	3,526	3,515	-6	-11
o/w Fixed-Mobile households	1,505	1,522	-3	+17
ARPA (€)				
ARPA Fixed-Mobile households	82	83		+1.3%
ARPA total Consumer households	59	59		+1.0%
NPS Consumer	+19	+17	+2	-2

Q1 2023

Adjusted Consumer service revenues decreased 0.2% y-on-y. Fixed service revenues decreased 1.7% 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 declined slightly, as continued fiber broadband service revenue growth (+9.9% y-on-y), was unable to offset the decline in copper (-11% y-on-y). Net of the y-on-y impact of content accounting, broadband service revenues would have been slightly up y-on-y. Operational performance on fiber remains solid, as KPN added 35k fiber households in the quarter (Q4 2022: +50k). Broadband net adds showed a decline (-7k net adds in Q1 2023)², influenced by intense competition at the end of last year and in the first two months of this year. Fixed ARPU remained broadly stable at € 53. KPN's Fixed-Mobile household base declined 3k to 1,522k and represents 56% of total Fixed households. Fixed-Mobile ARPA increased slightly with 1.3% y-on-y to € 83.

Consumer mobile service revenues increased 3.4% y-on-y, driven by both base growth and higher ARPU (supported by a CPI-linked increase in October 2022). KPN's postpaid base increased with 11k net adds (Q4 2022: +19k). Postpaid ARPU was 0.8% higher y-on-y.

Consumer NPS improved sequentially to +17 (Q4 2022: +15), while down y-on-y (Q1 2022: +19), mainly due to the rising cost of living impacting consumer sentiment. KPN's customer satisfaction remains leading in the Dutch market.

In January, KPN TV+ was launched, which allows viewers to seamlessly zap on one screen between live TV and streaming services such as Netflix, Disney+ or Videoland.

² Corrected for migrations to, and new customers of, small business propositions (4k in Q1 2023, 5k in Q4 2022, 6k in Q3 2022, 7k in Q2 2022 and 9k in Q1 2022)

Business

Segment financials (unaudited) <i>(in € m, unless stated otherwise)</i>	Q1 2022	Q1 2023	Δ q-on-q	Δ y-on-y
SME service revenues	144	155		+7.5%
LCE service revenues	192	193		+0.5%
Tailored Solutions service revenues	72	73		+1.5%
Adjusted Business service revenues	409	422		+3.1%
Non-service & Other revenues	28	32		+15%
Adjusted Business revenues	437	454		+3.9%
KPIs (k)				
Broadband lines	361	373	-2	+13
Mobile SIMs	2,048	2,125	+20	+77
NPS Business	+4	+6	+4	+2

Q1 2023

Adjusted Business service revenues grew 3.1% y-on-y, mainly driven by continued strong growth in SME, while LCE and Tailored Solutions also delivered growth in the first quarter. Operational performance was mixed with +20k net adds in Mobile, while the Broadband lines ended the quarter 2k lower.

SME service revenues grew 7.5% y-on-y (Q4 2022: +8.9%), supported by continued solid commercial momentum in Broadband, Mobile and Workplace & Cloud. With all customers migrated to new portfolios and the introduction of relevant new services, both the customer base and the number of products per customer grew. Alongside a growing customer base, service 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 showed a positive development and reported 0.5% y-on-y growth (Q4 2022: +0.4%), supported by growth in IoT and Cloud Communications.

Tailored Solutions service revenues grew 1.5% y-on-y (Q4 2022: -0.7%) and remain subject to timing in projects and related hardware sales.

Business NPS improved materially to +6 (Q1 2022: +4; Q4 2022: +2). 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.

Wholesale

Segment financials (unaudited) (in € m, unless stated otherwise)	Q1 2022	Q1 2023	Δ q-on-q	Δ y-on-y
Mobile ³	42	40		-4.2%
Broadband	75	78		+4.1%
Other	50	49		-2.4%
Adjusted Wholesale service revenues	167	167		+0.1%
Non-service & Other revenues	-	-		n.m.
Adjusted Wholesale revenues	167	167		+0.1%
# Customers (k)				
Postpaid SIMs	685	767	+25	+82
Broadband lines	1,115	1,128	-	+13

Q1 2023

Adjusted Wholesale service revenues increased 0.1% y-on-y. The growth trend levelled off compared to previous quarters due to the impact of several positive one-offs in Q1 2022.

Mobile service revenues decreased 4.2% y-on-y, despite solid operational momentum, and was mainly impacted by the previously mentioned one-offs. Wholesale added 25k postpaid SIMs during the quarter.

KPN's broadband wholesale portfolio was stable sequentially due to increased competition. Despite stable operational momentum broadband service revenues increased 4.1% y-on-y due to a higher base compared to last year and annual price increases.

Other service revenues declined by 2.4%, mainly due to lower regulated tariffs leading to a decrease in low-margin interconnect revenues and less COVID-19 related traffic.

Network, Operations & IT

Segment KPIs (in thousands)	Q1 2022	Q1 2023	Δ q-on-q	Δ y-on-y
FttH households own roll out	3,432	3,796	+85	+363
FttH households 3rd party access	279	485	+30	+206
Of which Glaspoort	160	340	+27	+180
FttH households total	3,711	4,281	+116	+570
FttH households activated on own roll out	1,687	1,909	+46	+223

Q1 2023

In Q1 2023, KPN added 85k households to its fiber footprint and activated 46k households on own infrastructure.

KPN has successfully started to decommission its copper network in certain areas. These areas together cover around 2.1 million connections. Going forward, KPN will be gradually switching off its copper network in areas where fiber is available. Over time this results in significant quality improvements and spend savings related to the closure of technical buildings, reduced service tickets and maintenance costs, and lower energy consumption.

KPN's mobile 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. Furthermore, KPN was also recognized as the best fixed network of the Netherlands according to the Umlaut benchmark.

The 3.5GHz spectrum auction is expected to take place in Q4 2023.

³ Wholesale mobile service revenues and COGS have been restated due to reclassification of marketing expenses. A full restatement of the 2022 period has been included in the factsheet

Analysis of adjusted results Q1 2023

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

Revenues (in € m)	Q1 2022	Q1 2023	Δ y-on-y
Consumer	711	715	+0.6%
Business	437	454	+3.9%
Wholesale	167	167	+0.1%
Network, Operations & IT	16	15	-3.4%
Other (incl. eliminations)	-12	-9	-29%
Total revenues	1,319	1,343	+1.8%
Revenue incidentals			
Consumer	-	-	n.m.
Business	-	-	n.m.
Wholesale	-	-	n.m.
Network, Operations & IT	11	10	-10%
Other (incl. eliminations)	-	-	n.m.
Total revenue incidentals	11	10	-10%
Consumer	711	715	+0.6%
Business	437	454	+3.9%
Wholesale	167	167	+0.1%
Network, Operations & IT	4	5	+15%
Other (incl. eliminations)	-12	-9	-29%
Total adjusted revenues	1,308	1,333	+1.9%

The following table specifies the revenue incidentals in more detail:

Revenue incidentals (in € m)	Segment	Q1 2022	Q1 2023
Book gain on sale of assets to JV (Glaspoort)	NOI	11	10
Total revenue incidentals		11	10

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

(in € m)	Q1 2022	Q1 2023	Δ y-on-y
EBITDA	633	627	-1.0%
Incidentals	-11	-10	-10%
Restructuring	7	5	-18%
Lease-related expenses			
Depreciation right-of-use asset	-30	-33	+8.6%
Interest lease liabilities	-4	-5	+17%
Adjusted EBITDA AL	593	584	-1.6%

The following table specifies the EBITDA incidentals in more detail:

EBITDA incidentals (in € m)	Category	Q1 2022	Q1 2023
Book gain on sale of assets to JV (Glaspoort)	Revenues	11	10
Total EBITDA incidentals		11	10

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 2022. KPN's management considers these non-GAAP figures, combined with GAAP performance measures and in conjunction with each other, most appropriate to measure the performance of the Group and its segments. The non-GAAP figures are used by management for planning, reporting (internal and external) and incentive purposes. KPN's main alternative performance measures are listed below. The figures shown in this financial report are based on continuing operations and were rounded in accordance with standard business principles. As a result, totals indicated may not be equal to the precise sum of the individual figures.

Financial information is based on KPN's interpretation of IFRS as adopted by the European Union as disclosed in the Integrated Annual Report 2022 and do not take into account the impact of future IFRS standards or interpretations. Note that certain definitions used by KPN in this report deviate from the literal definition thereof and should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS as adopted by the European Union. KPN defines revenues as the total of revenues and other income. Adjusted revenues are derived from revenues (including other income) and are adjusted for the impact of incidentals. KPN defines EBITDA as operating result before depreciation (including impairments) of PP&E and amortization (including impairments) of intangible assets. Adjusted EBITDA after leases ('adjusted EBITDA AL') are derived from EBITDA and are adjusted for the impact of restructuring costs and incidentals ('adjusted') and for lease costs, including depreciation of right-of-use assets and interest on lease liabilities ('after leases' or 'AL'). KPN defines Gross Debt as the nominal value of interest-bearing financial liabilities representing the net repayment obligations in Euro, excluding derivatives, related collateral, and leases, taking into account 50% of the nominal value of the hybrid capital instruments. In its Leverage Ratio, KPN defines Net Debt as Gross Debt less net cash and short-term investments, divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). The Lease adjusted leverage ratio is calculated as Net Debt including lease liabilities divided by 12 month rolling adjusted EBITDA AL excluding major changes in the composition of the Group (acquisitions and disposals). Operational Free Cash Flow is defined as adjusted EBITDA AL minus capital expenditures ('Capex') being expenditures on PP&E and software. Free Cash Flow ('FCF') is defined as cash flow from continuing operating activities plus proceeds from real estate, minus Capex. Return on capital employed ('ROCE') is calculated by the net operating profit less adjustments for taxes ('NOPLAT') divided by capital employed, on a 4-quarter rolling basis. Net operating profit is the adjusted EBITA (excluding incidentals and amortization of other intangibles and including restructuring costs). KPN defines capital employed as the carrying amount of operating assets and liabilities, which excludes goodwill and the other intangibles.

All market share information in this financial report is based on management estimates based on externally available information, unless indicated otherwise. For a full overview on KPN's non-financial information, reference is made to KPN's quarterly factsheets available on ir.kpn.com.

Forward-looking statements

Certain statements contained in this financial report constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the impact of regulatory initiatives on KPN's operations, KPN's and its joint ventures' share of new and existing markets, general industry and macro-economic trends and KPN's performance relative thereto and statements preceded by, followed by or including the words "believes", "expects", "anticipates", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" or similar expressions. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside KPN's control that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the Integrated Annual Report 2022. All forward-looking statements and ambitions stated in this financial report that refer to a growth or decline, refer to such growth or decline relative to the situation per 31 December 2022, unless stated otherwise.